

**AMENDED AGENDA
(Agenda Item 3.E Amended)**

TRACY CITY COUNCIL

REGULAR MEETING AGENDA

Tuesday, April 5, 2022, 7:00 P.M.

Tracy City Hall Chambers, 333 Civic Center Plaza, Tracy

Web Site: www.cityoftracy.org

THIS MEETING WILL BE OPEN TO THE PUBLIC FOR IN-PERSON AND REMOTE PARTICIPATION PURSUANT TO GOVERNMENT CODE SECTION 54953(e).

THIS MEETING WILL BE OPEN TO THE PUBLIC FOR IN-PERSON AND REMOTE PARTICIPATION. IN ACCORDANCE WITH THE CALIFORNIA DEPARTMENT OF PUBLIC HEALTH GUIDELINES, UNIVERSAL MASKING IS RECOMMENDED FOR ALL PERSONS REGARDLESS OF VACCINATION STATUS.

MEMBERS OF THE PUBLIC MAY PARTICIPATE REMOTELY IN THE MEETING VIA THE FOLLOWING METHOD:

As always, the public may view the City Council meetings live on the City of Tracy's website at CityofTracy.org or on Comcast Channel 26/AT&T U-verse Channel 99. To view from the City's website, open the "Government" menu at the top of the City's homepage and select "[City Council Meeting Videos](#)" under the "City Council" section.

If you only wish to watch the meeting and do not wish to address the Council, the City requests that you stream the meeting through the City's website or watch on Channel 26.

Remote Public Comment:

During the upcoming City Council meeting public comment will be accepted via the options listed below. If you would like to comment remotely, please follow the protocols below:

- *Comments via:*
 - **Online by visiting** <https://cityoftracyevents.webex.com> and using the following **Event Number: 2554 947 6596** and **Event Password: TracyCC**
 - ***If you would like to participate in the public comment anonymously***, you may submit your comment in WebEx by typing "Anonymous" when prompted to provide a First and Last Name and inserting Anonymous@example.com when prompted to provide an email address.
 - **Join by phone by dialing +1-408-418-9388, enter 25549476596#8722922#** Press *3 to raise the hand icon to speak on an item.

- *Protocols for commenting via WebEx:*
 - *If you wish to comment on the "Consent Calendar", "Items from the Audience/Public Comment" or "Regular Agenda" portions of the agenda:*
 - *Listen for the Mayor to open that portion of the agenda for discussion, then raise your hand to speak by clicking on the Hand icon on the Participants panel to the right of your screen.*
 - *If you no longer wish to comment, you may lower your hand by clicking on the Hand icon again.*

Date Posted: April 1, 2022

- *Comments for the “Consent Calendar” “Items from the Agenda/Public Comment” or “Regular Agenda” portions of the agenda will be accepted until the public comment for that item is closed.*

Comments received on Webex outside of the comment periods outlined above will not be included in the record.

Americans With Disabilities Act - The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in Council meetings. Persons requiring assistance or auxiliary aids should call City Hall (209/831-6105) 24 hours prior to the meeting.

Addressing the Council on Items on the Agenda - The Brown Act provides that every regular Council meeting shall provide an opportunity for the public to address the Council on any item within its jurisdiction before or during the Council's consideration of the item, provided no action shall be taken on any item not on the agenda. To facilitate the orderly process of public comment and to assist the Council to conduct its business as efficiently as possible, members of the public wishing to address the Council are requested to, but not required to, hand a speaker card, which includes the speaker's name or other identifying designation and address to the City Clerk prior to the agenda item being called. Generally, once the City Council begins its consideration of an item, no more speaker cards will be accepted. An individual's failure to present a speaker card or state their name shall not preclude the individual from addressing the Council. Each citizen will be allowed a maximum of five minutes for input or testimony. In the event there are 15 or more individuals wishing to speak regarding any agenda item including the “Items from the Audience/Public Comment” portion of the agenda and regular items, the maximum amount of time allowed per speaker will be three minutes. When speaking under a specific agenda item, each speaker should avoid repetition of the remarks of the prior speakers. To promote time efficiency and an orderly meeting, the Presiding Officer may request that a spokesperson be designated to represent similar views. A designated spokesperson shall have 10 minutes to speak. At the Presiding Officer's discretion, additional time may be granted. The City Clerk shall be the timekeeper.

Consent Calendar - All items listed on the Consent Calendar are considered routine and/or consistent with previous City Council direction. One motion, a second, and a roll call vote may enact the items listed on the Consent Calendar. No separate discussion of Consent Calendar items shall take place unless a member of the City Council, City staff or the public request discussion on a specific item.

Addressing the Council on Items not on the Agenda – The Brown Act prohibits discussion or action on items not on the posted agenda. The City Council's Meeting Protocols and Rules of Procedure provide that in the interest of allowing Council to have adequate time to address the agenda items of business, “Items from the Audience/Public Comment” following the Consent Calendar will be limited to 15-minutes maximum period. “Items from the Audience/Public Comment” listed near the end of the agenda will not have a maximum time limit. A five-minute maximum time limit per speaker will apply to all individuals speaking during “Items from the Audience/Public Comment”. For non-agenda items, Council Members may briefly respond to statements made or questions posed by individuals during public comment; ask questions for clarification; direct the individual to the appropriate staff member; or request that the matter be placed on a future agenda or that staff provide additional information to Council. When members of the public address the Council, they should be as specific as possible about their concerns. If several members of the public comment on the same issue an effort should be made to avoid repetition of views already expressed.

Notice - A 90 day limit is set by law for filing challenges in the Superior Court to certain City administrative decisions and orders when those decisions or orders require: (1) a hearing by law, (2) the receipt of evidence, and (3) the exercise of discretion. The 90 day limit begins on the date the decision is final (Code of Civil Procedure Section 1094.6). Further, if you challenge a City Council action in court, you may be limited, by California law, including but not limited to Government Code Section 65009, to raising only those issues you or someone else raised during the public hearing, or raised in written correspondence delivered to the City Council prior to or at the public hearing.

Full copies of the agenda are available on the City's website: www.cityoftracy.org

CALL TO ORDER

PLEDGE OF ALLEGIANCE

INVOCATION

ROLL CALL

PRESENTATIONS:

1. EMPLOYEE OF THE MONTH
2. PROCLAMATION – VOLUNTEER MONTH
3. PROCLAMATION – CALIFORNIA'S ARTS, CULTURE AND CREATIVITY MONTH
4. PROCLAMATION – HONORING FORMER MAYOR
5. CERTIFICATES OF APPOINTMENT – PLANNING COMMISSION

1. CONSENT CALENDAR

- 1.A. ADOPTION OF MARCH 29, 2022 CLOSED SESSION MINUTES
- 1.B. APPROVAL OF STEELCASE FURNITURE FOR THE TRACY TRANSIT STATION AND AUTHORIZATION FOR THE PURCHASE OF FURNITURE FROM ONE WORKPLACE, OF SANTA CLARA, CALIFORNIA, IN AN AMOUNT NOT TO EXCEED \$225,000 UNDER THE CALIFORNIA MULTIPLE AWARD SCHEDULES PROGRAM
- 1.C. AWARD A CONSTRUCTION CONTRACT TO GRADE TECH, INC. OF SAN RAMON, CALIFORNIA, IN THE AMOUNT OF \$1,978,480 FOR THE TEMPORARY EMERGENCY HOUSING PROJECT ON ARBOR AVENUE, DEMOLITION, ROUGH GRADING AND UNDERGROUND UTILITIES CONSTRUCTION PHASE 1, CIP 71112, WITH A NOT-TO-EXCEED BUDGET OF \$2,473,100, AND AUTHORIZE THE CITY MANAGER TO APPROVE CHANGE ORDERS UP TO THE CONTINGENCY AMOUNT OF \$197,848, IF NEEDED

2. ITEMS FROM THE AUDIENCE

3. REGULAR AGENDA

- 3.A. APPROVE A COMMUNITY BENEFITS AGREEMENT TEMPLATE FOR COMMERCIAL CANNABIS BUSINESSES
- 3.B. APPROVE AN EMPLOYMENT AGREEMENT BETWEEN BIJAL PATEL AND THE CITY OF TRACY TO SERVE AS CITY ATTORNEY
- 3.C. CONTINUATION OF THE PUBLIC HEARING TO CONSIDER A PROPOSED INCREASE TO SOLID WASTE RATES AND APPROVAL OF RATE STUDY, DISCUSS OTHER FUNDING OPTIONS, AND ADOPT THE PROPOSED RESOLUTION INCREASING SOLID WASTE RATES AT THE CONCLUSION OF THE PUBLIC HEARING

- 3.D. PUBLIC HEARING TO CONSIDER A TIME EXTENSION OF THE DEVELOPMENT REVIEW PERMIT FOR THE TRACY ASSISTED LIVING AND MEMORY CARE FACILITY (D19-0019) LOCATED ON APPROXIMATELY 2.73 ACRES AT THE NORTHWEST CORNER OF CORRAL HOLLOW ROAD AND ALEGRE DRIVE (2050 W. GRANT LINE ROAD) – THE APPLICANT IS RACHEL MARQUIZ, MEDCORE, LLC, FOR TRACY ASSISTED LIVING, LLC; APPLICATION NUMBER EXT21-0003
- 3.E. WITH RESPECT TO THE PROPOSED FINANCING OF LEGACY FIELDS SPORTS COMPLEX, PHASE 1E:
 - 1. CITY COUNCIL HOLD A PUBLIC HEARING RELATING TO THE ISSUANCE OF LEASE REVENUE BONDS BY THE TRACY PUBLIC FINANCING AUTHORITY
 - 2. CITY COUNCIL ADOPT A RESOLUTION APPROVING THE ISSUANCE OF LEASE REVENUE BONDS BY THE TRACY PUBLIC FINANCING AUTHORITY AND RELATED DOCUMENTS AND ACTIONS
 - 3. TRACY PUBLIC FINANCING AUTHORITY BOARD OF DIRECTORS ADOPT A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LEASE REVENUE BONDS, AND APPROVING RELATED DOCUMENTS AND ACTION
- 3.F. ADOPT RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS
- 3.G. INTRODUCE AN ORDINANCE OF THE CITY OF TRACY ADOPTING A MILITARY EQUIPMENT USE POLICY PURSUANT TO CALIFORNIA ASSEMBLY BILL 481
- 4. ITEMS FROM THE AUDIENCE
- 5. STAFF ITEMS
- 6. COUNCIL ITEMS
- 7. ADJOURNMENT

TRACY CITY COUNCIL - SPECIAL MEETING MINUTES

March 29, 2022, 6:00 p.m.

Tracy City Hall, 333 Civic Center Plaza, Tracy

1. Mayor Young called the meeting to order at 6:00 p.m.
2. Roll call found Council Members Arriola, Davis and Mayor Young present. Council Member Bedolla and Mayor Pro Tem Vargas absent from roll call.
3. ITEMS FROM THE AUDIENCE – None
4. Request to Conduct Closed Session
 - A. Conference with Legal Counsel – Existing Litigation (Gov. Code Section 54956.9(d)(1))
 - i. Case Title: CITY OF TRACY v. BBS ADVENTURES, LLC (San Joaquin County Superior Court Case No. STK-CV-URP-2018-0009827)

There was no public comment.

ACTION: Motion was made by Council Member Davis and seconded by Council Member Arriola to recess to closed session. Roll call found Council Members Arriola, Davis and Mayor Young in favor; passed and so ordered. Mayor Pro Tem Vargas and Council Member Bedolla absent. Time: 6:02 p.m.

Mayor Pro Tem Vargas arrived at 6:04 p.m.

Council Member Bedolla arrived at 6:07 p.m.

5. Reconvene to Open Session – Time: 6:29 p.m.
6. Report of Final Action – There was no reportable new action. Council is continuing to stay on course already in place to enforce the judgement.
7. Council Items and Comments – None
8. Adjournment – Time: 6:30 p.m.

ACTION: Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Arriola to adjourn. Roll call found all in favor; passed and so ordered.

The agenda was posted at City Hall on March 24, 2022. The above are action minutes.

ATTEST:

Mayor

City Clerk

AGENDA ITEM 1.B

REQUEST

APPROVAL OF STEELCASE FURNITURE FOR THE TRACY TRANSIT STATION AND AUTHORIZATION FOR THE PURCHASE OF FURNITURE FROM ONE WORKPLACE, OF SANTA CLARA, CALIFORNIA, IN AN AMOUNT NOT TO EXCEED \$225,000 UNDER THE CALIFORNIA MULTIPLE AWARD SCHEDULES PROGRAM

EXECUTIVE SUMMARY

The Tracy Transit Station is currently under construction to increase office space and refresh the existing conference rooms and is scheduled to be completed by the end of the fiscal year. This building houses City employees from the Parks & Recreation Department working in the Transit Division, as well as contractor staff who operate the TRACER bus system.

The new office layout will require new furniture to accommodate the revised workspaces and provide better functionality and storage for the offices. New tables and chairs will also be purchased for the conference rooms. The City is able to make this purchase through the California Multiple Award Schedules (CMAS) program, which is available for state and local agencies to use without having to go out to bid.

DISCUSSION

The Tracy Transit Station was completed in February 2010 and has been in operation for over 12 years. The current operation has outgrown the existing office space and the facility is currently under construction reconfigure the office layout and create additional office space. It is scheduled to be completed by the end of the fiscal year. This building houses three City employees from the Parks & Recreation Department's Transit Division as well as the contractor staff who operates the TRACER bus system.

After completion of construction, the workspaces will need to be furnished. Staff developed the furniture layout with One Workplace of Santa Clara, California, using Steelcase Furniture, which is consistent in quality and appearance with other city facilities, including City Hall, Support Services, Fire Administration, and Grand Theatre buildings. In addition, Steelcase Furniture can be purchased at a competitive bid price through the California Multiple Award Schedules (CMAS) program, which is available for state and local agencies to use without having to go out to bid.

Tracy Municipal Code section 2.20.220 allows for voluntary participation in a cooperative purchasing agreement with other governmental agencies provided that the "contract and bidding procedures to be followed in such cases shall be those specifically enumerated in the voluntary cooperative purchasing agreement program." The CMAS is only available to state and local governmental agencies and no bidding is required as all products and/or services offered must have been previously bid and awarded on a Federal General Services Administration (GSA) multiple award schedule.

Staff from One Workplace assisted in the development of design and selection for the proposed furniture. The proposed purchase includes furniture for offices, conference

rooms, and lobby areas to fully furnish the Tracy Transit Station. Furniture will include items such as desks, conference room tables, conference room chairs, and seating for the lobby. The estimated cost to provide this furniture including design services, delivery, installation, and project management by One Workplace is \$205,000. It is recommended to also authorize a contingency in the amount of \$20,000, which is approximately 10% of the estimated cost. This contingency will provide flexibility to accommodate field changes to furniture needs during installation or delivery of the furniture.

STRATEGIC PLAN

This agenda item is a routine operational item and does not relate to the Council's Strategic Plans.

FISCAL IMPACT

There are available funds in the approved Capital Improvement Project (CIP #77584) and there will be no impact to General Fund.

RECOMMENDATION

That City Council, by resolution, approve Steelcase as the manufacturer of furniture for the Tracy Transit Station and authorize the purchase of furniture from One Workplace of Santa Clara, CA, for the Tracy Transit Station in an amount not to exceed \$225,000 under the California Multiple Award Schedules program.

Prepared by: Ed Lovell, Transit Manager

Reviewed by: Brian MacDonald, Parks & Recreation Director
Karin Schnaider, Finance Director
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

RESOLUTION 2022-_____

APPROVING STEELCASE FURNITURE FOR THE TRACY TRANSIT STATION AND AUTHORIZATION FOR THE PURCHASE OF FURNITURE FROM ONE WORKPLACE, OF SANTA CLARA, CALIFORNIA, IN AN AMOUNT NOT TO EXCEED \$225,000 UNDER THE CALIFORNIA MULTIPLE AWARD SCHEDULES PROGRAM

WHEREAS, The Tracy Transit Station is currently under construction to increase the available office space due to increased operations, and

WHEREAS, Furniture is needed for the revised office space layout and to replace old existing furniture, and

WHEREAS, The estimated cost to provide this furniture including design services, delivery, installation and project management by One Workplace is \$205,000, and

WHEREAS, It is recommended to include a contingency in the amount of \$20,000, which is approximately 10% of the estimated cost, and

WHEREAS, There are available funds in the approved Capital Improvement Project (CIP #77584) for the purchase of the furniture, and

WHEREAS, The City of Tracy is eligible to purchase furniture through the State of California's California Multiple Award Schedule program;

NOW, THEREFORE, BE IT RESOLVED, That City Council approve Steelcase as the manufacturer of furniture for the Tracy Transit Station and authorize the purchase of furniture from One Workplace of Santa Clara, CA, for the Tracy Transit Station in an amount not to exceed \$225,000 under the California Multiple Award Schedules program.

* * * * *

The foregoing Resolution 2022-_____ was adopted by the Tracy City Council on the 5th day of April 2022, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 1.C

REQUEST

AWARD A CONSTRUCTION CONTRACT TO GRADE TECH, INC. OF SAN RAMON, CALIFORNIA, IN THE AMOUNT OF \$1,978,480 FOR THE TEMPORARY EMERGENCY HOUSING PROJECT ON ARBOR AVENUE, DEMOLITION, ROUGH GRADING AND UNDERGROUND UTILITIES CONSTRUCTION PHASE 1, CIP 71112, WITH A NOT-TO-EXCEED BUDGET OF \$2,473,100, AND AUTHORIZE THE CITY MANAGER TO APPROVE CHANGE ORDERS UP TO THE CONTINGENCY AMOUNT OF \$197,848, IF NEEDED

EXECUTIVE SUMMARY

City staff requests that City Council award a construction contract for the Temporary Emergency Housing Project on Arbor Avenue, Demolition, Rough Grading and Underground Utilities Construction Phase 1 (“Project”) in the amount of \$1,978,480 to Grade Tech, Inc. with a not-to-exceed budget of \$2,473,100 and authorize the City Manager to approve change orders up to the Contingency Amount of \$197,848, if needed.

DISCUSSION

On September 1, 2020, Council authorized the creation of a Capital Improvement Project (CIP) for the Temporary Emergency Housing Project on Arbor Avenue, CIP 71112 (Project), to create a safe and dignified facility for residents experiencing homelessness.

In order to expedite the beginning of work, the project construction work was divided into a preliminary phase (Phase 1) of demolition, rough grading and installation of underground utilities, design work that City staff could prepare in house, and a secondary phase (Phase 2) of full site construction and development that required the work of the design consultant, The KPA Group, LLC (Consultant).

Phase 1 of the Project was advertised for competitive bids on December 17, 2021 and December 24, 2021. Bids were received and publicly opened via online video conference call at 2:00 p.m. on Wednesday, January 19, 2022, with the following results:

Contractor	Base Bid
Grade Tech, Inc.	1,978,480

Bid analysis indicates that the lowest monetary bid is responsive and the bidder, Grade Tech, Inc. of San Ramon, California, is responsible. The bidder has the appropriate contractor’s license in active standing with the State of California and has completed similar projects.

Although only a single bid was received, rebidding the project would not guarantee a reduction in the overall project cost due to the current demand for construction services and it is not anticipated that the demand for construction work will decrease in the near future.

The total estimated cost of this Project, if awarded to the lowest bidder, is as follows:

Construction Bid	\$1,978,480
Construction Management (10%)	\$197,848
Design Support During Construction (5%)	\$98,924
Contingency (10%)	\$197,848
Total Project Construction Cost	\$2,473,100

Tracy Municipal Code Section 2.20.090(b) authorizes the City Manager to approve change orders up to the contingency amount approved by Council. City staff recommends the contingency amount for this project to be \$197,848, which is 10% of the construction contract cost.

STRATEGIC PLAN

This agenda item supports the City of Tracy’s Quality of Life Strategic Priority.

FISCAL IMPACT

The estimated project cost is \$2,473,100 and will be funded by CIP 71112 Temporary Emergency Housing Project on Arbor Avenue. CIP 71112 has a current available budget of \$3,390,316 as follows:

Fund	Budget	Expense	Balance
252 - ARPA	\$ 3,109,000	\$ 42,748	\$ 3,066,252
261 - Grant	\$ 329,400	\$ 50,999	\$ 278,402
268 - CDBG	\$ 100,000	\$ 54,338	\$ 45,662
282 - Housing Successor	\$ 690,000	\$ 690,000	\$ -
Total Balance			\$ 3,390,316

RECOMMENDATION

That City Council, by resolution, award a construction contract to Grade Tech, Inc. of San Ramon, California, in the amount of \$1,978,480 for the Temporary Emergency Housing Project on Arbor Avenue, Phase 1 Demolition, Rough Grading and Underground Utilities, CIP 71112, with a not-to-exceed budget of \$2,473,100 for design support, award of contract, construction management, and contingency, and authorize the City Manager to approve change orders up to the specified project contingency amount of \$197,848, if needed.

Prepared by: Ilene Macintire, PE, Senior Civil Engineer

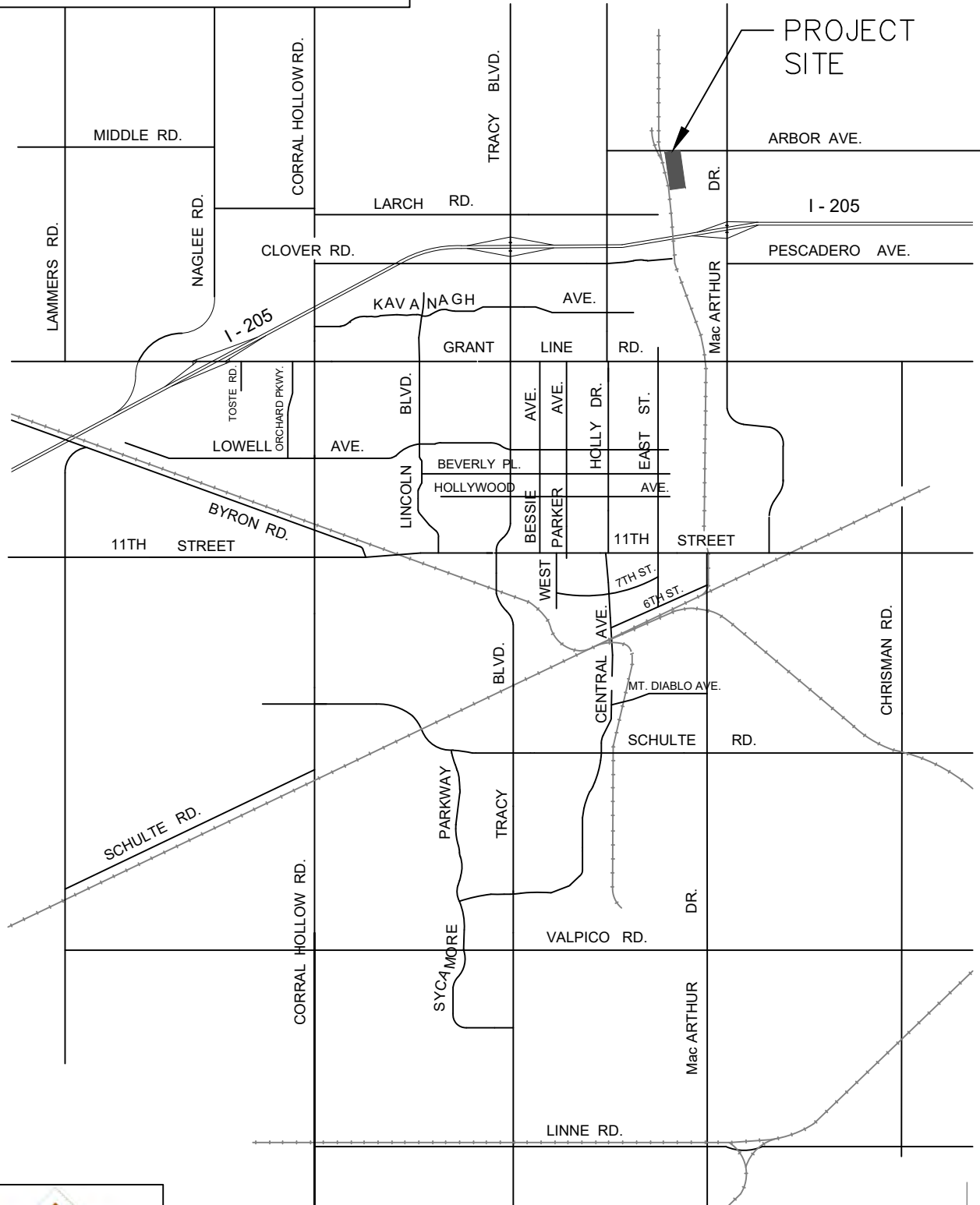
Reviewed by: Robert Armijo, PE, City Engineer/Assistant Development Services Director
 Karin Schnaider, Finance Director
 William Dean, Interim Development Services Director
 Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

Attachment A – Location Map

CITY OF TRACY



TEMPORARY EMERGENCY HOUSING PROJECT
 ON ARBOR AVENUE
 CIP #71112
 LOCATION MAP



NOT TO SCALE

RESOLUTION 2022-_____

AWARDING A CONSTRUCTION CONTRACT TO GRADE TECH, INC. OF SAN RAMON, CALIFORNIA, IN THE AMOUNT OF \$1,978,480 FOR THE TEMPORARY EMERGENCY HOUSING PROJECT ON ARBOR AVENUE, DEMOLITION, ROUGH GRADING AND UNDERGROUND UTILITIES CONSTRUCTION PHASE 1, CIP 71112, WITH A NOT-TO-EXCEED BUDGET OF \$2,473,100, AND AUTHORIZING THE CITY MANAGER TO APPROVE CHANGE ORDERS UP TO THE CONTINGENCY AMOUNT OF \$197,848, IF NEEDED

WHEREAS, The Temporary Emergency Housing Project on Arbor Avenue, CIP 71112, is an approved project, and

WHEREAS, The first phase of the project was advertised for competitive bids on December 17, 2021, and December 24, 2021. One (1) bid was received and publicly opened via Tele-Conference at 2:00 p.m., on January 19, 2022 with the following results:

<u>Contractor</u>	<u>Base Bid</u>
Grade Tech, Inc. of San Ramon, CA	\$1,978,480

WHEREAS, Grade Tech, Inc. of San Ramon, California was the apparent low bidder, and

WHEREAS, The bid analysis indicates their bid is “responsive” and the bidder is “responsible,” and

WHEREAS, Tracy Municipal Code Section 2.20.090(b) authorizes the City Manager to approve change orders up to the contingency amount approved by City Council, and

WHEREAS, The recommended contingency amount for this project is \$197,848, or 10% of the contract, and

WHEREAS, The City Council has authorized a not to exceed budget for CIP of \$1,144,522; including design, award of contract, construction management, and contingency;

Construction Bid	\$1,978,480
Construction Management (10%)	\$197,848
Design Support During Construction (5%)	\$98,924
Contingency @ 10%	\$197,848
Total Project Cost	\$2,473,100

NOW, THEREFORE BE IT RESOLVED, That the City Council of the City of Tracy hereby awards a construction contract to Grade Tech, Inc, of San Ramon, California in the amount of \$1,978,480 for the Temporary Emergency Housing Project on Arbor Avenue, Demolition, Rough Grading and Underground Utilities Construction Phase 1, CIP 71112, with a not-to-exceed budget of \$2,473,100 and authorizes the City Manager to approve change orders up to the contingency amount of \$197,848, if needed.

The foregoing Resolution 2022-_____ was adopted by the Tracy City Council on the 5th day of April 2022, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 3.A

REQUEST

APPROVE A COMMUNITY BENEFITS AGREEMENT TEMPLATE FOR COMMERCIAL CANNABIS BUSINESSES

EXECUTIVE SUMMARY

This agenda item, with City Council approval would create a template Community Benefit Agreement for commercial cannabis businesses, and authorize the City Manager to execute said agreements.

DISCUSSION

Council adopted regulations for the establishment of cannabis businesses in 2020, including ordinances as well as application guidelines. The regulations established by Council require that community benefits be a part of a qualifying application, with various options provided for applicants for providing said benefits. These guidelines state that prior to commencing any cannabis operation, a Community Benefit Agreement or a Development Agreement must be executed between the permit holder and the City to ensure the completion of the community benefit.

A template Community Benefit Agreement has been drafted (Exhibit 1 to Attachment A) for Council approval. Approval of such a template, with the authority for the City Manager to execute the agreements will allow for the processing of these agreements to occur quickly so as not to delay any potential cannabis applicants from commencing business in a timely manner once all their other permits are in place.

STRATEGIC PLAN

This agenda item is a routine operational item and is not related to the City Council's Strategic Plans.

FISCAL IMPACT

The approval of the template agreement itself will have no fiscal impact on the City. The cannabis businesses themselves are expected to produce revenue for the City as previously discussed during the establishment of cannabis regulations.

RECOMMENDATION

Staff recommends that the City Council approve the template Community Benefit Agreement, and authorize the City Manager to execute the agreements.

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Prepared by: Victoria Lombardo, Senior Planner

Reviewed by: Bill Dean, Interim Development Services Director
Karin Schnaider, Finance Director
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

Attachment A - Template for Community Benefits Agreement for commercial cannabis businesses

**CITY OF TRACY COMMERCIAL CANNABIS
COMMUNITY BENEFITS AGREEMENT**

This Community Benefits Agreement (“Agreement”) is made and entered into as of _____ (the “Effective Date”) between the **CITY OF TRACY**, a California municipal corporation (“City”), and **[Applicant]**, a California **[Insert business type]** (“Permittee”). City and Permittee are hereinafter collectively referred to as the “Parties,” and singularly as “Party.”

RECITALS

WHEREAS, Tracy Municipal Code (“TMC”) Chapter 6.36, Commercial Cannabis Activity, establishes regulations for commercial cannabis activity in the City of Tracy; and

WHEREAS, the City Council has previously adopted Cannabis Business Permit Application Procedures and Guidelines (the “Regulations”), which were most recently amended by Resolution _____; and

WHEREAS, pursuant to the Regulations, the City accepted applications from entities interested in obtaining a cannabis businesses permits; and

WHEREAS, as part of the application process, Permittee submitted a community benefits proposal that described and quantified the community benefits that would be offered by the Permittee and how such benefits facilitated or better furthered one or more of the City Council’s adopted strategic priorities (the “Community Benefits Proposal”); and

WHEREAS, the Permittee had the sole authority and discretion to determine what to include in its Community Benefits Proposal, and the City made no changes or adjustments to the Permittee’s submitted Community Benefits Proposal; and

WHEREAS, pursuant to TMC Section 6.36.060, on **[Insert date]**, the City’s Chief of Police awarded a Commercial Cannabis Permit (“Permit”) to Permittee, to operate a **[Insert cannabis business type/description]** (“Business”) which will be located at **[Insert business address]**; and

WHEREAS, prior to commencing operations of the Business, the Regulations require the Permittee to enter into a community benefits agreement ensuring completion of the Business’ community benefits; and

WHEREAS, at Permittee’s sole election, the Permittee is required to provide either: 1) the community benefits originally identified in the Community Benefits Proposal, 2) the community benefits contained in a new community benefit proposal prepared by the Permittee, or 3) a financial contribution based on an established formula in the Regulations (the “Alternative Financial Contribution”); and

WHEREAS, Permittee is not required to provide the Alternative Financial Contribution, and Permittee has the absolute right to instead provide the community benefits voluntarily identified in its original Community Benefits Proposal; and

WHEREAS, Permittee has elected to provide the [the Alternative Financial Contribution/the community benefits identified in its Community Benefits Proposal]; and

WHEREAS, the Permittee and City desire to enter into this Agreement in order to memorialize the terms of the Permittee’s community benefit obligations; and

WHEREAS, the Parties acknowledge that this Agreement is not a statutory development agreement authorized by Government Code section 65864 and that this Agreement confers no entitlement or vested rights of any kind to Permittee to operate a cannabis business.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and obligations set forth herein, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Incorporation of Recitals.

The recitals and defined terms set forth above are hereby incorporated into this Agreement.

2. Description of Business.

Permittee has been awarded a Commercial Cannabis Permit dated [redacted] to operate the Business at [Insert business address]. The Business consists of a [insert a description of the Business].

3. Effective Date and Term.

This Agreement shall commence on the Effective Date and remain in effect until the expiration, termination, or revocation of Permittee’s Commercial Cannabis Permit, unless sooner terminated as provided for herein.

4. Fees and Community Benefit.

[choose the appropriate Section 4.1]

4.1 Community Benefits. Permittee agrees to provide all of the community benefits contained in its Community Benefits Proposal, a copy of which is attached hereto as Exhibit A and incorporated herein by reference. Permittee shall not change any term or proposal contained in the Community Benefits Proposal without the prior written consent of the City, which the City may withhold or grant at its sole discretion.

4.1 Community Benefits. Permittee agrees to provide a financial contribution to the City equal to one and one-half percent (1.5%) of the gross receipts of the Business to be used to further the Council’s strategic priorities (the “Alternative Financial Contribution”). The amount of the Alternative Financial Contribution shall be decreased by one-quarter of one percent (0.25%) for every additional cannabis business of similar type over four (4) that commences regular legal operations in the City of Tracy. However, in no case shall the Alternative Financial Contribution be less than three-quarters of one percent (0.75%) of the Permittee’s gross receipts.

For the purposes of this Section, the number of permits shall be established on the first day of every fiscal quarter. Permittee shall submit this Alternative Financial Contribution to the City's Finance Director by the last business day of each subsequent quarter during the Term of this Agreement.

4.2 Reporting of Gross Receipts. No later than the last business day of each subsequent quarter during the Term of this Agreement, Permittee shall deliver to City a report showing the Business's gross receipts from operations for the immediate prior quarter, and a cumulative total of all amounts of gross receipts received by the Business for the calendar year ("Quarterly Report"). [The Quarterly Report shall include any other information necessary for the City to confirm Permittee's compliance with its Community Benefits Proposal. For example, if the Community Benefits Proposal states the Business will provide a minimum number of annual volunteer hours, each Quarterly Report should contain a description of the number of volunteer hours provided and location of volunteer activities.]

4.3 Statements of Receipts. Permittee shall keep complete, accurate, and appropriate books and records of all receipts from the Business's operations in accordance with generally accepted accounting principles ("Books and Records"). Books and Records shall include any other documents, records, or reports necessary to establish the Permittee's compliance with Section 4.1. Books and Records, as well as all other relevant documents as City reasonably requires, shall, upon reasonable written notice, be open for inspection by City, its auditors, or other authorized representatives. If at any time during the Agreement, such Books and Records are deemed inadequate in the reasonable judgment of City, Permittee shall, upon the written notice of City, be given a one quarter period (three months) to cure such inadequacies. If, in the reasonable judgment of the City, Permittee has not cured the Books and Records inadequacies, City shall consider Permittee to be in default of this Agreement, and may choose to terminate this Agreement.

4.4 Audit of Receipts. City shall have the right to audit and examine Permittee's Books and Records, and other relevant documents and items in Permittee's possession, but only to the extent necessary for a proper determination of gross receipts from operations. Upon written request by City, Permittee shall make all such records available to the City within thirty (30) days of City's request.

4.5 Retention of Receipts. Permittee shall preserve Audit Items in the City for a period of at least five (5) years.

4.6 Additional Payments Revenue Mechanisms. The Parties agree and acknowledge that the provision of community benefits by Permittee pursuant to Section 4.1 of this Agreement shall be in addition to any payments, taxes, charges, or fees the Permittee is legally required to make as a resulting of operating the Business, whether imposed by the City or other governmental agency.

5. No Vested Rights.

The Parties acknowledge and agree that this Agreement is not a statutory development agreement authorized by Government Code section 65864. This Agreement confers no entitlement or vested rights of any kind to Permittee to operate the Business, or engage in any commercial cannabis activity.

6. Voluntary Agreement.

[Chose applicable section]

The Permittee acknowledges and agrees that it freely and voluntarily elected to provide the Alternative Financial Contribution rather than provide the community benefits contained in its Community Benefit Proposal. Each of the Parties has had an equal opportunity to participate in the negotiating and drafting of this Agreement, and to review the Agreement with legal counsel; therefore, any construction as against the drafting party shall not apply to this Agreement.

or

The Permittee acknowledges and agrees that it has the sole authority and discretion to determine what to include in its Community Benefits Proposal, and the City made no changes or adjustments to the Permittee's submitted Community Benefits Proposal. Each of the Parties has had an equal opportunity to participate in the negotiating and drafting of this Agreement, and to review the Agreement with legal counsel; therefore, any construction as against the drafting party shall not apply to this Agreement.

7. Defaults.

Notwithstanding other provisions of this Agreement, any failure by either Party to perform any term or provision of this Agreement, which failure continues uncured for a period of thirty (30) days following written notice of such failure from the other Party ("the Complaining Party") (unless such period is extended by mutual written consent), shall constitute a default under this Agreement. The Complaining Party's notice ("Default Notice") shall specify the nature of the alleged failure, and may specify the manner in which the failure satisfactorily may be cured by the other Party ("the Defaulting Party"). If the nature of the alleged failure is such, that it cannot reasonably be cured within such thirty (30) day period, then no default shall be deemed to have occurred if: (a) the cure shall be commenced at the earliest practicable date following receipt of the Default Notice; (b) the cure is diligently prosecuted to completion at all times thereafter; (c) at the earliest practicable date (if no event later than thirty (30) days after the Defaulting Party's receipt of the Default Notice), the Defaulting Party provides written notice to the Complaining Party that the cure cannot practicably be completed within such thirty (30) day period; and (d) the cure is completed at the earliest practicable date.

Upon the occurrence of a default under this Agreement, the Complaining Party may, in addition to any and all other rights or remedies of the Complaining Party hereunder and/or provided by law, shall have the right to: i) terminate this Agreement, or ii) commence an action against the Defaulting Party for damages, injunction and/or specific performance.

No remedy specified in this Section shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy provided hereunder or now or hereafter existing at law or in equity or by statute, and every power and remedy provided by this Agreement may be exercised from time to time and as often as occasion may arise or as may be deemed expedient, subject to any limitations set forth herein.

8. Indemnity.

Permittee shall indemnify, defend, and hold harmless to the fullest extent permitted by law, City and its officers, officials, employees, consultants, attorneys, and volunteers (“Indemnitees”) from and against any and all claims, liability, loss, damage, expense, costs (including without limitation costs and fees of litigation) of every nature arising out of or in connection with the Business, this Agreement, or the Business’s property (including any challenge to the validity of any provision of this Agreement or the Permit approvals, or Permittee’s failure to comply with any of its obligations under this Agreement, or Permittee’s failure to comply with any current or prospective law); provided; however, that Permittee shall have no obligations under this Section for such loss or damage which was caused by the sole negligence or willful misconduct of the Indemnitees. This indemnification obligation shall survive this Agreement and shall not be limited by any insurance policy, whether required by this Agreement or otherwise.

9. Waiver & Hold Harmless

Permittee waives, releases, and holds harmless the City and its officers, officials, employees, and agents from any and all actual and alleged claims, losses, damages, injuries, liabilities, costs (including attorneys’ fees), suits, or other expenses which arise out of, or which are in any way relate to this Agreement, including the enforcement of any term or condition stated herein, the issuance of the Permit, or the operation of the Business. Permittee hereby voluntarily and unconditionally waives any rights it may have to challenge this Agreement or any term contained herein.

10. Termination.

10.1 By Mutual Consent. This Agreement may be terminated in whole or in part by the mutual written consent of all the Parties.

10.2 Failure to Obtain or Maintain Required State or Local Licenses. If Permittee fails to obtain or maintain in effect all State and City licenses required for the Business, City may immediately terminate this Agreement.

10.3 State or Federal Action. In the event that State law permitting the use for which the Commercial Cannabis Permit was issued is amended or repealed resulting in the prohibition of such use, either Party may terminate this Agreement.

10.4 Surrender or Revocation of Commercial Cannabis Permit. If Permittee voluntarily surrenders their Permit, or if Permittee’s Permit is revoked by City, Permittee shall

immediately cease all operations at the Business, and this Agreement shall terminate automatically, without further action required by either Party.

10.5 Effect of Termination of Agreement on Commercial Cannabis Permit.

Permittee agrees that termination of this Agreement in accordance with this Section, shall also result in the automatic termination of the Permittee's Commercial Cannabis Permit. Upon termination of this Agreement, Permittee shall remit all payments or community benefits due as of the effective date of the termination.

11. Miscellaneous

11.1 Applicable Laws. Permittee shall at all times comply fully with all current and future laws applicable to the operation of the Business, including but not limited to the Regulations and TMC Chapter 6.36, as well as all State and City licenses and permits required for the Business's operations.

11.2 Assignment. Permittee may not transfer or assign its interests under this Agreement, in whole or in part, without the prior written consent of the City, which may be withheld for any reason.

11.3 Notices. All notices required by this Agreement shall be in writing and personally delivered or sent by certified mail, postage prepaid, return receipt requested to the following addresses:

Notice to City shall be addressed as follows:

City of Tracy
Attn: [Address]
333 Civic Center Drive
Tracy, CA 95376

Notice to Permittee shall be addressed as follows:

[Insert Permittee's address]

11.4 Severability. If any term, condition, or covenant of this Agreement is declared or determined by any court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this Agreement shall not be affected, and the remaining provisions of the Agreement shall be read and construed without the invalid, void, or unenforceable provision(s).

11.5 No Implied Waiver of Breach. The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

11.6 **No Third Party Beneficiaries.** The Parties do not intend to create, and nothing in this Agreement shall be construed to create any benefit or right in any third party.

11.7 **Governing Law and Forum.** This Agreement shall be construed in accordance with the laws and judicial decisions of the State of California, and venue or any legal or equitable action shall be in the state or federal courts of County of San Joaquin.

11.8 **No Agency, Joint Venture, or Partnership.** City and Permittee hereby renounce the existence of any form of agency relationship, joint venture, or partnership between City and Permittee, and agree that nothing contained herein or in any document executed in connection herewith shall be construed as creating any such relationship between City and Permittee.

11.9 **Entire Agreement.** The provisions of this Agreement comprise all of the terms, conditions, agreements and representations of the Parties. This Agreement may not be altered or amended, and no provision hereof may be waived, except by written agreement executed by the authorized representatives of the Parties. The Parties hereby agree that terms of this Agreement have not been changed, modified, or expanded by any oral agreements or representations entered into or made prior to or at the execution of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates set forth below.

**CITY OF TRACY,
a municipal corporation**

**[Insert Business Name], a [Insert business
type (LLC, Corp. etc.)]**

By: _____

By: _____

Dated: _____

Name: _____

Its: _____

Dated: _____

Attest:

City Clerk

Approved as to form:

City Attorney

EXHIBIT A
COMMUNITY BENEFITS PROPOSAL
[If Applicable]

5052221.2

RESOLUTION 2022-_____

APPROVING TEMPLATE FOR COMMUNITY BENEFITS AGREEMENT FOR CANNABIS BUSINESSES

WHEREAS, In 2019, Council adopted Tracy Municipal Code regulations and application guidelines, since amended in 2020 and 2021, for the establishment of commercial cannabis businesses, and

WHEREAS, For all cannabis businesses, options were established for the required provision of community benefits, with the applicants to decide how to provide their community benefits, and

WHEREAS, A requirement of all Cannabis Business Permits is that cannabis business owners enter into either a Development Agreement or Community Benefits Agreement to establish the requisite community benefits prior to commencing their cannabis business operations, and

WHEREAS, On April 5, 2022, City Council reviewed a template agreement (Exhibit 1) for the provision of community benefits related to Cannabis Business Permits;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby approves the template for Community Benefits Agreements for Cannabis Businesses, as indicated in Exhibit 1 to this Resolution, and authorizes the City Manager to execute the agreements.

The foregoing Resolution 2022-_____ was adopted by the Tracy City Council on the 5th day of April 2022, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 3.B

REQUEST

APPROVE AN EMPLOYMENT AGREEMENT BETWEEN BIJAL PATEL AND THE CITY OF TRACY TO SERVE AS CITY ATTORNEY

EXECUTIVE SUMMARY

This item is on the agenda to allow the City Council to consider the approval of an at-will Employment Agreement between Bijal Patel and the City of Tracy to serve as the City Attorney.

DISCUSSION

The recruiting firm of Koff & Associates was retained to conduct a recruitment and selection process for the City Attorney position. After an extensive search and recruitment effort, Bijal Patel was selected as the preferred candidate from a pool of candidates to be Tracy's new City Attorney.

Currently Ms. Patel is serving as Special Counsel for the City of Oakland's Howard Terminal Project at the Port of Oakland. She has previously served as the Deputy Director of Property Development and Management for the Santa Clara Valley Transportation Authority (VTA) and Deputy City Attorney of the Port of San Francisco Team for the City of San Francisco City Attorney's Office. Ms. Patel has nearly twenty years of experience providing legal counsel to government agencies in addition to experience in the private sector. She holds a master's degree in City Planning from University of California, Berkley and a bachelor's degree in Accounting and Speech from Houston Baptist University in Houston.

Under the proposed at-will employment agreement, Ms. Patel will:

- Begin employment as City Attorney effective April 25, 2022;
- Receive an initial base annual salary of \$241,000; and five (5%) of base salary paid into a deferred compensation account;
- Receive retirement benefits provided through California Public Employees' Retirement System ("CalPERS"). The benefit formula will be dependent on hire date and member status in CalPERS;
- Receive the same health, dental, vision, disability and life insurance benefits provided to Department Heads;
- Accrue 96 hours of sick leave per year, prorated per pay period.

- Accrue Management Leave in accordance with the Department Head Compensation and Benefit Plan;
- Accrue all leave, without limit, and compensated for unused accrued vacation at the base rate of pay on the date of separation. Entitled to “buy back” vacation and Management Leave as permitted under the Department Heads Compensation and Benefits Plan;
- Receive the same monthly car allowance as provided in the Department Head Compensation and Benefit Plan; and
- Receive nine (9) month severance unless she voluntarily resigns or retires.

STRATEGIC PLAN

This agenda item is a routine operational item and is not related to the City Council's Strategic Plans.

FISCAL IMPACT

There are sufficient budgeted funds to pay the salary and benefits for the City Attorney position.

RECOMMENDATION

That the City Council, by resolution, approve an Employment Agreement between Bijal Patel and the City of Tracy to serve as City Attorney.

Prepared by: Kimberly Murdaugh, Director of Human Resources

Reviewed by: Karin Schnaider, Finance Director
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

Attachments:

A - Proposed Employment Agreement – Bijal Patel

EMPLOYMENT AGREEMENT
BETWEEN
BIJAL PATEL AND THE CITY OF TRACY

This Agreement (hereinafter "Agreement") is made and entered into between the City of Tracy, a municipal corporation ("CITY"), and BIJAL PATEL, an individual ("EMPLOYEE"), both of whom agree as follows:

RECITALS:

- A. The City Council has conducted an extensive recruitment process for the City Attorney position and has carefully evaluated EMPLOYEE's knowledge, experience, administrative skills and abilities and has decided to appoint EMPLOYEE to the position of City Attorney.
- B. The City desires to secure and retain the services of EMPLOYEE and to provide inducement for EMPLOYEE to remain in employment, make possible full productivity by assuring EMPLOYEE's morale and peace of mind with respect to future security, and act as a deterrent against malfeasance or dishonesty for personal gain on the part of EMPLOYEE while also providing a just means for terminating EMPLOYEE's services at such time as EMPLOYEE may be unable to fully discharge his duties due to age or disability; or when EMPLOYER may otherwise desire to terminate the EMPLOYEE.
- C. The parties have entered into this Agreement in recognition of the benefits accruing to each party. This Agreement will insure the retention of EMPLOYEE's services as City Attorney and the performance of those duties in a manner which serves the best interests of the CITY, subject to the direction of the City Council.
- D. EMPLOYEE desires employment as the City Attorney of the City of Tracy.

NOW, THEREFORE, in consideration of the faithful performance of the terms and conditions set forth below, the parties agree as follows:

Section 1: Duties.

CITY agrees to employ Bijal Patel as City Attorney of CITY as of April 25, 2022 as set forth in this Agreement, to perform the functions and duties of City Attorney.

Section 2: Term.

Except as otherwise expressly stated in this Agreement, the term of this Agreement shall be for an indefinite period of time. However, the EMPLOYEE serves at the will of City council subject to the terms of Section 6 and 8 of this agreement. EMPLOYEE may resign at any time from the EMPLOYEE's position with the CITY provided EMPLOYEE gives the CITY 30 days written notice in advance and, in which event, EMPLOYEE forgoes any right to severance pay.

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
Page 2 of 7

Section 3: Compensation and Benefits.

- A. Base Salary. The CITY agrees to pay EMPLOYEE an annual base salary of \$241,000, payable in accordance with a pre-determined schedule applicable to all CITY employees.
- B. Cost of Living Adjustments. CITY agrees to increase the base salary automatically with any Cost of Living Adjustments provided to other employees covered by the most currently adopted Department Head Compensation and Benefit Plan.
- C. Merit Increases in Compensation. CITY may increase the base salary and/or other benefits of EMPLOYEE in the amount and to the extent as the CITY may determine that it is desirable to do so on the basis of an annual performance evaluation and salary review.
- D. Health, Disability and Life Insurance Benefits. Upon commencement of employment, EMPLOYEE is entitled to receive the same health, dental, vision, disability and life insurance benefits provided to other employees covered by the most currently adopted Department Heads Compensation and Benefits Plan.
- E. Car Allowance. EMPLOYEE is entitled to receive a car allowance of \$500 per month, prorated per pay period.
- F. Cell Phone Allowance. During the duration of EMPLOYEE's employment with CITY, EMPLOYEE shall be entitled, at EMPLOYEE's option, to either a Cellular Phone allowance of \$660 per year, prorated and allocated per pay period, or use, for City business, of a City-owned and paid for Cellular Phone.
- G. Management Benefit Plan. EMPLOYEE is entitled to receive an annual Management Benefit allowance in the amount of \$2,960 per calendar year to be used at EMPLOYEE's discretion for job related expenses or for professional development. The monies will be prorated and allocated per pay period and may be used for a wide variety of job related expenses, training, association memberships, computer hardware and software, conference registration and attendance, and other miscellaneous job expenses or professional development opportunities.
- H. Accrual and Use of Leave.
 - 1. Vacation Credit and Accrual. During the duration of employment with CITY, EMPLOYEE shall accrue vacation leave in the same amount as provided to other employees covered by the most currently adopted Department Heads Compensation and Benefits Plan.

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
Page 3 of 7

2. Sick Leave Credit and Accrual. EMPLOYEE shall accrue sick leave at the rate of 96 hours per year, prorated per pay period.
3. Management Leave. It is recognized that EMPLOYEE must devote a great deal of time outside the normal office hours to business of the CITY, and to that end, EMPLOYEE will be allowed to accrue and use Management Leave as contained in the most currently adopted Department Heads Compensation and Benefits Plan.

Upon commencing employment, EMPLOYEE shall be credited with a prorated amount of 120 hours of management leave for the remainder of the 2022 calendar year.

4. Use of Leave. EMPLOYEE is entitled to accrue all leave, without limit, and if EMPLOYEE's employment is terminated, either voluntarily or involuntarily, she shall be compensated for all unused accrued vacation leave at the rate of pay on the date of separation. EMPLOYEE shall be entitled to "buy back" vacation and Management Leave in the same manner as permitted for other employees covered by the most currently adopted Department Heads Compensation and Benefits Plan.
 - I. Deferred Compensation. CITY shall contribute 5% of EMPLOYEE's base salary to EMPLOYEE's 401 Plan deferred compensation.
 - J. CalPERS (California Public Employees' Retirement System). EMPLOYEE shall pay the full employee contribution share under the applicable CalPERS formula.

Section 4: Performance Evaluation.

It is mutually agreed that the adopted operating budget for each fiscal year generally contains the goals and objectives developed by the CITY. Within 90 days of the date of this Agreement, or at some other mutually agreeable time, EMPLOYEE and the City Council will meet to discuss and establish performance goals for EMPLOYEE. A facilitator selected by EMPLOYEE and agreeable to the City Council may facilitate the discussion. The fees for the facilitator shall be paid by the CITY. Thereafter, the City Council and EMPLOYEE shall meet on an annual basis to evaluate EMPLOYEE's performance. The City Council shall provide EMPLOYEE with a written performance evaluation in such format as the City Council may determine. If the City Council concludes EMPLOYEE'S job performance warrants a salary increase for merit, the Council may grant a merit adjustment in an amount determined by the Council, to be

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
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effective on a date determined by the Council. Such merit adjustments may be granted on one or more occasions during the term of this Agreement.

Section 5: General Business Expenses. CITY agrees to budget for and to pay for professional dues and subscriptions of EMPLOYEE for continuing and full participation in national, regional, state and local associations, and organizations necessary and desirable for EMPLOYEE's continued professional participation, growth, and advancement, and for the good of the CITY. CITY shall review EMPLOYEE's requests for membership, professional development, and attendant travel thereto during the normal budget review process. CITY agrees to pay all bar fees, continuing legal education fees and costs associated with maintaining the California law licenses of EMPLOYEE in good standing.

Section 6: Separation of Employment.

A. EMPLOYEE may voluntarily separate from CITY service by delivering a letter of resignation to the City Council not less than 30 days prior to the effective date of the resignation. This Agreement to provide a 30 day notice of resignation is an additional consideration for various benefits provided herein to EMPLOYEE.

B. This Agreement shall terminate immediately upon the occurrence of any of the following events:

- (i) the death of EMPLOYEE;
- (ii) the loss by EMPLOYEE of legal capacity;
- (iii) conviction of a felony;
- (iv) the willful breach of material duty by the EMPLOYEE in the course of EMPLOYEE's employment;
- (v) repeated and protracted unexcused absences from the City Attorney's office and duties; or
- (vi) conviction of an illegal act involving personal gain to EMPLOYEE; or
- (vii) is found to have committed an act resulting in disbarment or suspension from the California State Bar Association.

C. In the event of the termination of this Agreement for one of the causes enumerated in Paragraph B of this Section 6, EMPLOYEE is entitled to the compensation earned by EMPLOYEE before the date of termination as provided for in this Agreement computed pro rata up to and including that date; EMPLOYEE shall be entitled to no further compensation after the date of termination.

Section 7: Reimbursement to CITY.

In accordance with Government Code sections 53243, 53243.1 and 53243.2:

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
Page 5 of 7

- A. If EMPLOYEE is placed on paid administrative leave pending an investigation, EMPLOYEE shall reimburse the pay to CITY if EMPLOYEE is subsequently convicted of a crime involving the abuse of his office or position;
- B. If CITY pays for EMPLOYEE's legal criminal defense, EMPLOYEE shall fully reimburse the funds to the CITY if EMPLOYEE is subsequently convicted of a crime involving an abuse of EMPLOYEE'S office or position; and
- C. If this Agreement is terminated, any cash settlement related to the termination that EMPLOYEE may receive from CITY must be fully reimbursed to CITY if EMPLOYEE is subsequently convicted of a crime involving an abuse of EMPLOYEE'S office or position.

Section 8: Severance.

If EMPLOYEE involuntarily resigns or is terminated by the City Council for reasons other than those enumerated in Sections 6(A) or (B) above, EMPLOYEE is entitled to nine (9) months of severance pay.

For the purpose of this Agreement, "severance" shall include base salary, CITY'S contribution toward health benefit premiums, city paid life insurance premium and employers CALPERS retirement contributions subject to the limitations in Government code Sections 53260 and 53261. The severance pay shall be paid in a lump sum payment to EMPLOYEE by the CITY within fifteen working days after the effective date of EMPLOYEE's involuntary resignation or termination or as agreed to by CITY and EMPLOYEE. As a prerequisite for CITY paying severance pay, EMPLOYEE shall sign and deliver to CITY a separation agreement approved by CITY.

Section 9: General Provisions.

- A. Indemnification. CITY shall defend, save harmless, and indemnify EMPLOYEE against any tort, professional liability claim, or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of EMPLOYEE'S duties as City Attorney. CITY will compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered. It is expressly understood that the CITY is not responsible for any awards involving punitive damages.
- B. Bonding. CITY shall bear the full cost of any fidelity or other bonds required of the EMPLOYEE under Title 2 of the Tracy Municipal Code.
- C. Notices. Notices under this Agreement shall be given by deposit in the custody of the United States Postal Service, postage prepaid, addressed as follows:

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
Page 6 of 7

CITY OF TRACY - EMPLOYER:

City Council of the City of Tracy
Attention: Mayor
333 Civic Center Plaza
Tracy, CA 95376

With a copy to: City Manager
333 Civic Center Plaza
Tracy, CA 95376

BIJAL PATEL - EMPLOYEE:

Bijal Patel
P.O. Box 2695
Dublin, CA 94568

Alternatively, notices required under this Agreement, may be personally served in the same manner as is applicable to civil judicial practice.

D. Entire Agreement. This Agreement sets forth and establishes the entire understanding between the CITY and EMPLOYEE relating to the employment of EMPLOYEE by the CITY. Any prior discussions or representations by or between the parties are merged into this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid and binding.

E. Amendments. The parties by mutual written agreement may amend any provision of this Agreement during the life of the Agreement. The amendments shall be incorporated and made a part of this Agreement.

F. Heirs. This Agreement is binding upon and inures to the benefit of the heirs at law and executors of EMPLOYEE. If the EMPLOYEE dies prior to the expiration of the term of employment, any monies that may be due EMPLOYEE from CITY under this Agreement as of the date of EMPLOYEE'S death shall be paid to his executors, administrators, heirs, personal representatives, successors, and assigns.

G. Severability. If any provision or portion of this Agreement is held unconstitutional, invalid or unenforceable, the remainder of this Agreement shall be deemed severable and shall not be affected, but shall remain in effect.

H. Written Materials. All written, printed, and electronic materials used by EMPLOYEE in performing duties for CITY are and shall remain the property of CITY. Upon termination of employment, EMPLOYEE shall return such material to CITY.

I. Waiver. The parties shall not be deemed to have waived any of their respective rights under this Agreement unless the waiver is in writing and signed by such waiving party.

EMPLOYMENT AGREEMENT
CITY OF TRACY AND BIJAL PATEL
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J. Effective Date. This Agreement shall become effective upon execution by both parties, provided however, that EMPLOYEE's first day of employment shall be April 25, 2022.

CITY OF TRACY (EMPLOYER)

BIJAL PATEL (EMPLOYEE)

Nancy Young, Mayor

Dated: _____



Bijal Patel

March 24, 2022
Dated: _____

ATTEST:

Adrianne Richardson, City Clerk

Dated: _____

APPROVED AS TO FORM:

Gregory Rubens, Interim City Attorney

Dated: _____

RESOLUTION 2022 - _____

APPROVING AN EMPLOYMENT AGREEMENT BETWEEN BIJAL PATEL AND THE CITY OF TRACY TO SERVE AS CITY ATTORNEY

WHEREAS, An extensive recruitment and selection process for the City Attorney position has taken place; and

WHEREAS, The City Council has carefully evaluated Bijal Patel's knowledge, experience, administrative skills and abilities and has decided to appointment her to the position of City Attorney, and

WHEREAS, Bijal Patel and the City of Tracy desire to enter into an employment agreement to specify the duties, responsibilities, salary and benefits related to the City Attorney position.

NOW, THEREFORE, BE IT RESOLVED, That the City Council approves an Employment Agreement between Bijal Patel and the City of Tracy attached to this agenda item and authorizes the Mayor to execute the Agreement.

The foregoing Resolution 2022 - _____ was adopted by the Tracy City Council on the 5th day of April 2022 by the following vote:

AYES: COUNCIL MEMBERS

NOES: COUNCIL MEMBERS

ABSENT: COUNCIL MEMBERS

ABSTAIN: COUNCIL MEMBERS

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 3.C

REQUEST

CONTINUATION OF THE PUBLIC HEARING TO CONSIDER A PROPOSED INCREASE TO SOLID WASTE RATES AND APPROVAL OF RATE STUDY, DISCUSS OTHER FUNDING OPTIONS, AND ADOPT THE PROPOSED RESOLUTION INCREASING SOLID WASTE RATES AT THE CONCLUSION OF THE PUBLIC HEARING

EXECUTIVE SUMMARY

In 2019, the City obtained the services of HF&H Consultants, LLC to perform a solid waste rate study to analyze the service costs for the collection and processing of refuse, recycling, and organics within the City and make recommendations for any necessary changes. In comparing the revenue required to cover the cost of providing service to the revenue from current rates, the need for rate increases was identified.

City staff conducted a workshop on November 2, 2021 for Council to consider a proposed solid waste rate increase. During this meeting Council directed staff to distribute a notification to property owners of the proposed increase in accordance with Proposition 218. A Public Hearing regarding the proposed solid waste fee increases was then held on December 21, 2021. Council decided to continue the discussion to another date and directed staff to return with options for Council to consider that might reduce the impact of the increases to customers.

DISCUSSION

The City of Tracy currently has a Franchise Agreement with Tracy Delta Disposal Service Inc. (Tracy Disposal) for the collection, transportation, and disposal of solid waste within the City. The Franchise expires in March 2028. The City also maintains a Service Agreement with Tracy Material Recovery and Solid Waste Transfer, Inc. (Tracy MRF) for material acceptance, processing, and transfer services. The Service Agreement expires in December 2037 with the option to extend the Agreement an additional five years. The City provides customer service and billing services to the City's solid waste customers and contracts with Tracy Disposal to provide all residential and commercial solid waste, recycling, and organics collection and related transportation, material processing, and disposal services.

California Senate Bill (SB) 1383, passed in 2016 with final regulations adopted in 2020, focuses on the reduction of methane emitted into the atmosphere. In order to comply with the requirements of SB 1383, additional State mandates, and the increase in cost of service, the City is requesting a rate increase to cover these and other program needs. As a result of the multiple changes needed to implement SB 1383, cities all over the State are expected to increase their solid waste rates.

One of the most significant changes within the Solid Waste and Recycling program is the disposal of food waste. State mandate requires that residential food waste will have to

be placed in the same container as yard waste. Due to the nature of food waste, new non-vented containers are required to provide sanitary disposal of organic materials. This change also requires weekly collection of organics resulting in increased collection and processing costs. The additional costs will include the cost of added labor, maintenance, and vehicle purchases for Tracy Disposal to switch from *every other week*, to *every week* organics collection. The more frequent collection is required due to the rotting of the food waste and potential odors generated by that process.

Additionally, the new rate structure provides a closure in the funding gap between revenues and basic costs of operations. Comparing the revenue required to cover the cost of providing service with the revenue from current rates indicates the need for rate increases. Customers have been paying the same solid waste rates since January 2012. Since that time, the cost of service has increased substantially. The proposed increases are projected to close this expanding gap.

The fiscal impact from unfunded State mandates, including SB 1383 and the California Air Resources Board's regulations which requires the reduction of diesel particulate matter emissions (necessitating the previously unanticipated purchase of new garbage trucks within the period of the study) make up a majority of the rate increase in the first two years. The updated service costs also include increases in labor costs and the impacts of expanding service areas due to growth which consequently requires additional equipment and personnel. To lessen the impacts the rate increases will have on customers, the Solid Waste and Recycling program's reserve fund will be utilized for the first two years of the proposed rate increase to smooth the implementation process and lighten the initial burden on rate payers.

When residents sign up for garbage service, they have the option of receiving a 60-gallon or a 90-gallon container for refuse. Each resident also receives a 90-gallon container for recycled materials and a 90-gallon container for yard waste, regardless of the container size they have for refuse. Residents also have the option to add additional containers for their use. Currently, residents are not charged for having an additional recycling container but there is a charge for having an additional yard waste container. As part of the proposed rates, the cost of servicing the additional containers will now be charged to the customer (Attachment A).

Of the 25,106 properties that the solid waste rate increase would affect, 915 protests were received by the deadline of the Public Hearing on December 21, 2021. Per direction by the City Council at the Public Hearing, staff has worked with HF&H Consultants, and personnel from Tracy Disposal and Tracy MRF to discuss options to reduce the impact to customers. The proposed solid waste rates presented at the Public Hearing included several benefits to residents and increases to services provided. These included all waste containers being collected weekly, a road impact charge associated with the refuse vehicle traffic, increasing the number of current recycling programs such as increasing the free bulky items pickup from one annually per residence to two annually, and expanding other programs. The following options for Council consideration allow minimal changes to current and proposed added services while allowing the City to meet the compliance obligations of State mandates.

Option 1: Remove Weekly Recycling Pickup

The suggestion to collect all waste containers on a weekly basis would eliminate residents tracking which container would need to be placed out in the street but would also encourage extra recycling. However, this is not a requirement and collection can remain on a bi-weekly basis if desired.

Option 1: Remove Weekly Recycling Pickup						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 1 Only		\$ 42.90	\$ 49.36	\$ 57.87	\$ 62.36	\$ 65.52
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 1 Only		\$ 51.08	\$ 57.88	\$ 66.90	\$ 72.12	\$ 76.01
Incremental Reduction		\$ (1.49)	\$ (2.99)	\$ (3.31)	\$ (3.39)	\$ (4.88)

Option 2: Remove Second Bulky Items Pickup

The City currently offers one free bulky items pickup to residential customers that currently have the three-container program for waste collection. The initial proposed rates included increasing this program to two annually. This option will continue with the program as it is currently offered as only once annually.

Option 2: Remove Second Bulky Items Pickup						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 2 Only		\$ 43.19	\$ 51.14	\$ 59.96	\$ 64.51	\$ 68.58
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 2 Only		\$ 51.37	\$ 59.65	\$ 68.99	\$ 74.26	\$ 79.07
Incremental Reduction		\$ (1.20)	\$ (1.21)	\$ (1.23)	\$ (1.24)	\$ (1.82)

Option 3: Remove Leaf Pickup Program

With the change in weather patterns, the City has experienced an extended timeframe for leaves to fall. By eliminating this program, leaf piles will not stay in the streets and lessen the potential for blocking the flow of rainwater into the storm drainage system. Customers will be responsible for disposing of the leaves in their organics container which will now be picked up on a weekly basis.

Option 3: Remove Leaf Pickup Program						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 3 Only		\$ 43.42	\$ 51.38	\$ 60.20	\$ 64.75	\$ 68.94
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 3 Only		\$ 51.61	\$ 59.89	\$ 69.23	\$ 74.51	\$ 79.43
Incremental Reduction		\$ (0.96)	\$ (0.97)	\$ (0.98)	\$ (0.99)	\$ (1.46)

Option 4: Replace Only One Container

One aspect of SB 1383 is for all waste containers throughout the state to be consistent in colors: organics is green, recycle is blue, and refuse is either black or grey. The initial proposed rate included changing our yard waste cart, currently brown and vented, to an organics cart, green and non-vented. It also included switching out our refuse carts to comply with the state mandate color of either black or grey. This option will have us only changing out the organics container.

Option 4: Replace Only One Container						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 4 Only		\$ 43.91	\$ 51.42	\$ 60.25	\$ 64.81	\$ 69.07
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 4 Only		\$ 52.09	\$ 59.94	\$ 69.28	\$ 74.57	\$ 79.56
Incremental Reduction		\$ (0.47)	\$ (0.93)	\$ (0.93)	\$ (0.93)	\$ (1.33)

Option 5: Delay Road Impact Charge by Two Years

The impact of the large refuse vehicle traffic on City streets is significant and the cost related to the impacts has been included in the study. Due to the financial burden being the highest in the first two years to comply with State mandates, there is the option to delay the road impact charge by two years and thus further smooth implementation of the fee increases.

Option 5: Delay Road Impact Charge by Two Years						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 5 Only		\$ 42.92	\$ 49.38	\$ 58.18	\$ 62.72	\$ 67.33
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 5 Only		\$ 51.11	\$ 57.90	\$ 67.21	\$ 72.47	\$ 77.82
Incremental Reduction		\$ (1.46)	\$ (2.97)	\$ (3.00)	\$ (3.03)	\$ (3.07)

Option 6: Include 35-Gallon Refuse Container

The request to research the option to include a 35-gallon container as an option for residents was explored. While the cost would be slightly reduced for customers who select this option, it will increase the cost for the customers that keep the 60- or 90-gallon containers. This option also increases the potential contamination to the contents of the recycling and organics containers. NOTE: This option would require that a new Prop 218 process be initiated.

Option 6: Include 35-Gallon Refuse Container						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
35 Gal with Option 6 Only	\$ -	\$ 39.24	\$ 47.91	\$ 56.48	\$ 60.69	\$ 65.05
Incremental Reduction		-	\$ 8.67	\$ 8.57	\$ 4.21	\$ 4.36
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 6 Only		\$ 47.18	\$ 56.34	\$ 65.43	\$ 70.35	\$ 75.45
Incremental Reduction		\$ 10.68	\$ 9.16	\$ 9.09	\$ 4.92	\$ 5.10
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 6 Only		\$ 57.19	\$ 65.55	\$ 75.11	\$ 80.68	\$ 86.44
Incremental Reduction		\$ 13.99	\$ 8.36	\$ 9.56	\$ 5.57	\$ 5.76

In addition, Council inquired at the Public Hearing about subsidizing any shortfall by using the General Fund. Council has the discretion to determine how any shortfalls should be made whole. However, all Utility Funds should have the ability to sustain themselves through rates established for the cost of services provided. By not maintaining Utility Funds in a fiscally healthy and self-sustaining manner, the City's bonding capacity would likely be downgraded.

Of the options being presented, staff recommends Council select *Option 1: Remove Weekly Recycling Pickup*, *Option 2: Remove Second Bulky Items Pickup*, and *Option 3: Remove Leaf Pickup Program*. The selection of these options will continue essential services provided to customers, reduce the impact of the rate increase, and allow the City to comply with current State mandates.

Recommended Rates: Removal Of Options 1, 2, and 3						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 1, 2, & 3		\$ 40.74	\$ 47.17	\$ 55.66	\$ 60.13	\$ 62.24
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 1, 2, & 3		\$ 48.92	\$ 55.69	\$ 64.69	\$ 69.88	\$ 72.73
Incremental Reduction		\$ (3.65)	\$ (5.18)	\$ (5.52)	\$ (5.62)	\$ (8.16)

FISCAL IMPACT

The Solid Waste and Recycling program's reserves will be used for the first two fiscal years to decrease the impact to the City's rate payers. In doing so, the reserves will decrease by \$2,500,000 in FY 22/23 and FY 23/24. Following the use of the current reserves for the first two years, the remaining reserves are estimated to be \$3,700,000 - approximately one and a half months of operating expenditures.

With the new rate increases, the City will receive approximately \$600,000 annually to fund new solid waste-related programs and enhancements to the Community Preservation programs. Additionally, Franchise fees are expected to increase by approximately \$230,000 in FY 22/23. The City will also have the ability to recover costs related to the wear and tear on City streets from solid waste and recycling collection vehicles.

STRATEGIC PLAN

This agenda item supports the City's Governance Strategic Priority:

Governance Strategy

Goal 2: Ensure short and long-term fiscal health

Objective 6: Complete rate and fee studies: Solid Waste, Wastewater, Citywide, Core Fees, Master Impact Fees

RECOMMENDATION

It is recommended that City Council continue the public hearing discussion to consider a proposed increase to the solid waste rates, approve the rate study, and adopt the resolution increasing solid waste rates at the conclusion of the public hearing.

Prepared by: Connie Vieira, Management Analyst II

Reviewed by: Don Scholl, Director of Public Works
Karin Schnaider, Director of Finance
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

Attachment A – Rates for Additional Containers
Attachment B – HF&H Consultants, LLC Solid Waste Cost of Service and Rate Study
Attachment C – Solid Waste Rate Study PowerPoint Presentation

Rates for Additional Carts						
Residential Increase	Current Rate	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Recycle Container*	--	\$4.27	\$5.64	\$6.05	\$6.66	\$7.29
Organics Container*	\$8.70	\$7.77	\$9.94	\$10.54	\$11.35	\$12.18

*The same rate applies to both 60-gallon and 90-gallon customers.



CITY OF TRACY

SOLID WASTE RATE

STUDY

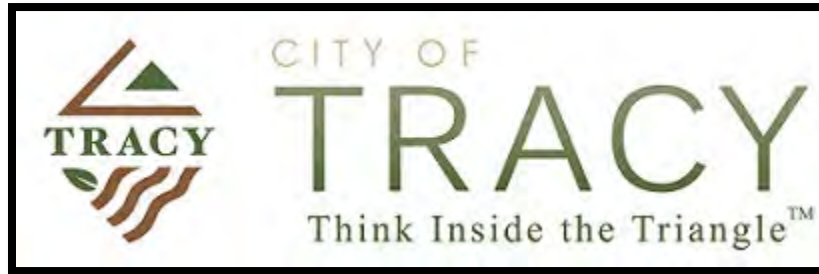


October 26, 2021

CITY OF TRACY

520 TRACY BLVD

TRACY, CA 95376



SOLID WASTE RATE STUDY

October 26, 2021

HF&H CONSULTANTS, LLC

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October 26, 2021

Ms. Connie Vieira
Management Analyst
Public Works Department
City of Tracy
520 Tracy Boulevard
Tracy, CA 95376

Subject: Solid Waste Rate Study

Dear Ms. Vieira,

HF&H Consultants, LLC (HF&H) is pleased to submit this Solid Waste Rate Study report to the City of Tracy (City). The report begins with determining how much projected revenue is needed from solid waste, recycling and Organic rates during the next five years, Fiscal Year 2021-2022 through Fiscal Year 2025-2026. The report then describes how the revenue is apportioned between customers receiving bin, cart, and roll off service. The report concludes with a discussion of the rate design that is appropriate for each class to ensure that customers are paying their proportionate share.

The report reflects input from the City and Tracy Delta Solid Waste Management, Inc. (Tracy Disposal) staff in refining the rates. The resulting rate increases are necessary for several reasons: (1) the City's rates have not been adjusted in over nine years (2) the cost of collection of solid waste has increased; and (3) new State-mandated diversion programs require additional funding.

* * * *

We are pleased to have had the opportunity to assist the City with this study and would like to thank you for your support during the project.

If you have any questions, please call Marva at (925) 977-6961 or Scott at (925) 977-6967.

Very truly yours,
HF&H CONSULTANTS, LLC



Marva M. Sheehan, CPA
Vice President



Scott Holt
Project Manger

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A-2 Cart Cost of Service Calculations

A-3 Monthly Cart Rates – Cost of Service

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A-5 Recycling Bin Cost of Service Calculations

A-6 Organics Bin Cost of Service Calculations

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A-9 Roll Off Per Pull Rates – Cost of Service – Loose Material

A-10 Roll Off Per Pull Rates – Cost of Service – Compact Material

A-11 Current Rate Schedule

ACRONYMS/DEFINITIONS

Bin (Hoppers)	Container provided by the City through partnership with Tracy Disposal and are usually made from metal. Tracy Disposal provides its bin customers with solid waste collection service at varying frequencies in a range of container sizes to meet each customer's needs. These customers are charged a monthly rate based on their subscription level (e.g., one cubic yard bin, serviced one time per week; three cubic yard bin, serviced three times per week) or a per-pickup rate for on-call services.
Cart (Toters)	Container provided by the City through partnership with Tracy Disposal and are usually made from plastic with wheels for portability. Tracy Disposal provides its cart customers with solid waste collection in either 60-, or 90-gallon carts. As part of its contract with the City, Tracy Delta Solid Waste Management Inc. provides collection in 96-gallon recycling carts and 96-gallon yard waste carts to residential and commercial customers.
City	City of Tracy
COS	Cost-of-service
ECU	Equivalent container unit
ECF	Equivalent container factor
Fixed Collection Costs	Costs not dependent on the subscribed volume of service.
Food Waste	Residential and commercial putrescible food waste materials
Frequency Surcharge	Additional cost for receiving service multiple times per week. Routing is negatively impacted when trucks must return to areas previously serviced.
FTE	Full time equivalent
FY	Fiscal year
MSW	Municipal solid waste
Organics	Material includes yard waste and food scraps.
Rate	The rate charged to each customer based on size of container and frequency of service.
Rate Model	The part of the Solid Waste Rate Study where the rates are developed and modeled to meet the City's desired results.
Roll-Off	Container provided by the City through partnership with Tracy Disposal or self-owned by the commercial customer made from metal. Tracy Disposal provides its roll-off customers with solid waste, recycling, construction and demolition, or

yard waste collection service in a range of container sizes to meet each customer's needs. These customers are charged a per-pickup rate for on-call services based on their debris box size (e.g., 10 cubic yard bin, 20 cubic yard compactor bin, and 40 cubic yard self-contained compactor bin).

Rate Study	Solid Waste Rate Study performed to develop the appropriate rates for the collection, processing and disposal of solid waste, recyclables and organic materials to meet the City's revenue requirements.
SFR	Single-family residential
Tracy Disposal	Tracy Delta Solid Waste Management Inc., the City's franchisee for the collection, transportation, and disposal of refuse and garbage, including the collection of recyclable material, in the City.
Volumetric charge	The variable costs associated with the size of the container subscribed to by residential, multi-family or commercial customers.
Yard Waste	Biodegradable materials such as leaves, grass, weeds, and wood materials from trees and shrubs.

LIMITATIONS

This Solid Waste Rate Study (Rate Study) was prepared solely for the City in accordance with the contract between the City and HF&H and is not intended for use by any other party for any other purpose.

In preparing the Rate Study, HF&H relied on information and instructions from the City and Tracy Disposal and Tracy Material Recovery & Solid Waste Transfer, Inc., which we consider to be accurate and reliable and did not independently verify.

For purposes of the Rate Study, and clarity of this report, a 3% annual inflation factor was applied to operating and overhead costs. Annual growth factors were applied to residential, commercial, and roll-off, per direction of the City.

The Rate Study with its accompanying analyses contain projections of revenues and expenditures based on various assumptions and estimates provided by the City, Tracy Disposal and Tracy Material Recovery & Solid Waste Transfer, Inc. While we reviewed those projections for reasonableness, actual results of operations will usually differ from projections because events and circumstances do not always occur as expected. Those differences may be significant and materially affect the analyses and findings presented in this report.

Rounding differences caused by stored values in electronic models may exist.

The Rate Study addresses relevant laws, regulations, and court decisions but should not be relied upon as legal advice. Questions concerning the interpretation of legal authorities referenced in this study should be referred to a qualified attorney.

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EXECUTIVE SUMMARY

The City of Tracy's (City) Public Works Department oversees solid waste services to the City's residents and businesses in partnership with Tracy Delta Solid Waste Management, Inc. (Tracy Disposal) and Tracy Material Recovery Facility and Solid Waste Transfer, Inc.

The City provides customer service and billing services to the City's solid waste customers and contracts with Tracy Disposal to provide all residential and commercial solid waste, recycling, and Organics collection and related transportation, material processing, and disposal services.

In order to increase rates for these services, the City intends to comply with Article XIID, Section 6 of the California Constitution, which was enacted by Proposition 218 in 1996. This Section requires that (1) revenues derived from fees or charges for property-related service not exceed the cost to provide service; (2) revenues derived from fees or charges not be used for any purpose other than that for which it was imposed; (3) the amount of a fee or charge upon an account not exceed the proportional cost of the service attributable to the parcel; (4) no fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property; and, (5) no fee or charge may be imposed for general governmental services. The analysis conducted in support of this study was founded on legal direction related to Proposition 218, which was provided by City's legal counsel.

Study Purpose and Objectives

The purpose of this Solid Waste Rate Study (Rate Study) is to conduct a comprehensive analysis of the City's solid waste, recyclables and Organics collection rates, including documentation of the analysis, underlying assumptions, and the rationale for the recommended rates.

This Rate Study has several key objectives:

- Determine revenue that is necessary to meet the City's requirements, including operations and maintenance, capital improvement, and maintaining an adequate reserve fund;
- Determine the cost of service attributable to each parcel based upon the subscribed service level; and,
- Ensure that the proposed rate structure is compatible with Proposition 218 mandates.

These objectives are met by applying industry best practices and by complying with all applicable laws.

Findings and Recommendations

In preparing the Rate Study, the following findings were made.

1. Operating cost increases / decreases.

- a. SB 1383 requires the City to remove organic materials from its disposed refuse effective January 1, 2022. To comply with the legal requirements, the City will have to require customers to combine Food Waste and Yard Waste in Organics carts and collect the Organics carts every week, rather than the current practice of every other week, beginning on January 1, 2022. The additional costs to provide weekly organics collection have been included in the Rate Study.

- b. A Refuse Vehicle Road Impact Study was performed in early 2020 to determine the cost impact of the solid waste, recyclables and Organics collection vehicles operating on the City's streets. The financial impact attributable to the solid waste, recyclables, and Organics collection trucks is \$2,057,000, annually. City staff has elected to phase the costs into the rates over the 5-year rate setting period (\$411,540 each year).
 - c. The Rate Study includes additional costs as recommended by the City for code enforcement, community preservation, illegal dumping, and homeless encampment cleanup.
 - d. The Rate Study includes the additional costs to provide weekly collection of residential curbside recycling.
 - e. City staff has elected to use \$2,500,000 of fund balance reserves in FY 21/22 and FY 22/23 (\$5,000,000 total) to mitigate the rate increases necessary in those years.
2. **Projected revenue increases.**

The Rate Study projected increasing rates to generate additional overall revenue to cover the recent cost increases and revenue shortfall. Comparing the revenue required to cover the cost of providing service with the revenue from current rates indicates the need for rate increases sufficient to generate additional revenue as follows:

January 2021 – 23.7% (with use of fund balance reserves)

January 2022 – 12.9% (with use of fund balance reserves)

January 2023 – 16.9%

January 2024 – 8.5%

January 2025 – 8.2%

The percentage increases reflect system-wide increases rather than increases for each material type collected, subscription level, or customer class. It should be noted the projected revenue increase for 2023 includes the annual cost inflators as well as absorbing the costs that were offset with fund balance reserves in the prior two years.

The rate adjustment period for the Rate Study has been changed from fiscal year (July – June) to calendar year (January – December). For reporting purposes, we are using fiscal year (FY XX/XX) to reflect the years with the understanding the adjustments will take place January 1 each year.

3. **Revenue increases by customer class and by material type.**

Customer classes for the purpose of the Rate Study are “cart” customers comprised of both residential and commercial customers, “bin” customers, and “roll-off” customers based on the type of container used. **Figure ES-1** compares the revenue from current rates and the cost to provide service, by customer class, material type, and container type. The COS includes projected growth and inflation as noted in the limitations. This figure indicates how much revenue is needed from service charges, from each customer class, to generate the 23.7% additional overall revenue needed in FY 21/22. As shown, the revenue increase varies by customer class, a 19.4% increase needed in cart rate revenue, a 5.4% increase in bin rates with the largest increase to roll-off customers at 52.8%. An intrinsic part of the Rate Study was to reallocate costs based on material type collected and size of container resulting in different increases by customer class.

Figure ES 1
Current Rate Revenue Compared with the Cost of Service
(FY 21/22)

Service Class Components	Revenue at Current Rates		Cost of Service*		Difference COS less Current Revenue	
Carts						
Solid Waste	\$ 11,058,260	53.6%	\$ 8,158,232	32.0%	\$ (2,900,028)	
Recycling	42,118	0.2%	1,904,580	7.5%	\$ 1,862,462	
Organics	34,007	0.2%	3,227,154	12.6%	3,193,147	
	<u>\$ 11,134,384</u>	<u>53.9%</u>	<u>\$ 13,289,966</u>	<u>52.0%</u>	<u>\$ 2,155,582</u>	<u>19.4%</u>
Bins						
Solid Waste	\$ 4,671,098	22.6%	\$ 4,985,945	19.5%	\$ 314,848	6.7%
Recycling	145,222	0.7%	66,724	0.3%	\$ (78,498)	-54.1%
Organics	23,962	0.1%	48,041	0.2%	24,079	100.5%
	<u>\$ 4,840,281</u>	<u>23.4%</u>	<u>\$ 5,100,710</u>	<u>20.0%</u>	<u>\$ 260,429</u>	<u>5.4%</u>
Roll-Off						
Solid Waste	\$ 4,262,229	20.6%	\$ 6,622,102	25.9%	\$ 2,359,873	55.4%
C&D	401,373	1.9%	\$ 505,524	2.0%	\$ 104,151	25.9%
Organics	3,364	0.0%	\$ 4,937	0.0%	1,572	46.7%
Wood	6,646	0.0%	\$ 10,445	0.0%	3,800	57.2%
	<u>\$ 4,673,612</u>	<u>22.6%</u>	<u>\$ 7,143,008</u>	<u>28.0%</u>	<u>\$ 2,469,396</u>	<u>52.8%</u>
Total	<u>\$ 20,648,277</u>	<u>100.0%</u>	<u>\$ 25,533,684</u>	<u>100.0%</u>	<u>\$ 4,885,407</u>	<u>23.7%</u>

*Includes 2% projected subscription growth for residential accounts, a 4.5% increase for commercial accounts, and 3% annual inflation

4. **Monthly rate increases.** To generate the necessary annual percentage increases in revenue summarized in Item #2 above, monthly rates for both cart and bin service require changes over the next five years. The current and COS-based rates for the most commonly subscribed services are summarized in **Figure ES-2**. Note that the COS rate years include growth and inflation adjustments as noted in the limitations. The City currently offers a monthly rate for bundled solid waste, recycling, and Organics cart collection service for residential customers. The City also offers monthly and per pick-up rates for commercial solid waste, recycling, and Organic bin service, and a bundled recycling and Yard Waste cart collection service for commercial carts. The full rate schedules are included in the Appendices (A-3, A-7, A-9, and A-10).

Figure ES-2
Current and Cost of Service Based Monthly Rates
(Serviced 1 Time per Week)

Solid Waste, Recycling, and Organics	Current Rates	FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
60 Gallon Cart*	\$ 36.50	\$ 44.38	\$ 7.88	\$ 52.35	\$ 7.96	\$ 61.18	\$ 8.83	\$ 65.75	\$ 4.56	\$ 70.40	\$ 4.66
90 Gallon Cart*	\$ 43.20	\$ 52.57	\$ 9.37	\$ 60.87	\$ 8.30	\$ 70.21	\$ 9.35	\$ 75.50	\$ 5.29	\$ 80.89	\$ 5.39
*Only applicable for Residential Customers. Includes a 96 Gallon Recycling and 96 Gallon Organics carts.											
Solid Waste	Current Rates	FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
60 Gallon Cart*	\$ 39.70	\$ 23.05	\$ (16.65)	\$ 24.73	\$ 1.69	\$ 29.03	\$ 4.29	\$ 31.23	\$ 2.20	\$ 33.48	\$ 2.25
90 Gallon Cart*	\$ 51.85	\$ 31.23	\$ (20.62)	\$ 33.25	\$ 2.02	\$ 38.06	\$ 4.81	\$ 40.99	\$ 2.93	\$ 43.97	\$ 2.98
1.5 Yard Bin	\$ 148.20	\$ 205.94	\$ 57.74	\$ 215.20	\$ 9.26	\$ 264.40	\$ 49.19	\$ 271.00	\$ 6.60	\$ 277.86	\$ 6.87
2 Yard Bin	\$ 191.85	\$ 235.71	\$ 43.86	\$ 246.35	\$ 10.64	\$ 297.03	\$ 50.68	\$ 305.69	\$ 8.65	\$ 314.62	\$ 8.93
3 Yard Bin	\$ 257.55	\$ 297.16	\$ 39.61	\$ 310.74	\$ 13.58	\$ 364.61	\$ 53.87	\$ 377.72	\$ 13.11	\$ 391.13	\$ 13.41
4 Yard Bin	\$ 322.65	\$ 358.61	\$ 35.96	\$ 375.12	\$ 16.52	\$ 432.18	\$ 57.05	\$ 449.75	\$ 17.57	\$ 467.64	\$ 17.89
6 Yard Bin	\$ 440.55	\$ 492.97	\$ 52.42	\$ 516.45	\$ 23.49	\$ 581.12	\$ 64.66	\$ 609.68	\$ 28.56	\$ 638.60	\$ 28.92
*Only applicable for Commercial Customers. Does not include recycling or Organics.											

5. **Reserve Fund Balance.** The City's projected reserve fund balance as of June 30, 2021, is \$10,247,000. The reserve fund balance may be used to assist in implementation of new programs such as those required by SB 1383, help offset future rate increases, or used in an emergency for unforeseen events. Currently the fund balance is sufficient to provide funding for approximately 4-5 months of operations. After using \$5,000,000 of reserves in FY 21/22 and FY 22/23, the reserve fund balance, to phase-in the rate impact of increased costs and revenue shortfall, the City's fund balance is projected to be approximately \$5,000,000, roughly two (2) months of operations.

SECTION 1. INTRODUCTION

The City's Public Works Department oversees solid waste services to the City's residents and businesses in partnership with Tracy Disposal. The City provides customer service and billing services to the City's solid waste customers and contracts with Tracy Disposal to provide all residential and commercial solid waste, recycling, and yard waste collection and related transportation, material processing, and disposal services.

In 2019, the City requested HF&H to assist with developing a COS model and rate structure based on the level of service received by each customer class. Since that time, HF&H, City staff and Tracy Disposal have worked together in developing the Rate Study. The purpose of this report is to document the analysis and summarize our assumptions, findings, and recommendations.

The report is organized to explain how the revenue requirements are determined over the next five years. As part of the documentation, this report includes a copy of the spreadsheet model that was used to derive rates (See Attachments).

Study Purpose

The main purpose of this Rate Study is to document that the City's rates comply with the relevant laws in California for setting solid waste, recyclables and Organics collection rates. Another key purpose is to ensure that the rates generate sufficient revenue to fund the City's operating and capital costs as well as to maintain adequate reserves.

Current Rates

The City's solid waste accounts are billed through the City's Utility Billing System.

The City's single-family rate payers pay one monthly charge for collection and disposal/processing service of solid waste, recycling, and yard waste. Extra recycling carts are available at no charge. Extra yard waste carts are available for an additional charge.

The City's commercial and multi-family rate payers pay one monthly charge for collection and disposal service of solid waste but pay separately for recycling and organics bins. The only bundled rate for commercial and multi-family customers is for a recycling and yard waste cart combination.

The City's Low Income Assistance program currently provides rate relief for low-income senior and low-income disabled customers. Approximately 7% of the 60 gallon residential customers and 3.5% of the 90 gallon residential customers participate in the program. The program is paid through the use of non-rate revenues.

According to the City's franchise agreement with Tracy Disposal, the rates shall be periodically adjusted by the City as needed to ensure sufficient funding for the City to meet all its financial and other obligations under the franchise agreement. The last rate increase was on January 1, 2012. Significant time has passed since the last rate increase that the cost of providing service to the City's customers has increased significantly, both in total and between customer classes, and the current rates no longer reflect the current cost to provide collection, processing, and disposal service.

The current rates for one time per week service are summarized in **Figures 1-1, 1-2, and 1-3**.

Figure 1-1 – Residential Cart Rates

RESIDENTIAL REFUSE, RECYCLING, AND Organics RATES			
Subscription Levels	Current Monthly Rate	Extra Recycling	Extra Organics
60 Gallon Refuse 96 Gallon Recycling 96 Gallon Organics	\$ 36.50	\$ -	\$ 8.70
90 Gallon Refuse 96 Gallon Recycling 96 Gallon Organics	\$ 43.20	\$ -	\$ 8.70

Figure 1-2 – Commercial Cart Rates

COMMERCIAL REFUSE, RECYCLING, AND Organics RATES				
Subscription Levels	Current Monthly Rate	Combination Recycling & Organics	Extra Recycling	Extra Organics
60 Gallon Refuse	\$ 39.70	\$ 43.60	\$ -	\$ 8.70
90 Gallon Refuse	\$ 51.58	\$ 43.60	\$ -	\$ 8.70

Figure 1-2 Bin and Roll-Off Rates **

REFUSE AND RECYCLING BIN RATES		
Subscription Levels	Current Monthly Rate	Temporary Per Load Rate
REFUSE		
1.5 Yards	\$ 148.20	\$ 40.65
2 Yards	\$ 191.58	\$ 55.10
3 Yards	\$ 257.55	\$ 77.70
4 Yards	\$ 322.65	\$ 99.80
6 Yards	\$ 440.55	\$ 140.05
RECYCLING		
1.5 Yards	\$ 130.90	\$ 35.55
2 Yards	\$ 169.70	\$ 48.50
3 Yards	\$ 226.00	\$ 68.70
4 Yards	\$ 280.40	\$ 88.45
6 Yards	\$ 377.15	\$ 124.55
ROLL-OFF RATES*		
Subscription Levels	Current Monthly Rate	Per Load Rate
10 Yards	N/A	\$ 276.90
20 Yards	N/A	\$ 395.95
30 Yards	N/A	\$ 518.05
40 Yards	N/A	\$ 637.10

* Additional fees based on weight may apply

** Partial list of rates. The full rate sheet is included in Appendix A-11.

Legal Requirements

The City is responsible for setting rates in compliance with California law. Voters passed Proposition 218 in November 1996, which enacted Article XIII D of the California Constitution. Article XIII D1 has five substantive provisions that must be met:

1. Revenue from rates must not exceed the cost of providing service;
2. Revenue from rates must be used for providing service;
3. Fees and charges must be proportional to the cost of providing the service attributable to the parcel;

¹ Sections 6(b) 1 - 5.

4. Fee or charge may not be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property; and,
5. No fee or charge may be imposed for general governmental services.

The basis for setting rates that are proportional to the cost of providing service was not prescribed in Article XIID; therefore, the analyst was responsible for meeting the requirements of Sections 6(b) 1-5, as reasonably as possible. "Reasonable" rates are not capricious (there is a documented source for all data), not arbitrary (decisions required to make assumptions and analyze data have a sound reason), and not discriminatory (the results do not unduly favor one customer at the expense of another).

We interpret this concept to mean that rates must be proportionate to the COS across the range of subscribed service. We further interpret it to mean that the rates for each level of service must correlate with the actual demand that customers place on the vehicles and for which the system must be designed to provide the level of service customers require.

SECTION 2. REVENUE REQUIREMENT PROJECTIONS

To determine whether additional rate revenue is required, projected operating expenses are compared with projected revenue from current rates. Annual surpluses and deficits are then applied to the reserve funds. Rates are then increased so that the expenses are covered and operating and capital reserves are maintained at or close to target levels.

Expense Projections

The City’s FY 18/19 actual expenditures and Tracy Disposal’s FY 20/21 projected income statement served as the basis for determining the revenue requirement. The City’s historical costs were inflated to FY 21/22 values by the factors show in in Figure 2-1. The City budget is developed annually by the Department of Financial Management (Financial Management) and approved by the City Council. The City’s overhead costs for solid waste oversight are included in Public Works Admin, Contracted Services, Commodities, and ISC Charges. Expenditures paid to Tracy Disposal for collection, transportation, and disposal of material are included in Contracted Services. The model currently allows inflation to be applied individually to subcategories within the four main categories below, and further by year to accurately reflect anticipated or known increases in personnel, benefits, capital expenses, capital improvements, and new programs. The Rate Model currently accounts for a 3% CPI across all line items for each year, as noted in our limitations.

Figure 2-1. Inflaters used in Cost of Service Study

Sub-Object Title	%	%	%	%	%	%	%
	Inflation FY 19/20	Inflation FY 20/21	Inflation FY 21/22	Inflation FY 22/23	Inflation FY 23/24	% Inflation FY 24/25	Inflation FY 25/26
5100-5199 Public Works Admin	3%	3%	3%	3%	3%	3%	3%
5200-5299 Contracted Services*	3%	3%	3%	3%	3%	3%	3%
5300-5399 Commodities	3%	3%	3%	3%	3%	3%	3%
5400-5499 ISC Charges	3%	3%	3%	3%	3%	3%	3%

* Contracted Services includes the amount paid to Tracy Disposal, City related overhead, and additional known costs. Tracy Disposal projected FY20/21 based on actual costs and known changes. Tracy Disposal costs were adjusted by inflation beginning in FY21/22.

SB 1383 – Short-lived Climate Pollutants: Methane Emissions: Dairy & Livestock; Landfills: Organics

SB 1383, passed in 2016 and final regulations adopted in 2020, focuses on the reduction of methane emitted into the atmosphere. The regulations require organics (as defined in the regulations) to be diverted from the landfill. Therefore, all organic material will need to be separately collected from the City’s generators. For the City, this represents a change to current collection practices.

The City’s residents currently include food scraps in the solid waste container. Effective January 1, 2022, the food scraps will not be permitted in the solid waste container. Most agencies throughout the state are including the food scraps with the yard waste currently being collected. The City’s residential customers will be required to combine food scraps and yard waste in the new Organics container. This will require weekly collection of Organics resulting in increased collection and processing costs. The additional costs will include the cost of added labor, maintenance, and vehicle purchases for Tracy Disposal to switch from every other week to every week organics collection. The timing of converting to weekly collection is expected to commence effective January 1, 2022, so the increase in collection and processing costs will be phased in with one half absorbed in FY 21/22 and one half absorbed in FY 22/23 rate setting.

Migration

When there are significant rate increases, customers may downsize their subscription levels to a lower cost service. Due to the limited options for downsizing carts, minimal increase in solid waste bins, and decrease in recycling bin costs, a major migration is not expected between service levels. Therefore, service migration has been limited to 2% in FY 22/23, the first year after the COS Study rate implementation.

Customers with more than one recycling container will be billed for each additional container beginning FY 21/22. It is not anticipated that customers will reduce recycling services.

Reserve Fund Balance

A Reserve Fund Balance is necessary to help stabilize customers' rates and provide for unexpected contingencies. The Reserve Fund Balance can be drawn on in years when the City experiences above average costs and augmented during years when costs are below average. The City has elected to use \$2.5 million of its Reserve Fund Balance to help mitigate the rate increases for FY21/22 and FY22/23 for a total of \$5.0 million reduction to the reserve balance. The reserve balance is estimated to be approximately \$5.0 million at the end of FY 22/23, roughly two (2) months of expenditures.

Revenue Increases

Revenue increases, along with the use of Reserve Fund Balance, were derived to cover the City's costs. **Figure 2-2** summarizes the projected revenue from current rates, annual revenue requirements, annual variances, and the rate increases necessary to cover the City's costs. It is assumed the full rate increase required to meet the current year revenue requirement is implemented.

When the revenue from current rates is compared with the net revenue requirements (i.e., revenue requirement less non-operating revenue), there is a deficit variance that requires a large revenue increase in FY 21/22 to reach cost of service, and smaller annual increases to match inflationary and growth projections.

Figure 2-2. Rate Increase Calculations

		FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Revenue from Current Rates	A	\$ 20,648,277	\$ 25,533,684	\$ 28,819,008	\$ 33,699,872	\$ 36,565,382
Revenue Requirement*		\$ 28,782,768	\$ 32,090,564	\$ 34,494,575	\$ 37,383,925	\$ 40,411,868
Less: Non-operating Revenue		\$ (749,083)	\$ (771,556)	\$ (794,703)	\$ (818,544)	\$ (843,100)
Less: Use of Fund Balance Reserves		\$ (2,500,000)	\$ (2,500,000)	\$ -	\$ -	\$ -
Net Revenue Requirement	B	\$ 25,533,684	\$ 28,819,008	\$ 33,699,872	\$ 36,565,382	\$ 39,568,768
Revenue Shortfall C = A-B		\$ (4,885,407)	\$ (3,285,323)	\$ (4,880,865)	\$ (2,865,509)	\$ (3,003,386)
Rate Increase Necessary	C / A	23.7%	12.9%	16.9%	8.5%	8.2%
* Projected Budget Expenditures						

Revenue increases are achieved by increasing rates. In years when rates are not being restructured to align with the cost of service, rates would be increased by the same percentage to generate the required

revenue increase. For example, a 5% revenue increase would be achieved with a 5% across-the-board increase in the current rates at the various subscription levels.² In this Rate Study, however, rates are being restructured to align with the cost to provide service. As a result, different percentage increases in the service and volume charges will occur. The derivation of these rate increases is explained in the next section of this report.

² The *rate* increase is the same as the *revenue* increase when the rate increase is effective for the whole 12 months. If the rate increase is in effect for less than a whole year, the percentage *rate* increase needs to be higher than the percentage *revenue* increase to generate the required revenue in a shorter period of time.

SECTION 3. COST OF SERVICE STUDY

Methodology

A Rate Study determines the unit cost of the services provided to the City's solid waste customers. Each customer class is charged the same unit cost for its share of the services that it requires. In this way, the total revenue requirement is split between the fixed service charges and the volumetric charges; with the volumetric charges further proportioned among the customer classes. Because the service is provided based on the type of truck and container, we have determined customer classes for this rate study to be classified as "cart", "bin", and "roll-off" customers.

Most the City's solid waste services are related to meeting customer demands for the solid waste, recycling and Organics collection services. The collection services vary based on the customer's subscribed size and type of container (bin vs cart vs roll-off) used for the collection of solid waste materials.

The solid waste collection service levels are defined as follows:

1. **Bin Customers** – Bin customers receive service in a bin that has 1.5- to 6-cubic yards of volume. The bins are collected by a front-loader truck. Typically, these containers are used at multi-family complexes or commercial businesses.
2. **Cart Customers** – Cart customers receive service in a 60- or 90-gallon cart for solid waste, and a 96-gallon cart for recycling and Organics service. The carts are typically collected by a rear-loader or automated truck and are used by residential, multi-family, and commercial customers depending on the amount of capacity required.
3. **Roll-Off Customer** – Roll-Off customers receive on-call service for debris box containers that have 8- to 40-cubic yards of volume.



The complete costs of the collection, transportation, and disposal system includes two main categories: City overhead expenses and Tracy Disposal expenses. City overhead costs include city staff and administrative expenses to bill and oversee solid waste services, including new programs. Tracy Disposal expenses include the direct costs of collection, transportation, overhead, depreciation of fixed assets, and processing and disposal of solid waste, recycling, and organic material.

The direct costs to collect and dispose materials were based on actual expenses. All overhead costs from the City and Tracy Disposal were allocated based on the number of residential vs commercial accounts between carts, bins, and roll-off containers, and further subdivided by the total number of lifts. Leaf pick-up and annual clean-up costs provided by Tracy Disposal were allocated to residential customers. New programs were allocated between residential and commercial accounts, but further allocated by material type impacted by the program. Refer to **Figure 3-1** for the four allocation factors.

Figure 3-1. Allocation Factors

Allocation Factor	Carts						Bins			Roll-Off
	Solid Waste - Residential	Solid Waste - Commercial	Recycling - Residential	Recycling - Commercial	Organics - Residential	Organics - Commercial	Solid Waste	Recycling	Organics	Customers
Weekly Subscribed Volume	25.91%	2.30%	13.29%	0.47%	13.11%	0.21%	16.45%	0.57%	0.09%	27.62%
Residential vs. Commercial	<i>Varies by Program</i>									
Residential Only, by Solid Waste Accounts	100%	-	-	-	-	-	-	-	-	-
Direct Line of Business Expenditure	<i>Directly Charged to Line of Business</i>									

Figure 3-2 provides a detailed breakdown of the expenses and COS allocations for FY 21/22.

Figure 3-2. Cost of Service Allocations

	FY 21-22	Carts				Bins			Roll-Off
	Expenses	Solid Waste	Recycling	Yard Waste	Solid Waste	Recycling	Yard Waste	Customers	
Residential									
City Overhead - Public Works Admin	\$ 566,494	\$ 280,598	\$ 143,929	\$ 141,966	-	-	-	-	
City Overhead - Contracted Services (Excl. Contractor Payment)	272,822	135,135	69,316	68,371	-	-	-	-	
City Overhead - Commodities & ISC Charges (Excl. Franchise Fees)	551,526	273,184	140,127	138,215	-	-	-	-	
City Overhead - New Programs	2,089,048	408,542	626,443	1,054,063	-	-	-	-	
Tracy Delta Overhead - General Admin	1,049,455	519,820	266,636	262,999	-	-	-	-	
Tracy Delta Overhead - Depreciation	667,517	349,805	161,671	156,041	-	-	-	-	
Tracy Delta - Direct Costs	2,604,310	1,232,803	699,305	672,202	-	-	-	-	
Tracy Delta - Leaf Pickup & On-Call Cleanup	895,350	895,350	-	-	-	-	-	-	
Tracy Delta - Franchise Fee	1,244,671	767,822	172,092	304,757	-	-	-	-	
Tracy MRF - Processing and Disposal	4,672,025	3,856,441	-	815,584	-	-	-	-	
Operating Reserve	(1,307,549)	(647,661)	(332,210)	(327,678)	-	-	-	-	
Commercial									
City Overhead - Public Works Admin	\$ 516,628	\$ 24,860	\$ 5,077	\$ 2,302	\$ 179,164	\$ 6,142	\$ 926	\$ 298,156	
City Overhead - Contracted Services (Excl. Contractor Payment)	248,807	11,973	2,445	1,109	86,285	2,958	446	143,591	
City Overhead - Commodities & ISC Charges (Excl. Franchise Fees)	502,978	24,204	4,943	2,241	174,430	5,980	902	290,278	
City Overhead - New Programs	75,109	5,912	18,209	15,721	25,947	1,013	136	8,170	
Tracy Delta Overhead - General Admin	1,097,807	46,055	9,406	4,264	374,676	12,845	1,937	648,624	
Tracy Delta Overhead - Depreciation	690,748	28,130	5,674	2,530	298,914	9,585	1,445	344,470	
Tracy Delta - Direct Costs	3,234,726	118,271	24,517	10,899	1,176,649	39,719	5,988	1,858,682	
Tracy Delta - Franchise Fee	1,259,736	8,992	1,771	1,749	505,756	6,906	4,841	729,720	
Tracy MRF - Processing and Disposal	6,463,012	6,631	-	4,908	2,701,570	-	34,198	3,715,706	
Operating Reserve	(1,192,451)	(57,381)	(11,720)	(5,313)	(413,536)	(14,177)	(2,138)	(688,187)	
Subtotal	\$ 26,202,768	\$ 8,289,486	\$ 2,007,633	\$ 3,326,929	\$ 5,109,854	\$ 70,972	\$ 48,681	\$ 7,349,212	
Non-Rate Revenue	(669,083)	(131,254)	(103,053)	(99,775)	(123,909)	(4,248)	(640)	(206,204)	
Total Revenue Requirement	\$25,533,684								

The customer class allocations and the expense attributable to customer accounts are compared with the estimated revenue from current rates in **Figure 3-3**. The allocation of costs between volumetric and fixed costs is not available for the current rate year.

Figure 3-3. Current Rate Revenue Compared to Cost of Service

Components of Rate Structure	Current Revenue (No Rate Increase)				Cost of Service (COS)					Difference (COS Minus Current)			
	Carts - Residential & Commercial	Bins	Roll-Off	Total	Carts - Residential	Carts - Commercial	Bins	Roll-Off**	Total	Carts - Residential & Commercial	Bins	Roll-Off	Total
Cost of Service													
Volumetric*													
Solid Waste Collection	N/A	N/A	N/A		\$ 5,923,601	\$ 123,913	\$ 3,878,218	\$ 5,849,769	\$ 15,651,588				
Recycling Collection	N/A	N/A	N/A		1,011,736	35,539	39,719	450,406	1,501,861				
Yard Waste Collection	N/A	N/A	N/A		1,995,294	24,035	40,186	3,934	2,039,414				
Fixed Costs													
Solid Waste Collection	N/A	N/A	N/A		2,034,179	76,539	1,107,727	772,333	3,914,239				
Recycling Collection	N/A	N/A	N/A		836,031	21,273	27,005	65,564	928,600				
Yard Waste Collection	N/A	N/A	N/A		1,193,043	14,783	7,855	1,003	1,201,900				
	\$ 11,134,384	\$ 4,840,281	\$ 4,673,612	\$ 20,648,277	\$12,993,884	\$ 296,083	\$ 5,100,710	\$ 7,143,008	\$ 25,533,684	\$ 2,155,582	\$ 260,429	\$2,469,396	\$4,885,407
								% Shortfall		19.4%	5.4%	52.8%	23.7%

* Based on size of container

N/A - Not Available

** Recycling represents C&D & Wood for Roll-Off

The comparison of revenue from current rates with the revenue requirement indicates a 23.7% (\$4,885,407) increase in revenue is needed overall.

A key component of the Rate Study was to determine the volumetric and fixed components of the rates by customer class (carts, bins, and roll-off) for proper rate design.

Rates need to be designed to generate each class’s share of the revenue requirement. Section 4 provides a recommended rate structure to meet the COS.

SECTION 4. RATE DESIGN – COST OF SERVICE

This section discusses the design of volumetric charges for the various sizes of carts, bins, and roll-off customers, and the fixed service charges for each customer class. All cost categories were evaluated to determine if the cost would fluctuate (variable) or remain constant (fixed) if there were variances in the subscribed service and type of container. The following methodology was used on solid waste, recycling, and Organics. Only the solid waste carts, bins, and roll-off containers, combined residential and commercial, are shown below for purposes of this report.

Volumetric (Variable) Collection Costs

Volumetric (variable) collection costs are proportional costs based on the subscribed size and type of container for carts and bins. In order to properly allocate the variable costs, the various factors identified below were calculated based on existing subscription levels. Compacted bin service receives a variable increase of 25% for additional labor time to service compactor containers. The variable collection costs exclude transfer, disposal and fixed costs which are calculated separately.

Roll-off containers do not use a volumetric approach when determining variable costs, and instead create a per trip fee separate from the type of material disposed or processed, and fixed costs. Compacted materials receive a variable increase of 25% due to the additional labor time to service compactor roll-off containers. Roll-off’s methodology is shown in **Figure 4-6** below.

Full Time Equivalent Route Factor – Carts and Bins

The subscribed level of service, in essence, reserves that equivalent volume of space in the collection vehicle. Tracy Disposal must route its drivers and vehicles in order to ensure the routes have capacity to meet the customers’ demand. Therefore, a “Full Time Equivalent Route Factor” (FTE Route Factor) was calculated for each size of container based on collection truck capacity, average route hours and disposal trip time. **Figure 4-1** lists the FTE Route Factors for Carts and Bins:

Figure 4-1. Full Time Equivalent Route Factor

Customer Class		FTE Route Factor
Carts		
	60 Gallon	0.94
	90 Gallon	1.00
Bins		
	1.5 Yard	0.89
	2 Yard	0.94
	3 Yard	1.03
	4 Yard	1.07
	6 Yard	1.26
	2 Yard COMP	1.07
	3 Yard COMP	1.26
	4 Yard COMP	1.40
	6 Yard COMP	1.72

Equivalent Container Factor – Carts and Bins

An Equivalent Container Factor (ECF) was calculated to determine the variable component of the monthly rates as follows:

1. An adjusted number of loads for each size of container were calculated assuming 100% of customers subscribed to one size.
2. An Adjusted Loads Cost was determined based on the actual collection costs divided by actual loads multiplied by the Adjusted Loads.

The ECF was calculated by dividing the Adjusted Loads Costs (step 2) by the minimum cost per load. **Figure 4-2** lists the ECF for each customer class:

Figure 4-2. Equivalent Container Factor

Customer Class		Equivalent Container Factor (ECF)
Carts		
	60 Gallon	1.00
	90 Gallon	1.60
Bins		
	1.5 Yard	1.00
	2 Yard	1.40
	3 Yard	2.31
	4 Yard	3.22
	6 Yard	5.67
	2 Yard COMP	3.22
	3 Yard COMP	5.67
	4 Yard COMP	8.39
	6 Yard COMP	15.50

Equivalent Container Units – Carts and Bins

Equivalent Container Units (ECU) were calculated in order to properly allocate the variable collection costs, excluding the solid waste transfer and disposal and processing costs. ECUs were calculated by multiplying the number of containers by size by the applicable ECF. **Figure 4-3** shows the calculation of the ECUs for each customer class.

Figure 4-3. Equivalent Container Units

Customer Class		Equivalent Container Factor (ECF)	Current Containers in Service	Equivalent Container Units (ECU)
		A	B	A X B = C
Carts				
	60 Gallon	1.00	19,153	19,153
	90 Gallon	1.60	5,526	8,842
	Total Carts ECUs			27,995
Bins				
	1.5 Yard	1.00	194	194
	2 Yard	1.40	156	219
	3 Yard	2.31	268	620
	4 Yard	3.22	388	1,250
	6 Yard	5.67	304	1,723
	2 Yard COMP	3.22	4	13
	3 Yard COMP	5.67	-	-
	4 Yard COMP	8.39	2	17
	6 Yard COMP	15.50	11	171
	Total Bins ECUs			4,206

Variable Route Collection Costs Calculation

Annual variable costs were determined based on the review of Tracy Disposal’s projected and inflated collection costs for FY 21/22 and contain costs that would fluctuate based on the size of container and frequency of service. Costs include such items as costs for labor, equipment operation, and maintenance.

Cart Customers

Figure 4-4 shows the calculation of the monthly variable route collection costs per month for cart customers.

Figure 4-4. Variable Route Collection Costs per Month - Carts

		Cart Size (Gallons)	
		60	90
Annual Variable Costs	\$ 1,351,074	A	
Equivalent Container Units (ECU)	27,995	B	
Annual Variable Costs per ECU	\$ 48.26	A / B = C	
Monthly Variable Cost per ECU	\$ 4.02	C / 12 = D	
Equivalent Container Factor	E	1.00	1.60
Variable Route Collection Costs per Month	D x E	\$ 4.02	\$ 6.43

Bin Customers

Figure 4-5 shows the calculation of the monthly variable route collection costs per month for bin customers.

Figure 4-5. Variable Route Collection Costs – Bins

		Bin Size (Yards)									
		1.5	2	3	4	6	2 COMP	3 COMP	4 COMP	6 COMP	
Annual Variable Costs	\$ 925,465	A									
Equivalent Container Units (ECU)	4,206	B									
Annual Variable Costs per ECU	\$ 220.05	A / B = C									
Monthly Variable Cost per ECU	\$ 18.34	C / 12 = D									
Equivalent Container Factor	E	1.00	1.40	2.31	3.22	5.67	3.22	5.67	8.39	15.50	
Variable Route Collection Costs per Month	D x E	\$ 18.34	\$ 25.72	\$ 42.41	\$ 59.09	\$ 103.91	\$ 59.09	\$ 103.91	\$ 153.83	\$ 284.24	

Roll Off Customers

Figure 4-6 shows the calculation of the per pull variable collection costs for roll-off customers.

Figure 4-6. Variable Route Collection Costs – Roll Off

		Roll Off	
		Loose	Compacted
Annual Variable Costs	\$ 2,588,403	A	
Annual Pulls	9,096	B	
Variable Cost per Pull	\$ 284.58	A / B = C	
Compaction Factor	D	1.00	1.25
Variable Route Collection Cost per Pull	C x D = E	\$ 284.58	\$ 355.73

Fixed Collection Costs

Fixed collection costs are based on FY 21/22 projected budget costs that are not dependent on the subscribed service volume. Costs include such items as City and Tracy Disposal administration and city-wide programs. Costs are allocated between carts, bins, and roll-offs based on the percentage of each class’s total subscribed gallons. Once the annual fixed costs are allocated between carts, bins and roll-offs, each cost category is divided by the number of customer accounts in each category. Fixed costs for carts are lower than the fixed costs for bins or roll-offs due to a larger container base to allocate costs. **Figure 4-7** shows the calculation of Fixed Costs for solid waste carts, solid waste bins, and roll-off containers.

Figure 4-7. Fixed Collection Costs

		Carts		Bins	Roll Off
		Solid Waste	Solid Waste	Solid Waste	All Materials
Total Annual Fixed Costs	A	\$ 2,102,999	\$1,098,527		\$ 838,899
Number of Accounts/ Annual Pulls	B	23,426	760		8,368
Fixed Cost per Year / Pull	A / B = C	\$ 89.77	\$ 1,445.43		\$ 100.25
Fixed Cost per Month	C / 12 = D	\$ 7.48	\$ 120.45		
Residential Leaf & Cleanup*	E	\$ 895,350			
Number of Residential Accounts	F	\$ 23,222			
Cost per Account per Month	E / F / 12 = G	\$ 3.21			

* Residential Cost only. Commercial rates exclude this cost.

Transfer, Disposal and Processing Costs

Transfer, disposal, and processing costs represent the Tracy Disposal FY 21/22 projected and inflated budget costs to dispose/process the collected materials. The cost per gallon or yard is calculated by dividing the actual disposal costs by the number of subscribed gallons or yards. **Figure 4-8** lists the monthly transfer, disposal, and processing costs for carts and bins, and the per-yard per-pull transfer, disposal, and processing cost for roll-offs.

Figure 4-8. Transfer and Disposal Costs

		Solid Waste Carts		Solid Waste Bins*						Solid Waste Roll Off*			
		60 Gal Cart	90 Gal Cart	1.5 YD Bin	2 YD Bin	3 YD Bin	4 YD Bin	6 YD Bin	10 YD	20YD	30YD	40YD	
Total Disposal Costs	A	\$3,801,089		\$2,701,570						\$3,450,328			
Total Subscribed Gallon / Yard	B	1,646,520		5,029						417,125			
Disposal Cost per Gallon / Yard	A / B = C	\$2.31		\$537.20						\$8.27			
Disposal Cost per Month/Pull	C/12 * Siz	\$11.54	\$17.31	\$67.15	\$89.53	\$134.30	\$179.07	\$268.60	\$82.72	\$165.43	\$248.15	\$330.87	

* Calculation is for uncompacted material costs only, on a per yard per pull basis. Compacted material is 3x the cost per yard for disposal.

Residential Leaf and Cleanup Programs

The City offers residential customers a Fall leaf pick-up for excess yard waste beyond what can fit in the Organics cart. Additionally, the City offers an annual cleanup program which allows each residential property to have one scheduled pickup per calendar year. Beginning in 2022, each residential property will be allowed two scheduled pickups per calendar year. The costs for these two programs all allocated to each customer independent of the level of subscribed service.

Figure 4-9a. Base Collection Rates Cart Service (Service 1X per Week, First Container)

	Carts - Residential		Carts - Commercial	
	60 Gallon	90 Gallon	60 Gallon	90 Gallon
Solid Waste Collection - 1st Container				
Variable	\$ 4.02	\$ 6.43	\$ 4.02	\$ 6.43
Fixed	\$ 7.48	\$ 7.48	\$ 7.48	\$ 7.48
Transfer/Disposal	\$ 11.54	\$ 17.31	\$ 11.54	\$ 17.31
Residential Leaf & Cleanup*	\$ 3.21	\$ 3.21	N/A	N/A
	\$ 26.26	\$ 34.44	\$ 23.05	\$ 31.23

*Residential Cost only. Commercial rates exclude this cost.

Figure 4.9b: Base Collection Rate Bin Service (Service 1X per Week, First Container)

	Bins								
	1.5 Yard	2 Yard	3 yard	4 Yard	6 Yard	2 Yard	3 yard	4 Yard	6 Yard
COMPACT COMPACT COMPACT COMPACT									
Solid Waste Collection - 1st Container (before Frequency or Self-Contained Surcharges)									
Variable	\$ 18.34	\$ 25.72	\$ 42.41	\$ 59.09	\$ 103.91	\$ 59.09	\$ 103.91	\$ 153.83	\$ 284.24
Fixed	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45
Transfer/Disposal	\$ 67.15	\$ 89.53	\$ 134.30	\$ 179.07	\$ 268.60	\$ 268.60	\$ 402.90	\$ 537.20	\$ 805.80
	\$ 205.94	\$ 235.71	\$ 297.16	\$ 358.61	\$ 492.97	\$ 448.14	\$ 627.27	\$ 811.48	\$ 1,210.49

Figure 4.9c: Base Collection Rate Roll-Off Service (Per Pull)

	Roll Off - Per Pull			
	10 YD	20 YD	30 YD	40 YD
Solid Waste Collection - Per Pull				
Variable	\$ 284.58	\$ 284.58	\$ 284.58	\$ 284.58
Fixed	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25
Transfer/Disposal	\$ 82.72	\$ 165.43	\$ 248.15	\$ 330.87
	\$ 467.55	\$ 550.27	\$ 632.98	\$ 715.70

Multiple Service per Week

A rate for service that is provided to the same customer multiple times per week has the following components:

- First Service Day - Base rate
- Next Service Day – Base rate less fixed portion plus a frequency surcharge. Frequency surcharge is the additional cost for the truck to service a customer in an area outside of the normal route. The frequency surcharge is calculated as the additional labor costs per minute to service the container, multiplied by an average of 10 minutes to service a container outside the normal route. The frequency surcharge increases annually by a 3% inflation factor.

Figure 4-10. Example of Monthly Rate Calculation for 2 Yard Bin Serviced 3 Times per Week

Base Rate - 2 Yard Bin 3x per week	A	\$ 235.71
Fixed Portion	B	\$ 120.45
Frequency Surcharge (per trip beyond the first trip)	C	\$ 22.97
Rate Calculation		
1st Day of Service		
Base Rate	A	\$ 235.71
2nd Day of Service		
Base Rate	A	235.71
Fixed Portion	B	(120.45)
Frequency Surcharge	C	22.97
3rd Day of Service		
Base Rate	A	235.71
Fixed Portion	B	(120.45)
Frequency Surcharge	C	22.97
		\$ 512.16
Total Rate - 2 Yard Bin Serviced 3 Times per Week		<u>\$ 512.16</u>

Second Container

There are occasions, due to service demands, a customer may have more than one solid waste, recycling, or yard waste container. A rate for the second container includes the disposal component, the variable component, and a portion of the fixed container component. The fixed container component only contains the depreciation cost of the additional container. **Figure 4-11** shows a calculation for two 90-gallon residential solid waste carts serviced one time per week.

Figure 4-11. Calculation of Monthly Rate for Two 90 Gallon Carts Service

Base Rate - 90 Gallon Residential Solid Waste Cart	A	\$ 34.44
Disposal	B	\$ 17.31
Additional Fixed (Container)	C	\$ 0.63
Additional Operating Costs	D	\$ 6.43
Rate Calculation		
1st Day of Service		
Base Rate	A	\$ 34.44
2nd Container		
Disposal	B	17.31
Fixed Portion	C	0.63
Variable Portion	D	6.43
		24.37
Total Monthly Rate - Two 90 Gallon Carts Serviced 1 time Per Week		<u>\$ 58.82</u>

SECTION 5. CUSTOMER BILL IMPACTS

The current collection service rates alone will not provide the revenue needed to fund existing and projected operating and capital expenses and maintain the required Fund Balance Reserves Therefore, the service rates must be adjusted.

The future revenue requirements were developed using the following assumptions:

- The City’s FY 18/19 actual expenditures and Tracy Disposal’s FY 20/21 projected income statement served as the basis for determining the revenue requirement by inflating historical costs to FY 21/22 by 3% each year. The model currently allows inflation to be applied individually to subcategories within the four main categories shown in Figure 1 below, and further by year to accurately reflect anticipated or known increases in personnel, benefits, capital expenses, capital improvements, and new programs.

Figure 5-1. Inflators used in Cost of Service Study

Sub-Object	Title	% Inflation FY 19/20	% Inflation FY 20/21	% Inflation FY 21/22	% Inflation FY 22/23	% Inflation FY 23/24	% Inflation FY 24/25	% Inflation FY 25/26
5100-5199	Public Works Admin	3%	3%	3%	3%	3%	3%	3%
5200-5299	Contracted Services*	3%	3%	3%	3%	3%	3%	3%
5300-5399	Commodities	3%	3%	3%	3%	3%	3%	3%
5400-5499	ISC Charges	3%	3%	3%	3%	3%	3%	3%

* Contracted Services includes the amount paid to Tracy Disposal and City related overhead.

- Additional expenditures such as costs to comply with SB 1383, weekly recycling, road impact charges, code enforcement, community preservation, illegal dumping and homeless encampment cleanup were included at the City’s direction in addition to the 3% annual inflation.
- Rates should be sufficient to fund operating and capital expenses and maintain the required Fund Balance Reserve.
- In order to avoid potential Proposition 218 issues in using reserve funds, Fund Balance Reserve monies can only be used to support solid waste related programs.

Figures 5-2, 5-3, 5-4 and 5-5 show the rates necessary to meet the COS revenue requirement.

Figure 5-2. Projected Rates – Residential Cost of Service

		Projected Cost of Service and Monthly Rate Increase									
Solid Waste, Recycling, and Organics (Residential)	Current Rates	FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
60 Gallon Cart*	\$ 36.50	\$ 44.38	\$ 7.88	\$ 52.35	\$ 7.96	\$ 61.18	\$ 8.83	\$ 65.75	\$ 4.56	\$ 70.40	\$ 4.66
90 Gallon Cart*	\$ 43.20	\$ 52.57	\$ 9.37	\$ 60.87	\$ 8.30	\$ 70.21	\$ 9.35	\$ 75.50	\$ 5.29	\$ 80.89	\$ 5.39

*Only applicable for Residential Customers. Includes a 96 Gallon Recycling and 96 Gallon Organics carts.

Figure 5-3 Projected Rates – Commercial Cost of Service

Solid Waste (Commercial)	Current Rates	Projected Cost of Service and Monthly Rate Increase									
		FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
60 Gallon Cart*	\$ 39.70	\$ 23.05	\$ (16.65)	\$ 24.73	\$ 1.69	\$ 29.03	\$ 4.29	\$ 31.23	\$ 2.20	\$ 33.48	\$ 2.25
90 Gallon Cart*	\$ 51.85	\$ 31.23	\$ (20.62)	\$ 33.25	\$ 2.02	\$ 38.06	\$ 4.81	\$ 40.99	\$ 2.93	\$ 43.97	\$ 2.98
1.5 Yard Bin	\$ 148.20	\$ 205.94	\$ 57.74	\$ 215.20	\$ 9.26	\$ 264.40	\$ 49.19	\$ 271.00	\$ 6.60	\$ 277.86	\$ 6.87
2 Yard Bin	\$ 191.85	\$ 235.71	\$ 43.86	\$ 246.35	\$ 10.64	\$ 297.03	\$ 50.68	\$ 305.69	\$ 8.65	\$ 314.62	\$ 8.93
3 Yard Bin	\$ 257.55	\$ 297.16	\$ 39.61	\$ 310.74	\$ 13.58	\$ 364.61	\$ 53.87	\$ 377.72	\$ 13.11	\$ 391.13	\$ 13.41
4 Yard Bin	\$ 322.65	\$ 358.61	\$ 35.96	\$ 375.12	\$ 16.52	\$ 432.18	\$ 57.05	\$ 449.75	\$ 17.57	\$ 467.64	\$ 17.89
6 Yard Bin	\$ 440.55	\$ 492.97	\$ 52.42	\$ 516.45	\$ 23.49	\$ 581.12	\$ 64.66	\$ 609.68	\$ 28.56	\$ 638.60	\$ 28.92

* Only applicable for Commercial Customers. Does not include recycling or Organics.

Figure 5-4 Projected Rates – Commercial Recycling Cost of Service

Recycling (Commercial)	Current Rates	Projected Cost of Service and Monthly Rate Increase									
		FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
96 Gallon Cart*	\$ 43.60	\$ 6.68	\$ (36.92)	\$ 8.91	\$ 2.23	\$ 11.20	\$ 2.29	\$ 12.26	\$ 1.06	\$ 13.34	\$ 1.08
1.5 Yard Bin	\$ 130.90	\$ 90.66	\$ (40.24)	\$ 96.97	\$ 6.31	\$ 137.07	\$ 40.09	\$ 145.54	\$ 8.48	\$ 154.28	\$ 8.74
2 Yard Bin	\$ 169.70	\$ 100.17	\$ (69.53)	\$ 107.34	\$ 7.17	\$ 148.46	\$ 41.12	\$ 158.64	\$ 10.18	\$ 169.14	\$ 10.50
3 Yard Bin	\$ 226.00	\$ 119.17	\$ (106.83)	\$ 128.06	\$ 8.89	\$ 171.24	\$ 43.18	\$ 184.83	\$ 13.59	\$ 198.84	\$ 14.01
4 Yard Bin	\$ 280.40	\$ 138.17	\$ (142.23)	\$ 148.78	\$ 10.61	\$ 194.02	\$ 45.24	\$ 211.03	\$ 17.01	\$ 228.55	\$ 17.53
6 Yard Bin	\$ 377.15	\$ 176.18	\$ (200.97)	\$ 190.23	\$ 14.05	\$ 239.59	\$ 49.36	\$ 263.42	\$ 23.83	\$ 287.97	\$ 24.56

*Current Rates represents a bundled rate of a 96 Gallon Recycling and 96 Gallon Organics carts.

Figure 5-5 Projected Rates – Commercial Organics Cost of Service

Organics/ Organics	Current Rates	Projected Cost of Service and Monthly Rate Increase									
		FY 21/22	% Change	FY 22/23	% Change	FY 23/24	% Change	FY 24/25	% Change	FY 25/26	% Change
96 Gallon Cart*	\$ 43.60	\$ 11.45	-73.7%	\$ 15.46	35.1%	\$ 17.68	14.3%	\$ 18.94	7.2%	\$ 20.24	6.8%
1.5 Yard Bin	\$ 130.90	\$ 293.10	123.9%	\$ 305.15	4.1%	\$ 342.99	12.4%	\$ 357.73	4.3%	\$ 372.92	4.2%
2 Yard Bin	\$ 169.70	\$ 360.04	112.2%	\$ 374.67	4.1%	\$ 415.33	10.9%	\$ 433.62	4.4%	\$ 452.47	4.3%
3 Yard Bin	\$ 226.00	\$ 493.91	118.5%	\$ 513.73	4.0%	\$ 560.01	9.0%	\$ 585.40	4.5%	\$ 611.57	4.5%
4 Yard Bin	\$ 280.40	\$ 658.55	134.9%	\$ 684.97	4.0%	\$ 746.68	9.0%	\$ 780.54	4.5%	\$ 815.43	4.5%

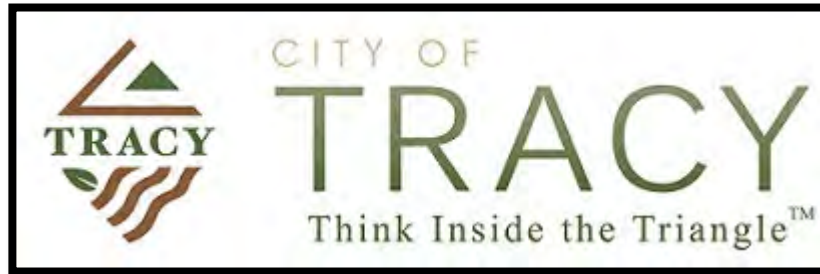
*Current Rates represents a bundled rate of a 96 Gallon Recycling and 96 Gallon Organics carts.

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CITY OF TRACY

520 TRACY BLVD

TRACY, CA 95376



SOLID WASTE RATE STUDY APPENDICES

- A-1 Rate Model Summary
- A-2 Cart Cost of Service Calculations
- A-3 Monthly Cart Rates – Cost of Service
- A-4 Solid Waste Bin Cost of Service Calculations
- A-5 Recycling Bin Cost of Service Calculations
- A-6 Organics Bin Cost of Service Calculations
- A-7 Monthly Bin Rates – Cost of Service
- A-8 Roll Off Cost of Service Calculations
- A-9 Roll Off Per Pull Rates – Cost of Service – Loose Material
- A-10 Roll Off Per Pull Rates – Cost of Service – Compact Material
- A-11 Current Rate Schedule

HF&H CONSULTANTS, LLC



APPENDIX A-1: RATE MODEL SUMMARY

Rate Model Summary – FY 21/22 to FY 25/26

CITY OF TRACY
SOLID WASTE RATE MODEL

	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
SUMMARY RESULTS	Preliminary Actual (City Data Projected)	Current Year (City Data Projected)	Projected	Projected	Projected	Projected	Projected
State Grants	\$ 3,867	\$ 3,983	\$ 4,103	\$ 4,226	\$ 4,353	\$ 4,483	\$ 4,618
Charges for Services	20,648,277	20,648,277	25,533,684	28,819,008	33,699,872	36,565,382	39,568,768
Fines and Forfeitures	454,000	467,620	401,649	413,698	426,109	438,893	452,059
Use of Money	248,216	255,662	263,332	271,232	279,369	287,750	296,382
Revenue Total	\$ 21,354,360	\$ 21,375,543	\$ 26,202,768	\$ 29,508,164	\$ 34,409,703	\$ 37,296,507	\$ 40,321,827
City Overhead Costs							
Personnel	\$ 1,020,946	\$ 1,051,575	\$ 1,083,122	\$ 1,115,615	\$ 1,149,084	\$ 1,183,556	\$ 1,219,063
Contracted Services	491,685	506,435	521,628	537,277	553,396	569,997	587,097
Commodities	14,213	14,639	15,078	15,531	15,996	16,476	16,971
ISC Charges	979,759	1,009,152	1,039,426	1,070,609	1,102,727	1,135,809	1,169,883
New Programs	-	-	999,450	1,453,320	1,933,522	2,441,229	2,977,658
Operating Reserve	-	-	(2,500,000)	(2,500,000)	-	-	-
Franchise Fee	2,139,058	2,203,230	2,504,406	2,783,183	2,866,679	2,952,679	3,041,259
City of Tracy Total	\$ 4,645,660	\$ 4,785,030	\$ 3,663,111	\$ 4,475,535	\$ 7,621,404	\$ 8,299,747	\$ 9,011,931
Tracy Disposal							
Operating Expenses - Carts	\$ 20,579,410	\$ 4,940,312	\$ 5,466,379	\$ 5,906,963	\$ 6,526,139	\$ 7,413,858	\$ 8,346,956
MRF / Disposal - Carts		4,459,967	4,683,564	4,908,991	5,174,330	5,454,362	5,749,631
Operating Expenses - Bins		1,750,173	1,921,758	2,088,414	2,304,874	2,613,578	2,938,590
MRF / Disposal - Bins		2,599,757	2,735,767	2,877,598	3,068,505	3,272,973	3,489,365
Operating Expenses - Rolloff		2,641,768	2,851,776	3,047,440	3,276,500	3,636,306	4,006,906
MRF / Disposal - Rolloff		3,607,482	3,715,706	3,827,177	3,941,993	4,060,253	4,182,060
New Program - SB1383			1,164,706	2,376,045	2,495,958	2,545,430	2,596,387
Tracy Disposal Total	\$ 20,579,410	\$ 19,999,459	\$ 22,539,657	\$ 25,032,628	\$ 26,788,299	\$ 28,996,760	\$ 31,309,895
Expenditures Total	\$ 25,225,070	\$ 24,784,489	\$ 26,202,768	\$ 29,508,164	\$ 34,409,703	\$ 37,296,507	\$ 40,321,827
Overall Surplus/(Shortfall)	\$ (3,870,710)	\$ (3,408,946)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
as % of Total Expenditures	-15.3%	-13.8%	0.0%	0.0%	0.0%	0.0%	0.0%

	Preliminary Actual (City Data)	Current Year (Estimated)	Projected	Projected	Projected	Projected	Projected
Operating Reserve							
Beginning of FY (July 1)	\$ 17,527,487	\$ 13,656,777	\$ 10,247,831	\$ 7,450,831	\$ 4,950,831	\$ 4,950,831	\$ 4,950,831
Additions			(2,500,000)	(2,500,000)	-	-	-
Capital Purchases			(297,000)				
End of FY (June 30)	\$ 13,656,777	\$ 10,247,831	\$ 7,450,831	\$ 4,950,831	\$ 4,950,831	\$ 4,950,831	\$ 4,950,831
% of Expenditures			28.4%	16.8%	14.4%	13.3%	12.3%
Months of Expenditures			3.4	2.0	1.7	1.6	1.5

APPENDIX A-2: CARTS COST OF SERVICE CALCULATIONS

Solid Waste Cart Cost of Service Calculations

FY2021/2022			Solid Waste		Cost of Service Information	
103%						
Residential	Commercial	Total				
\$ 547,354	\$ 31,471	\$ 578,825				CPI INFLATION
\$ 337,915	\$ 12,263	\$ 350,178				CITY OF TRACY
\$ 273,184	\$ 24,204	\$ 297,388				City Personnel (Includes New Programs)
\$ 519,820	\$ 46,055	\$ 565,876				City Contracted Services (Includes New Programs)
\$ 349,805	\$ 28,130	\$ 377,934				City Commodities, ISC & other (Includes New Programs)
\$ (114,061)	\$ (17,193)	\$ (131,254)				Tracy Disposal General Admin
\$ (7,322)	\$ (397)	\$ (7,719)				Tracy Disposal Depreciation
\$ (647,661)	\$ (57,381)	\$ (705,042)				Non-Rate Revenue
\$ -	\$ -	\$ -				Double Counted Extra Cart Depreciation
\$ -	\$ -	\$ -				Operating Reserve
\$ -	\$ -	\$ -				New Program Variable Costs
\$ 767,822	\$ 8,992	\$ 776,814				Franchise Fee
\$ 1,232,803	\$ 118,271	\$ 1,351,074				Tracy Disposal Direct Costs
\$ -	\$ -	\$ -				
\$ 241,055	\$ -	\$ 241,055				Tracy Disposal Leaf Pickup
\$ 654,295	\$ -	\$ 654,295				Tracy Disposal On Call Cleanup
\$ -	\$ -	\$ -				Frequency Surcharge
\$ -	\$ -	\$ -				Migration
\$ -	\$ -	\$ -				
\$ (60,994)	\$ (989)	\$ (61,983)				New Program Disposal Costs
\$ 3,856,441	\$ 6,631	\$ 3,863,072				MSW Transfer/Processing/Disposal Costs
\$ 3,795,447	\$ 5,642	\$ 3,801,089				Total Disposal Costs
\$ 7,950,458	\$ 200,055	\$ 8,150,513				Total All Costs
\$ 2,026,857	\$ 76,142	\$ 2,102,999				Fixed Cost
\$ -	\$ -	\$ -				
\$ 1,232,803	\$ 118,271	\$ 1,351,074				MSW Collection Operations Costs
			\$ 0.19			MSW Transfer/Disposal per Gallon/Month
			0.60			MSW Pounds per Gallon
			19.25			32-Gal MSW Pounds per Setout
			36.10			60-Gal MSW Pounds per Setout
			54.15			90-Gal MSW Pounds per Setout
			0.16			32-Gal Yardage Conversion
			0.30			60-Gal Yardage Conversion
			0.45			90-Gal Yardage Conversion
			201.00			MSW Gal per Yard
			29			Collection Body MSW Yards
			8.00			Collection Body MSW Tons
\$	\$ 2.23					Cost/min for additional freq. of service
\$	\$ 5.00					Additional Service Frequency Time (Minutes)
\$	\$ 11.15					Additional Service Frequency Cost

MSW Cart Rates by Cost of Service				
Container Size	32	60	90	
Setouts				
RESIDENTIAL				
Annual Variable Route Costs	\$ 1,351,074			
ECUs	27,995			
Annual Variable/ECU	\$ 48.26			
Monthly Variable/ECU	\$ 4.02			
Equivalent Container Factor	0.50	1.00	1.60	
Variable Route Costs/Month	\$ 2.00	\$ 4.02	\$ 6.43	
Fixed Costs/Container/Month	\$ 7.48	\$ 7.48	\$ 7.48	
MSW Txfr & Disp Cost/Month	\$ 6.16	\$ 11.54	\$ 17.31	
Residential (Leaf Pickup and Cleanup)	\$ 3.21	\$ 3.21	\$ 3.21	
TOTAL MONTHLY RATE @ 1x/wk Res	\$ 18.85	\$ 26.26	\$ 34.44	
TOTAL MONTHLY RATE @ 1x/wk Com	\$ 15.64	\$ 23.05	\$ 31.23	

Extra Container	Residential 60	Residential 90	Commercial 60	Commercial 90
Disposal	\$ 11.54	\$ 17.31	\$ 11.54	\$ 17.31
Addl Fixed (Depreciation)	\$ 0.51	\$ 0.63	\$ 0.51	\$ 0.63
Addl Operating Costs	\$ 4.02	\$ 6.43	\$ 4.02	\$ 6.43
Total Monthly Rate Extra Container	\$ 16.07	\$ 24.37	\$ 16.07	\$ 24.37

Estimated Cost of Container	\$ -	\$ 60.70	\$ 75.07
Depreciation (10Year life)	\$ -	\$ 0.51	\$ 0.63

PROOF of All Costs Included in the Rates:	Residential	Residential	Commercial	Commercial
Total Carts	17,898	5,324	81	123
Rates	\$ 26.26	\$ 34.44	\$ 23.05	\$ 31.23
First Cart Revenue	\$ 5,639,725	\$ 2,200,503	\$ 22,400	\$ 46,096
Second Carts	1,158	39	16	40
Rates	\$ 16.07	\$ 24.37	\$ 16.07	\$ 24.37
Second Cart Revenue	\$ 223,315	\$ 11,407	\$ 3,086	\$ 11,700
Total Revenue	\$ 8,158,232			
Total Costs	\$ 8,158,232	\$ 7,063,095		
	\$ -			

Residential And Commercial	32.00	60.00	90.00	Total	Check
Variable	-	77,030	35,559	\$ 1,351,074	\$ -
Leaf/Cleanup	-	57,506	17,106	\$ 895,350	\$ -
Fixed	-	134,501	40,749.01	\$ 2,102,999	\$ -
Disposal (First and Second)	-	221,079	95,678	\$ 3,801,089	\$ -
Depreciation	-	643		\$ 7,719	

APPENDIX A-2: CARTS COST OF SERVICE CALCULATIONS

Recycling Cart Cost of Service Calculations

FY2021/2022			Recycling		Cost of Service Information	
103%					CPI INFLATION	
Residential	Commercial	Total			CITY OF TRACY	
\$ 280,759	\$ 9,263	\$ 290,022			City Personnel (Includes New Programs)	
\$ 172,516	\$ 2,922	\$ 175,438			City Contracted Services (Includes New Programs)	
\$ 142,527	\$ 4,943	\$ 147,470			City Commodities, ISC & other (Includes New Programs)	
\$ 266,636	\$ 9,406	\$ 276,042			Tracy Disposal General Admin	
\$ 161,671	\$ 5,674	\$ 167,345			Tracy Disposal Depreciation	
\$ (99,541)	\$ (3,512)	\$ (103,053)			Non-Rate Revenue	
\$ (3,461)	\$ (901)	\$ (4,362)			Double Counted Extra Cart Depreciation	
\$ (332,210)	\$ (11,720)	\$ (343,929)			Operating Reserve	
\$ 71,582	\$ 2,525	\$ 74,107			New Program Depreciation	
\$ 312,431	\$ 11,022	\$ 323,453			New Program Direct Costs	
\$ 172,092	\$ 1,771	\$ 173,863			Franchise Fee	
\$ -	\$ -	\$ -			New Program Variable Costs	
\$ 699,305	\$ 24,517	\$ 723,822			Tracy Disposal Direct Costs	
		\$ -			Frequency Surcharge	
		\$ -			Migration	
		\$ -				
		\$ -				
\$ -	\$ -	\$ -			New Program Disposal Costs	
\$ -	\$ -	\$ -			REC Transfer/Processing/Disposal Costs	
\$ -	\$ -	\$ -			Total Disposal Costs	
\$ 1,844,306	\$ 55,912	\$ 1,904,580			Total All Costs	
		\$ -				
\$ 832,570	\$ 20,373	\$ 852,943			Fixed Cost	
		\$ -				
\$ 1,011,736	\$ 35,539	\$ 1,047,275			Recycling Collection Operations Costs	
		\$ -			Transfer/Processing per Gallon/Month	
					0.12 Recyclable Pounds per Gallon	
					23,390 Number of Accounts	
					11 96 - Gal REC Pounds per Setout	
					29 Collection Body REC Yards	
					8.00 Collection Body REC Tons	
					\$ 2.23 Cost/min for additional freq. of service	
					\$ 5.00 Additional Service Frequency Time (Minutes)	
					\$ 11.15 Additional Service Frequency Cost	

Recycling Cart Rates by Cost of Service			
Container Size	96	96	96
RESIDENTIAL			
Annual Variable Route Costs	\$ 1,047,275		
ECUs	23,971		
Annual Variable/ECU	\$ 43.69		
Monthly Variable/ECU	\$ 3.64		
Equivalent Container Factor	1.00	1.00	1.00
Variable Route Costs/Month	\$ 3.64	\$ 3.64	\$ 3.64
Fixed Costs/Container/Month	\$ 3.04	\$ 3.04	\$ 3.04
Recycling Processing Cost/Month	\$ -	\$ -	\$ -
TOTAL MONTHLY RATE @ 1x/wk Res	\$ 6.68	\$ 6.68	\$ 6.68
TOTAL MONTHLY RATE @ 1x/wk Com	\$ 6.68	\$ 6.68	\$ 6.68
Extra Container			
Recycling Processing Cost/Month	\$ -	\$ -	\$ -
Addl Fixed (Depreciation)	\$ 0.63	\$ 0.63	\$ 0.63
Addl Operating Costs	\$ 3.64	\$ 3.64	\$ 3.64
Total Monthly Rate Extra Container	\$ 4.27	\$ 4.27	\$ 4.27
Estimated Cost of Container			
Depreciation (10year life)	\$ 75.07	\$ 75.07	\$ 75.07
	\$ 0.63	\$ 0.63	\$ 0.63
PROOF of All Costs Included in the Rates:			
Total Carts	23,222	168	
Rates	\$ 6.68	\$ 6.68	
First Cart Revenue	\$ 1,861,369	\$ 13,466	
Second Carts			
Rates	\$ 4.27	\$ 4.27	
Second Cart Revenue	\$ 23,601.47	\$ 6,143.55	
Total Revenue	\$ 1,904,580		
Total Costs	\$ 1,904,580		
	\$ -		

APPENDIX A-2: CARTS COST OF SERVICE CALCULATIONS

Yard Waste Cart Cost of Service Calculations

FY2021/2022		Organics Carts		Cost of Service Information	
103%				CPI INFLATION	
Residential	Commercial	Total		CITY OF TRACY	
\$ 276,929	\$ 4,415	\$ 281,344		City Personnel (Includes New Programs)	
\$ 171,571	\$ 1,488	\$ 173,058		City Contracted Services (Includes New Programs)	
\$ 138,215	\$ 2,241	\$ 140,456		City Commodities, ISC & other (Includes New Programs)	
\$ 262,999	\$ 4,264	\$ 267,263		Tracy Disposal General Admin	
\$ 156,041	\$ 2,530	\$ 158,571		Tracy Disposal Depreciation	
\$ (98,183)	\$ (1,592)	\$ (99,775)		Non-Rate Revenue	
\$ (1,524)	\$ (38)	\$ (1,561)		Double Counted Extra Cart Depreciation	
\$ (327,678.32)	\$ (5,313)	\$ (332,991)		Operating Reserve	
\$ 308,392.69	\$ 5,000	\$ 313,393		New Program Depreciation	
\$ 446,513.49	\$ 7,239.61	\$ 453,753		New Program Direct Costs	
\$ 304,757	\$ 1,749	\$ 306,506		Franchise Fee	
\$ -	\$ -	\$ -		New Program Variable Costs	
\$ 672,202	\$ 10,899	\$ 683,101		Tracy Disposal Direct Costs	
\$ -	\$ -	\$ -		Frequency Surcharge	
\$ -	\$ -	\$ -		Migration	
\$ -	\$ -	\$ -			
\$ -	\$ -	\$ -			
\$ -	\$ -	\$ -			
\$ 60,994	\$ 989	\$ 61,983		New Program Disposal Costs	
\$ 815,584	\$ 4,908	\$ 820,491		ORG Transfer/Processing/Disposal Costs	
\$ 876,578	\$ 5,897	\$ 882,475		Total Disposal Costs	
\$ 3,186,813	\$ 38,780	\$ 3,225,593		Total All Costs	
		\$ -			
\$ 1,191,519	\$ 14,745	\$ 1,206,264		Fixed Cost	
		\$ -			
\$ 1,118,716	\$ 18,138	\$ 1,136,854		Organics Collection Operations Costs	
		\$ 0.03		Organics Transfer/Disposal per Gallon/Month	
		0.17		Organics Pounds per Gallon	
		16.66		96-Gal Organics Pounds per Setout	
		0.48		96-Gal Yardage Conversion	
		23,355		Number of Accounts	
		29		Collection Body Organics Yards	
		8.00		Collection Body Organics Tons	
		\$ 2.23		Cost/min for additional freq. of service	
		5.0		Additional Service Frequency Time (Minutes)	
		\$ 11.15		Additional Service Frequency Cost	

Organics Cart Rates by Cost of Service			
Container Size	96	96	96
RESIDENTIAL			
Annual Variable Route Costs	\$ 1,136,854		
ECUs	23,563		
Annual Variable/ECU	\$ 48.25		
Monthly Variable/ECU	\$ 4.02		
Equivalent Container Factor	1.00	1.00	1.00
Variable Route Costs/Month	\$ 4.02	\$ 4.02	\$ 4.02
Fixed Costs/Container/Month	\$ 4.30	\$ 4.30	\$ 4.30
Organic Processing Cost/Month	\$ 3.12	\$ 3.12	\$ 3.12
TOTAL MONTHLY RATE @ 1x/wk Res	\$ 11.45	\$ 11.45	\$ 11.45
TOTAL MONTHLY RATE @ 1x/wk Com	\$ 11.45	\$ 11.45	\$ 11.45

Extra Container	Residential	Commercial
Organic Processing Cost/Month	\$ 3.12	\$ 3.12
Addl Fixed (Depreciation)	\$ 0.63	\$ 0.63
Addl Operating Costs	\$ 4.02	\$ 4.02
Total Monthly Rate Extra Container	\$ 7.77	\$ 7.77

Estimated Cost of Container	\$ 75.07	\$ 75.07	\$ 75.07
Depreciation (10year life)	\$ 0.63	\$ 0.63	\$ 0.63

PROOF of All Costs Included in the Rates:	Residential	Commercial
Total Carts	23,222	133
Rates	\$ 11.45	\$ 11.45
First Cart Revenue	\$ 3,189,500	\$ 18,267
Second Carts	203	5
Rates	\$ 7.77	\$ 7.77
Second Cart Revenue	\$ 18,920.85	\$ 466.03
Total Revenue	\$ 3,227,154	
Total Costs	\$ 3,227,154	
	\$ -	

APPENDIX A-3: MONTHLY CART RATES

Residential Monthly Cart Rates – Cost of Service

MSW Residential Rates - (19-20 Approved)		
Frequency	60	90
1 /week	\$ 36.50	\$ 43.20
Extra Container	\$ 36.50	\$ 43.20

MSW Residential Rates - 2021-2022 Full COS		
Frequency	60	90
1 /week	\$ 26.26	\$ 34.44
Extra Container	\$ 16.07	\$ 24.37

MSW Residential Rates - 2022-2023 Full COS		
Frequency	60	90
1 /week	\$ 27.98	\$ 36.50
Extra Container	\$ 16.65	\$ 25.29

REC Residential Rates - (19-20 Approved)		
Frequency	96	96
Every Other Week	\$ -	\$ -
Extra Container	\$ -	\$ -

REC Residential Rates - Full COS		
Frequency	96	96
Every Week	\$ 6.68	\$ 6.68
Extra Container	\$ 4.27	\$ 4.27

REC Residential Rates - Full COS		
Frequency	96	96
Every Week	\$ 8.91	\$ 8.91
Extra Container	\$ 5.64	\$ 5.64

Organic Residential Rates - (19-20 Approved)		
Frequency	96	96
Every Other Week	\$ -	\$ -
Extra Container	\$ 8.70	\$ 8.70

Organic Residential Rates - Full COS		
Frequency	96	96
Every Week	\$ 11.45	\$ 11.45
Extra Container	\$ 7.77	\$ 7.77

Organic Residential Rates - Full COS		
Frequency	96	96
Every Week	\$ 15.46	\$ 15.46
Extra Container	\$ 9.94	\$ 9.94

Total Residential Rates - (19-20 Approved)		
Frequency	60	90
1 /week	\$ 36.50	\$ 43.20

Total Residential Rates 2021-2022 - Full COS		
Frequency	60	90
1 /week	\$ 44.38	\$ 52.57

Total Residential Rates 2022-2023 - Full COS		
Frequency	60	90
1 /week	\$ 52.35	\$ 60.87

Total Residential Rates - 2019-2020 vs 2021-2022 \$\$ Change		
Frequency	60	90
1 /week	\$ 7.88	\$ 9.37

Total Residential Rates - 2020-2021 vs 2022-2023 \$\$ Change		
Frequency	60	90
1 /week	\$ 7.96	\$ 8.30

Total Residential Rates - 2019-2020 vs 2021-2022 % Change		
Frequency	60	90
1 /week	22%	22%

Total Residential Rates - 2020-2021 vs 2022-2023 % Change		
Frequency	60	90
1 /week	18%	16%

APPENDIX A-3: MONTHLY CART RATES

Residential Monthly Cart Rates – Cost of Service

MSW Residential Rates - 2023-2024 Full COS			
Frequency	60	90	
1 /week	\$ 32.31	\$	41.34
Extra Container	\$ 17.57	\$	26.72

MSW Residential Rates - 2024-2025 Full COS			
Frequency	60	90	
1 /week	\$ 34.55	\$	44.30
Extra Container	\$ 18.83	\$	28.71

MSW Residential Rates - 2025-2026 Full COS			
Frequency	60	90	
1 /week	\$ 36.83	\$	47.32
Extra Container	\$ 20.12	\$	30.73

REC Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 11.20	\$	11.20
Extra Container	\$ 6.05	\$	6.05

REC Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 12.26	\$	12.26
Extra Container	\$ 6.66	\$	6.66

REC Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 13.34	\$	13.34
Extra Container	\$ 7.29	\$	7.29

Organic Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 17.68	\$	17.68
Extra Container	\$ 10.54	\$	10.54

Organic Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 18.94	\$	18.94
Extra Container	\$ 11.35	\$	11.35

Organic Residential Rates - Full COS			
Frequency	96	96	
Every Week	\$ 20.24	\$	20.24
Extra Container	\$ 12.18	\$	12.18

Total Residential Rates 2023-2024 - Full COS			
Frequency	60	90	
1 /week	\$ 61.18	\$	70.21

Total Residential Rates 2024-2025 - Full COS			
Frequency	60	90	
1 /week	\$ 65.75	\$	75.50

Total Residential Rates 2025-2026 - Full COS			
Frequency	60	90	
1 /week	\$ 70.40	\$	80.89

Total Residential Rates - 2022-2023 vs 2023-2024 \$\$ Change			
Frequency	60	90	
1 /week	\$ 8.83	\$	9.35

Total Residential Rates - 2023-2024 vs 2024-2025 \$\$ Change			
Frequency	60	90	
1 /week	\$ 4.56	\$	5.29

Total Residential Rates - 2024-2025 vs 2025-2026 \$\$ Change			
Frequency	60	90	
1 /week	\$ 4.66	\$	5.39

Total Residential Rates - 2022-2023 vs 2023-2024 % Change			
Frequency	60	90	
1 /week	17%		15%

Total Residential Rates - 2023-2024 vs 2024-2025 % Change			
Frequency	60	90	
1 /week	7%		8%

Total Residential Rates - 2024-2025 vs 2025-2026 %Change			
Frequency	60	90	
1 /week	7%		7%

APPENDIX A-4: SOLID WASTE BIN COST OF SERVICE CALCULATIONS

Solid Waste Bin Cost of Service Calculations

FY2021/22	Cost of Service Information
103%	CPI INFLATION
	CITY OF TRACY
\$ 204,021	City Personnel (Includes New Programs)
\$ 87,375	City Contracted Services (Includes New Programs)
\$ 174,430	City Commodities, ISC & other (Includes New Programs)
\$ 374,676	Tracy Disposal General Admin
\$ 298,914	Tracy Disposal Depreciation
\$ (123,909)	Non-Rate Revenue
\$ (9,200)	Double Counted Extra Cart Depreciation
\$ (413,536)	Operating Reserve
	New Program Depreciation
\$ -	New Program Direct Costs
\$ 505,756	Franchise Fee
\$ 1,176,649	Tracy Disposal Direct Costs
\$ (251,183)	Frequency Surcharge
\$ -	Migration
	New Program Disposal Costs
\$ 2,701,570	MSW Transfer/Processing/Disposal Costs
\$ 2,701,570	Total Disposal Costs
\$ 4,725,562	Total All Costs
	Fixed Cost
\$ 1,098,527	MSW Collection Operations Costs
\$ 925,465	MSW Transfer/Disposal per Yard/Month
\$ 44.77	MSW Pounds per Yard
155.71	1 Yard MSW Pounds per Setout
233.56	1.5 Yard MSW Pounds per Setout
311.42	2 Yard MSW Pounds per Setout
467.13	3 Yard MSW Pounds per Setout
622.84	4 Yard MSW Pounds per Setout
778.55	5 Yard MSW Pounds per Setout
934.25	6 Yard MSW Pounds per Setout
311.42	1 Yard COMP MSW Pounds per Setout
622.84	2 Yard COMP MSW Pounds per Setout
934.25	3 Yard COMP MSW Pounds per Setout
1245.67	4 Yard COMP MSW Pounds per Setout
1868.51	6 Yard COMP MSW Pounds per Setout
40	Collection Body MSW Yards
12.00	Collection Body MSW Tons
\$ 2.30	Cost/min for additional freq. of service
10.0	Additional Service Frequency Time (Minutes) - Bins
\$ 22.97	Additional Service Frequency Cost - Bins

Container Size	MSW Commercial Rates by Cost of Service						Comp 2	Comp 3	Comp 4	Comp 6
	1.5	2	3	4	6	6				
Annual Variable Route Costs	\$ 925,465									
ECUs	4,205.64									
Annual Variable/ECU	\$ 220.05									
Monthly Variable/ECU	\$ 18.34									
ECFs	1.00	1.40	2.31	3.22	5.67	3.22	5.67	8.39	15.50	
Variable Route Costs/Month	\$ 18.34	\$ 25.72	\$ 42.41	\$ 59.09	\$ 103.91	\$ 59.09	\$ 103.91	\$ 153.83	\$ 284.24	
Fixed Costs/Account/Month	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	\$ 120.45	
MSW Txfr & Disp Cost/Month	\$ 67.15	\$ 89.53	\$ 134.30	\$ 179.07	\$ 268.60	\$ 268.60	\$ 402.90	\$ 537.20	\$ 805.80	
TOTAL MONTHLY RATE @ 1x/wk	\$ 205.94	\$ 235.71	\$ 297.16	\$ 358.61	\$ 492.97	\$ 448.14	\$ 627.27	\$ 811.48	\$ 1,210.49	
Extra Container										
Disposal	\$ 67.15	\$ 89.53	\$ 134.30	\$ 179.07	\$ 268.60	\$ 268.60	\$ 402.90	\$ 537.20	\$ 805.80	
Addl Fixed (Depreciation)	\$ 5.50	\$ 6.79	\$ 7.94	\$ 7.02	\$ 10.37	\$ -	\$ -	\$ -	\$ -	
Addl Operating Costs	\$ 18.34	\$ 25.72	\$ 42.41	\$ 59.09	\$ 103.91	\$ 59.09	\$ 103.91	\$ 153.83	\$ 284.24	
Total Monthly Rate Extra Container	\$ 90.99	\$ 122.04	\$ 184.65	\$ 245.18	\$ 382.88	\$ 327.69	\$ 506.81	\$ 691.03	\$ 1,090.03	
Temporary Container										
Monthly Rate/4.33	\$ 47.52	\$ 54.39	\$ 68.57	\$ 82.76	\$ 113.76	\$ 103.42	\$ 144.75	\$ 187.27	\$ 279.34	
Frequency Surcharge X2 (Drop-off and Pick)	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	
Temporary Container Rate	\$ 93.46	\$ 100.33	\$ 114.51	\$ 128.69	\$ 159.70	\$ 149.35	\$ 190.69	\$ 233.20	\$ 325.28	
Estimated Cost of Container	\$ 660.37	\$ 814.27	\$ 952.79	\$ 842.72	\$ 1,243.87	\$ -	\$ -	\$ -	\$ -	
Bin Depreciation (10 year life)	\$ 5.50	\$ 6.79	\$ 7.94	\$ 7.02	\$ 10.37	\$ -	\$ -	\$ -	\$ -	
PROOF of All Costs Included in the Rates:										
Total Carts	187	149	250	338	286	4	-	1	2	
Rates	\$ 205.94	\$ 235.71	\$ 297.16	\$ 358.61	\$ 492.97	\$ 448.14	\$ 627.27	\$ 811.48	\$ 1,210.49	
First Cart Revenue	\$ 462,130	\$ 421,448	\$ 891,475	\$ 1,454,510	\$ 1,691,858	\$ 21,511	\$ -	\$ 9,738	\$ 29,052	
Second Carts	7	7	18	50	18	-	-	1	9	
Rates	\$ 90.99	\$ 122.04	\$ 184.65	\$ 245.18	\$ 382.88	\$ 327.69	\$ 506.81	\$ 691.03	\$ 1,090.03	
Second Cart Revenue	\$ 7,643.22	\$ 10,251.56	\$ 39,883.44	\$ 147,106.30	\$ 82,701.82	\$ -	\$ -	\$ 8,292.38	\$ 117,723.56	
Total Revenue	\$ 5,395,324									
Total Costs	\$ 4,734,762									
	\$ 660,562									

APPENDIX A-5: RECYCLING BIN COST OF SERVICE CALCULATIONS

Recycling Bin – Cost of Service

FY2021/22	Cost of Service Information
103%	CPI INFLATION
	CITY OF TRACY
\$ 7,052	City Personnel (Includes New Programs)
\$ 3,062	City Contracted Services (Includes New Programs)
\$ 5,980	City Commodities, ISC & other (Includes New Programs)
\$ 12,845	Tracy Disposal General Admin
\$ 9,585	Tracy Disposal Depreciation
\$ (4,248)	Non-Rate Revenue
\$ (899)	Double Counted Extra Cart Depreciation
\$ (14,177)	Operating Reserve
	New Program Depreciation
\$ -	New Program Direct Costs
\$ 6,906	Franchise Fee
\$ 39,719	Tracy Disposal Direct Costs
\$ (2,205)	Frequency Surcharge
\$ -	Migration
	New Program Disposal Costs
\$ -	Recycling Transfer/Processing/Disposal Costs
\$ -	Total Disposal Costs
\$ 63,620	Total All Costs
\$ 26,106	Fixed Cost
	Inflation Factor
\$ 37,514	REC Collection Operations Costs
\$ -	Recycling Transfer/Disposal per Yard/Month
23.91	Recycling Pounds per Yard
23.91	1 Yard Recycling Pounds per Setout
35.86	1.5 Yard Recycling Pounds per Setout
47.82	2 Yard Recycling Pounds per Setout
71.73	3 Yard Recycling Pounds per Setout
95.63	4 Yard Recycling Pounds per Setout
119.54	5 Yard Recycling Pounds per Setout
143.45	6 Yard Recycling Pounds per Setout
47.82	1 Yard COMP Recycling Pounds per Setout
95.63	2 Yard COMP Recycling Pounds per Setout
143.45	3 Yard COMP Recycling Pounds per Setout
191.27	4 Yard COMP Recycling Pounds per Setout
286.90	6 Yard COMP Recycling Pounds per Setout
	35 Number of Accounts
40	Collection Body Recycling Yards
12.00	Collection Body Recycling Tons
\$ 2.30	Cost/min for additional freq. of service
10.0	Additional Service Frequency Time (Minutes)
\$ 22.97	Additional Service Frequency Cost

Container Size	Recycling Commercial Rates by Cost of Service						Comp		Comp		Comp	
	1.5	2	3	4	6	2	3	4	6			
Annual Variable Route Costs	\$ 37,514											
ECUs	110											
Annual Variable/ECU	342.08											
Monthly Variable/ECU	\$ 28.51											
ECFs	1.00	1.33	2.00	2.67	4.00	2.67	4.00	5.33	8.00			
Variable Route Costs/Month	\$ 28.51	\$ 38.01	\$ 57.01	\$ 76.02	\$ 114.03	\$ 76.02	\$ 114.03	\$ 152.03	\$ 228.05			
Fixed Costs/Account/Month	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16	\$ 62.16
REC Trfr & Disp Cost/Month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL MONTHLY RATE @ 1x/wk	\$ 90.66	\$ 100.17	\$ 119.17	\$ 138.17	\$ 176.18	\$ 138.17	\$ 176.18	\$ 214.19	\$ 290.21			

Extra Container	1.5	2	3	4	6	2	3	4	6
Disposal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Addl Fixed (Depreciation)	\$ 5.50	\$ 6.79	\$ 7.94	\$ 7.02	\$ 10.37	\$ -	\$ -	\$ -	\$ -
Addl Operating Costs	\$ 28.51	\$ 38.01	\$ 57.01	\$ 76.02	\$ 114.03	\$ 76.02	\$ 114.03	\$ 152.03	\$ 228.05
Total Monthly Rate Extra Container	\$ 34.01	\$ 44.79	\$ 64.95	\$ 83.04	\$ 124.39	\$ 76.02	\$ 114.03	\$ 152.03	\$ 228.05
Temporary Container									
Monthly Rate/4.33	\$ 20.92	\$ 23.12	\$ 27.50	\$ 31.89	\$ 40.66	\$ 31.89	\$ 40.66	\$ 49.43	\$ 66.97
Frequency Surcharge X2 (Drop-off and Pick	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94	\$ 45.94
Temporary Container Rate	\$ 66.86	\$ 69.05	\$ 73.44	\$ 77.82	\$ 86.59	\$ 77.82	\$ 86.59	\$ 95.37	\$ 112.91
Estimated Cost of Container	\$ 660.37	\$ 814.27	\$ 952.79	\$ 842.72	\$ 1,243.87	\$ -	\$ -	\$ -	\$ -
Bin Depreciation (10year life)	\$ 5.50	\$ 6.79	\$ 7.94	\$ 7.02	\$ 10.37	\$ -	\$ -	\$ -	\$ -

PROOF of All Costs Included in the Rates:												
Total Carts	9	7	9	11	7	-	-	-	-	-	-	-
Rates	\$ 90.66	\$ 100.17	\$ 119.17	\$ 138.17	\$ 176.18	\$ 138.17	\$ 176.18	\$ 214.19	\$ 290.21			
First Cart Revenue	\$ 9,792	\$ 8,414	\$ 12,870	\$ 18,239	\$ 14,799	\$ -	\$ -	\$ -	\$ -			
Second Carts	-	10	-	1	-	-	-	-	-			
Rates	\$ 34.01	\$ 44.79	\$ 64.95	\$ 83.04	\$ 124.39	\$ 76.02	\$ 114.03	\$ 152.03	\$ 228.05			
Second Cart Revenue	\$ -	\$ 5,375.28	\$ -	\$ 996.47	\$ -	\$ -	\$ -	\$ -	\$ -			
Total Revenue	\$ 70,486											
Total Costs	\$ 64,519											
	\$ 5,967											

APPENDIX A-6: ORGANICS BIN COST OF SERVICE CALCULATIONS

Organics Bin – Cost of Service

FY2021/22	Cost of Service Information	Organics Commercial Rates by Cost of Service			
		Container Size	1.5	2	3
103%	CPI INFLATION				
	CITY OF TRACY				
\$ 1,042	City Personnel (Includes New Programs)				
\$ 467	City Contracted Services (Includes New Programs)				
\$ 902	City Commodities, ISC & other (Includes New Programs)				
\$ 1,937	Tracy Disposal General Admin				
\$ 1,445	Tracy Disposal Depreciation				
\$ (640)	Non-Rate Revenue				
\$ (102)	Double Counted Extra Cart Depreciation				
\$ (2,138)	Operating Reserve				
\$ -	New Program Direct Costs				
\$ 4,841	Franchise Fee				
\$ 5,988	Tracy Disposal Direct Costs				
\$ (827)	Frequency Surcharge				
\$ -	Migration				
\$ -	New Program Disposal Costs				
\$ 34,198	Organics Transfer/Processing/Disposal Costs				
\$ 34,198	Total Disposal Costs				
\$ 47,111	Total All Costs				
\$ 7,752	Fixed Cost				
0%	Inflation Factor				
\$ 5,162	Organics Collection Operations Costs				
\$ 116.32	Organics Transfer/Disposal per Yard/Month				
34.89	Organics Pounds per Yard				
34.89	1 Yard Organics Pounds per Setout				
52.33	1.5 Yard Organics Pounds per Setout				
69.78	2 Yard Organics Pounds per Setout				
104.67	3 Yard Organics Pounds per Setout				
69.78	1 Yard COMP Organics Pounds per Setout				
139.55	2 Yard COMP Organics Pounds per Setout				
209.33	3 Yard COMP Organics Pounds per Setout				
7	Number of Accounts				
40	Collection Body ORG Yards				
12.00	Collection Body ORG Tons				
\$ 2.30	Cost/min for additional freq. of service				
\$ 10.00	Additional Service Frequency Time (Minutes)				
\$ 22.97	Additional Service Frequency Cost				

Organics Commercial Rates by Cost of Service				
Container Size	1.5	2	3	
\$	47,111			
Annual Variable Route Costs	\$ 5,162			
ECUs	16			
Annual Variable/ECU	\$ 316			
Monthly Variable/ECU	\$ 26.33			
ECF's	1.00	1.33	2.00	
Variable Route Costs/Month	26.33	35.11	52.67	
Fixed Costs/Account/Month	92.29	92.29	92.29	
ORG Txfr & Disp Cost/Month	\$ 174.48	\$ 232.64	\$ 348.95	
TOTAL MONTHLY RATE @ 1x/wk	\$ 293.10	\$ 360.04	\$ 493.91	
Extra Container				
Disposal	\$ 174.48	\$ 232.64	\$ 348.95	
Add Fixed (Depreciation)	\$ 6.90	\$ 8.54	\$ 10.03	
Add Operating Costs	\$ 26.33	\$ 35.11	\$ 52.67	
Total Monthly Rate Extra Container	\$ 207.71	\$ 276.28	\$ 411.66	
Estimated Cost of Container	\$ 828.37	\$ 1,024.27	\$ 1,203.79	
Bin Depreciation (10year life)	\$ 6.90	\$ 8.54	\$ 10.03	
PROOF of All Costs included in the Rates:				
Total Carts	1	6	3	
Rates	\$ 293.10	\$ 360.04	\$ 493.91	
First Cart Revenue	\$ 3,517	\$ 25,923	\$ 17,781	
Second Carts	-	1	-	
Rates	\$ 207.71	\$ 276.28	\$ 411.66	
Second Cart Revenue	\$ -	\$ 3,315.42	\$ -	
Total Revenue	\$ 50,536			
Total Costs	\$ 47,214			
	\$ 3,322			

APPENDIX A-7: COMMERCIAL CART AND BIN RATES – COST OF SERVICE

Commercial Cart and Bin Rates – Cost of Service – FY 2019-2020 and FY 2021-2022

Current Commercial MSW Rates - Approved							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 39.70	\$ 51.85	\$ 148.20	\$ 191.85	\$ 257.55	\$ 322.65	\$ 440.55
2 /week	\$ 79.40	\$ 103.70	\$ 296.40	\$ 383.70	\$ 515.10	\$ 645.30	\$ 881.10
3 /week	\$ 119.10	\$ 155.55	\$ 444.60	\$ 575.55	\$ 772.65	\$ 967.95	\$ 1,321.65
4 /week	\$ 158.80	\$ 207.40	\$ 592.80	\$ 767.40	\$ 1,030.20	\$ 1,290.60	\$ 1,762.20
5 /week	\$ 198.50	\$ 259.25	\$ 741.00	\$ 959.25	\$ 1,287.75	\$ 1,613.25	\$ 2,202.75
6 /week	\$ 238.20	\$ 311.10	\$ 889.20	\$ 1,151.10	\$ 1,545.30	\$ 1,935.90	\$ 2,643.30
Temporary	N/A	N/A	\$ 40.65	\$ 55.10	\$ 77.70	\$ 99.80	\$ 140.05
Second Container	\$ 39.70	\$ 51.85	\$ 148.20	\$ 191.85	\$ 257.55	\$ 322.65	\$ 440.55

Current Recycling Commercial Rates - Approved							
Frequency		96*	1.5	2	3	4	6
1 /week		\$ 43.60	\$ 130.90	\$ 169.70	\$ 226.00	\$ 280.40	\$ 377.15
2 /week		N/A	\$ 261.80	\$ 339.40	\$ 452.00	\$ 560.80	\$ 754.30
3 /week		N/A	\$ 392.70	\$ 509.10	\$ 678.00	\$ 841.20	\$ 1,131.45
4 /week		N/A	\$ 523.60	\$ 678.80	\$ 904.00	\$ 1,121.60	\$ 1,508.60
5 /week		N/A	\$ 654.50	\$ 848.50	\$ 1,130.00	\$ 1,402.00	\$ 1,885.75
6 /week		N/A	\$ 785.40	\$ 1,018.20	\$ 1,356.00	\$ 1,682.40	\$ 2,262.90
Temporary		N/A	\$ 35.55	\$ 48.50	\$ 68.70	\$ 88.45	\$ 124.55
Second Container		\$ -	\$ 130.90	\$ 169.70	\$ 226.00	\$ 280.40	\$ 377.15

*Combination Rate for a 96 Gallon Recycling and a 96 Gallon Yard Waste Container.

Current Organic Commercial Bin Rates - Approved							
Frequency		96*	1.5	2	3		
1 /week		\$ 43.60	\$ 130.90	\$ 169.70	\$ 226.00		
2 /week		N/A	\$ 261.80	\$ 339.40	\$ 452.00		
3 /week		N/A	\$ 392.70	\$ 509.10	\$ 678.00		
4 /week		N/A	\$ 523.60	\$ 678.80	\$ 904.00		
5 /week		N/A	\$ 654.50	\$ 848.50	\$ 1,130.00		
6 /week		N/A	\$ 785.40	\$ 1,018.20	\$ 1,356.00		
Second Container		\$ 8.70	\$ 130.90	\$ 169.70	\$ 226.00		

*Combination Rate for a 96 Gallon Recycling and a 96 Gallon Yard Waste Container.

Current MSW Commercial Rates - Approved - COMPACTOR							
Frequency		2	3	4	6		
1 /week							
2 /week							
3 /week							
4 /week							
5 /week							
6 /week							
Per Pickup		\$ 222.45	\$ 236.10	\$ 249.75	\$ 284.50		
Second Container							

Recycling Commercial Rates - (19-20 Approved) COMPACTOR							
Frequency		2	3	4	6		
1 /week							
2 /week							
3 /week							
4 /week							
5 /week							
6 /week							
Per Pickup		\$ 210.75	\$ 221.50	\$ 232.25	\$ 259.55		
Second Container							

2021/2022 Commercial MSW Rates - Full COS							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 23.05	\$ 31.23	\$ 205.94	\$ 235.71	\$ 297.16	\$ 358.61	\$ 492.97
2 /week	\$ 49.76	\$ 66.13	\$ 314.40	\$ 373.93	\$ 496.83	\$ 619.73	\$ 888.45
3 /week	\$ 76.47	\$ 101.03	\$ 422.85	\$ 512.16	\$ 696.51	\$ 880.85	\$ 1,283.93
4 /week	\$ 103.19	\$ 135.93	\$ 531.31	\$ 650.39	\$ 896.18	\$ 1,141.98	\$ 1,679.41
5 /week	\$ 129.90	\$ 170.83	\$ 639.76	\$ 788.61	\$ 1,095.85	\$ 1,403.10	\$ 2,074.89
6 /week	\$ 156.62	\$ 205.72	\$ 748.22	\$ 926.84	\$ 1,295.53	\$ 1,664.22	\$ 2,470.37
Temporary Container	N/A	N/A	\$ 93.46	\$ 100.33	\$ 114.51	\$ 128.69	\$ 159.70
Second Container	\$ 16.07	\$ 24.37	\$ 90.99	\$ 122.04	\$ 184.65	\$ 245.18	\$ 382.88

2021/2022 Recycling Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 6.68	\$ 90.66	\$ 100.17	\$ 119.17	\$ 138.17	\$ 176.18
2 /week		\$ 21.47	\$ 142.14	\$ 161.14	\$ 199.15	\$ 237.16	\$ 313.18
3 /week		\$ 36.26	\$ 193.61	\$ 222.12	\$ 279.13	\$ 336.15	\$ 450.17
4 /week		\$ 51.05	\$ 245.09	\$ 283.10	\$ 359.11	\$ 435.13	\$ 587.16
5 /week		\$ 65.84	\$ 296.56	\$ 344.07	\$ 439.09	\$ 534.12	\$ 724.16
6 /week		\$ 80.63	\$ 348.04	\$ 405.05	\$ 519.08	\$ 633.10	\$ 861.15
Temporary Container		N/A	\$ 66.86	\$ 69.05	\$ 73.44	\$ 77.82	\$ 86.59
Second Container		\$ 4.27	\$ 34.01	\$ 44.79	\$ 64.95	\$ 83.04	\$ 124.39

2021/2022 Organic Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	
1 /week		\$ 11.45	\$ 293.10	\$ 360.04	\$ 493.91	\$ 658.55	
2 /week		\$ 29.74	\$ 516.88	\$ 650.76	\$ 918.50	\$ 1,224.67	
3 /week		\$ 48.03	\$ 740.66	\$ 941.47	\$ 1,343.10	\$ 1,790.80	
4 /week		\$ 66.32	\$ 964.44	\$ 1,232.19	\$ 1,767.69	\$ 2,356.92	
5 /week		\$ 84.61	\$ 1,188.22	\$ 1,522.91	\$ 2,192.28	\$ 2,923.04	
6 /week		\$ 102.90	\$ 1,412.00	\$ 1,813.63	\$ 2,616.87	\$ 3,489.16	
Second Container		\$ 7.77	\$ 207.71	\$ 276.28	\$ 411.66	\$ 548.87	

2021/2022 MSW Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 517.05	\$ 696.17	\$ 880.39	\$ 1,279.39		
2 /week		\$ 936.61	\$ 1,294.86	\$ 1,663.30	\$ 2,461.30		
3 /week		\$ 1,356.17	\$ 1,893.54	\$ 2,446.20	\$ 3,643.20		
4 /week		\$ 1,775.73	\$ 2,492.23	\$ 3,229.11	\$ 4,825.11		
5 /week		\$ 2,195.29	\$ 3,090.92	\$ 4,012.01	\$ 6,007.02		
6 /week		\$ 2,614.85	\$ 3,689.60	\$ 4,794.92	\$ 7,188.93		
Per Pickup - Compactor		\$ 218.26	\$ 259.60	\$ 302.11	\$ 394.19		
Second Container		\$ 327.69	\$ 506.81	\$ 691.03	\$ 1,090.03		

2021/2022 Recycling Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 207.08	\$ 245.09	\$ 283.10	\$ 359.11		
2 /week		\$ 374.97	\$ 450.99	\$ 527.00	\$ 679.04		
3 /week		\$ 542.86	\$ 656.89	\$ 770.91	\$ 998.96		
4 /week		\$ 710.75	\$ 862.79	\$ 1,014.82	\$ 1,318.89		
5 /week		\$ 878.64	\$ 1,068.68	\$ 1,258.73	\$ 1,638.81		
6 /week		\$ 1,046.53	\$ 1,274.58	\$ 1,502.63	\$ 1,958.74		
Per Pickup		\$ 146.73	\$ 155.50	\$ 164.27	\$ 181.81		
Second Container		\$ 76.02	\$ 114.03	\$ 152.03	\$ 228.05		

APPENDIX A-7: COMMERCIAL CART AND BIN RATES – COST OF SERVICE

Commercial Cart and Bin Rates – Cost of Service – FY 2022-2023 and FY 2023-2024

2022/2023 Commercial MSW Rates - Full COS							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 24.73	\$ 33.25	\$ 215.20	\$ 246.35	\$ 310.74	\$ 375.12	\$ 516.45
2 /week	\$ 52.37	\$ 69.40	\$ 328.12	\$ 390.41	\$ 519.18	\$ 647.96	\$ 930.62
3 /week	\$ 80.00	\$ 105.55	\$ 441.03	\$ 534.47	\$ 727.63	\$ 920.79	\$ 1,344.78
4 /week	\$ 107.63	\$ 141.70	\$ 553.94	\$ 678.53	\$ 936.08	\$ 1,193.62	\$ 1,758.95
5 /week	\$ 135.26	\$ 177.86	\$ 666.85	\$ 822.59	\$ 1,144.52	\$ 1,466.46	\$ 2,173.11
6 /week	\$ 162.89	\$ 214.01	\$ 779.77	\$ 966.65	\$ 1,352.97	\$ 1,739.29	\$ 2,587.27
Temporary Container	N/A	N/A	\$ 96.98	\$ 104.17	\$ 119.02	\$ 133.88	\$ 166.50
Second Container	\$ 16.65	\$ 25.29	\$ 94.92	\$ 127.39	\$ 192.97	\$ 256.41	\$ 401.18

2022/2023 Recycling Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 8.91	\$ 96.97	\$ 107.34	\$ 128.06	\$ 148.78	\$ 190.23
2 /week		\$ 25.39	\$ 151.72	\$ 172.44	\$ 213.89	\$ 255.33	\$ 338.23
3 /week		\$ 41.87	\$ 206.46	\$ 237.54	\$ 299.72	\$ 361.89	\$ 486.23
4 /week		\$ 58.35	\$ 261.20	\$ 302.65	\$ 385.54	\$ 468.44	\$ 634.22
5 /week		\$ 74.83	\$ 315.95	\$ 367.75	\$ 471.37	\$ 574.99	\$ 782.22
6 /week		\$ 91.31	\$ 370.69	\$ 432.86	\$ 557.20	\$ 681.54	\$ 930.22
Temporary Container		N/A	\$ 69.69	\$ 72.09	\$ 76.87	\$ 81.65	\$ 91.21
Second Container		\$ 5.64	\$ 36.75	\$ 48.44	\$ 70.35	\$ 90.13	\$ 135.02

2022/2023 Organic Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 15.46	\$ 305.15	\$ 374.67	\$ 513.73		
2 /week		\$ 36.24	\$ 537.38	\$ 676.44	\$ 954.55		
3 /week		\$ 57.02	\$ 769.62	\$ 978.20	\$ 1,395.37		
4 /week		\$ 77.79	\$ 1,001.86	\$ 1,279.97	\$ 1,836.19		
5 /week		\$ 98.57	\$ 1,234.10	\$ 1,581.74	\$ 2,277.01		
6 /week		\$ 119.34	\$ 1,466.34	\$ 1,883.50	\$ 2,717.83		
Second Container		\$ 9.94	\$ 215.48	\$ 286.64	\$ 427.19		

2022/2023 MSW Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 538.32	\$ 725.76	\$ 918.78	\$ 1,338.30		
2 /week		\$ 974.34	\$ 1,349.22	\$ 1,735.26	\$ 2,574.32		
3 /week		\$ 1,410.37	\$ 1,972.69	\$ 2,551.75	\$ 3,810.33		
4 /week		\$ 1,846.39	\$ 2,596.15	\$ 3,368.23	\$ 5,046.34		
5 /week		\$ 2,282.42	\$ 3,219.62	\$ 4,184.72	\$ 6,282.35		
6 /week		\$ 2,718.44	\$ 3,843.08	\$ 5,001.21	\$ 7,518.37		
Per Pickup - Compactor		\$ 226.14	\$ 269.39	\$ 313.93	\$ 410.75		
Second Container		\$ 341.39	\$ 528.83	\$ 721.86	\$ 1,141.38		

2022/2023 Recycling Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 219.76	\$ 261.20	\$ 302.65	\$ 385.54		
2 /week		\$ 396.59	\$ 479.48	\$ 562.38	\$ 728.17		
3 /week		\$ 573.43	\$ 697.77	\$ 822.11	\$ 1,070.79		
4 /week		\$ 750.26	\$ 916.05	\$ 1,081.84	\$ 1,413.41		
5 /week		\$ 927.10	\$ 1,134.33	\$ 1,341.56	\$ 1,756.03		
6 /week		\$ 1,103.93	\$ 1,352.61	\$ 1,601.29	\$ 2,098.66		
Per Pickup		\$ 152.62	\$ 162.19	\$ 171.75	\$ 190.88		
Second Container		\$ 82.89	\$ 124.34	\$ 165.79	\$ 248.68		

2023/2024 Commercial MSW Rates - Full COS vs Current Rates							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 29.03	\$ 38.06	\$ 264.40	\$ 297.03	\$ 364.61	\$ 432.18	\$ 581.12
2 /week	\$ 57.92	\$ 75.98	\$ 382.08	\$ 447.35	\$ 582.49	\$ 717.64	\$ 1,015.51
3 /week	\$ 86.80	\$ 113.90	\$ 499.75	\$ 597.66	\$ 800.38	\$ 1,003.09	\$ 1,449.91
4 /week	\$ 115.69	\$ 151.82	\$ 617.43	\$ 747.98	\$ 1,018.26	\$ 1,288.55	\$ 1,884.31
5 /week	\$ 144.58	\$ 189.74	\$ 735.11	\$ 898.29	\$ 1,236.15	\$ 1,574.01	\$ 2,318.70
6 /week	\$ 173.47	\$ 227.66	\$ 852.79	\$ 1,048.61	\$ 1,454.04	\$ 1,859.47	\$ 2,753.10
Temporary Container	N/A	N/A	\$ 109.75	\$ 117.28	\$ 132.87	\$ 148.47	\$ 182.84
Second Container	\$ 17.57	\$ 26.72	\$ 99.15	\$ 133.15	\$ 201.94	\$ 268.54	\$ 421.03

2023/2024 Recycling Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 11.20	\$ 137.07	\$ 148.46	\$ 171.24	\$ 194.02	\$ 239.59
2 /week		\$ 28.41	\$ 195.61	\$ 218.39	\$ 263.95	\$ 309.52	\$ 400.64
3 /week		\$ 45.63	\$ 254.15	\$ 288.32	\$ 356.66	\$ 425.01	\$ 561.70
4 /week		\$ 62.85	\$ 312.69	\$ 358.25	\$ 449.38	\$ 540.50	\$ 722.76
5 /week		\$ 80.06	\$ 371.23	\$ 428.18	\$ 542.09	\$ 656.00	\$ 883.81
6 /week		\$ 97.28	\$ 429.77	\$ 498.11	\$ 634.80	\$ 771.49	\$ 1,044.87
Temporary Container		N/A	\$ 80.37	\$ 82.99	\$ 88.25	\$ 93.51	\$ 104.02
Second Container		\$ 6.05	\$ 40.01	\$ 52.76	\$ 76.77	\$ 98.58	\$ 147.69

2023/2024 Organic Commercial Rates - Full COS							
Frequency		96	1.5	2	3		
1 /week		\$ 17.68	\$ 342.99	\$ 415.33	\$ 560.01		
2 /week		\$ 39.38	\$ 584.38	\$ 729.06	\$ 1,018.42		
3 /week		\$ 61.09	\$ 825.76	\$ 1,042.78	\$ 1,476.82		
4 /week		\$ 82.79	\$ 1,067.15	\$ 1,356.51	\$ 1,935.23		
5 /week		\$ 104.50	\$ 1,308.54	\$ 1,670.24	\$ 2,393.64		
6 /week		\$ 126.20	\$ 1,549.92	\$ 1,983.96	\$ 2,852.04		
Second Container		\$ 10.54	\$ 223.92	\$ 297.90	\$ 444.07		

2023/2024 MSW Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 600.26	\$ 796.70	\$ 999.26	\$ 1,441.17		
2 /week		\$ 1,053.81	\$ 1,446.67	\$ 1,851.80	\$ 2,735.62		
3 /week		\$ 1,507.36	\$ 2,096.65	\$ 2,704.34	\$ 4,030.07		
4 /week		\$ 1,960.90	\$ 2,746.63	\$ 3,556.88	\$ 5,324.52		
5 /week		\$ 2,414.45	\$ 3,396.60	\$ 4,409.42	\$ 6,618.97		
6 /week		\$ 2,867.99	\$ 4,046.58	\$ 5,261.95	\$ 7,913.42		
Per Pickup - Compactor		\$ 243.49	\$ 288.82	\$ 335.56	\$ 437.54		
Second Container		\$ 356.08	\$ 552.51	\$ 755.07	\$ 1,196.98		

2023/2024 Recycling Commercial Rates - Full COS COMPACTOR							
Frequency		2	3	4	6		
1 /week		\$ 267.12	\$ 312.69	\$ 358.25	\$ 449.38		
2 /week		\$ 454.32	\$ 545.45	\$ 636.57	\$ 818.83		
3 /week		\$ 641.52	\$ 778.21	\$ 914.90	\$ 1,188.27		
4 /week		\$ 828.71	\$ 1,010.97	\$ 1,193.22	\$ 1,557.72		
5 /week		\$ 1,015.91	\$ 1,243.73	\$ 1,471.54	\$ 1,927.17		
6 /week		\$ 1,203.11	\$ 1,476.49	\$ 1,749.86	\$ 2,296.62		
Per Pickup		\$ 166.61	\$ 177.13	\$ 187.64	\$ 208.67		
Second Container		\$ 91.13	\$ 136.69	\$ 182.25	\$ 273.38		

APPENDIX A-7: COMMERCIAL CART AND BIN RATES – COST OF SERVICE

Commercial Cart and Bin Rates – Cost of Service – FY 2024-2025 and FY 2025-2026

2024/2025 Commercial MSW Rates - Full COS							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 31.23	\$ 40.99	\$ 271.00	\$ 305.69	\$ 377.72	\$ 449.75	\$ 609.68
2 /week	\$ 61.74	\$ 81.25	\$ 394.88	\$ 464.26	\$ 608.32	\$ 752.37	\$ 1,072.24
3 /week	\$ 92.25	\$ 121.51	\$ 518.76	\$ 622.83	\$ 838.91	\$ 1,055.00	\$ 1,534.81
4 /week	\$ 122.76	\$ 161.78	\$ 642.63	\$ 781.40	\$ 1,069.51	\$ 1,357.63	\$ 1,997.37
5 /week	\$ 153.27	\$ 202.04	\$ 766.51	\$ 939.97	\$ 1,300.11	\$ 1,660.26	\$ 2,459.93
6 /week	\$ 183.78	\$ 242.31	\$ 890.39	\$ 1,098.54	\$ 1,530.71	\$ 1,962.88	\$ 2,922.49
Temporary Container	N/A	N/A	\$ 112.73	\$ 120.74	\$ 137.36	\$ 153.98	\$ 190.89
Second Container	\$ 18.83	\$ 28.71	\$ 104.79	\$ 140.89	\$ 214.18	\$ 285.20	\$ 448.79

2025/2026 Commercial MSW Rates - Full COS							
Frequency	60	90	1.5	2	3	4	6
1 /week	\$ 33.48	\$ 43.97	\$ 277.86	\$ 314.62	\$ 391.13	\$ 467.64	\$ 638.60
2 /week	\$ 65.64	\$ 86.63	\$ 408.01	\$ 481.52	\$ 634.54	\$ 787.55	\$ 1,129.48
3 /week	\$ 97.81	\$ 129.28	\$ 538.15	\$ 648.42	\$ 877.95	\$ 1,107.47	\$ 1,620.35
4 /week	\$ 129.97	\$ 171.94	\$ 668.29	\$ 815.33	\$ 1,121.36	\$ 1,427.39	\$ 2,111.23
5 /week	\$ 162.14	\$ 214.59	\$ 798.44	\$ 982.23	\$ 1,364.76	\$ 1,747.30	\$ 2,602.11
6 /week	\$ 194.30	\$ 257.25	\$ 928.58	\$ 1,149.13	\$ 1,608.17	\$ 2,067.22	\$ 3,092.99
Temporary Container	N/A	N/A	\$ 115.82	\$ 124.31	\$ 141.96	\$ 159.62	\$ 199.07
Second Container	\$ 20.12	\$ 30.73	\$ 110.49	\$ 148.69	\$ 226.49	\$ 301.97	\$ 476.69

2024/2025 Recycling Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 12.26	\$ 145.54	\$ 158.64	\$ 184.83	\$ 211.03	\$ 263.42
2 /week		\$ 30.42	\$ 209.93	\$ 236.13	\$ 288.52	\$ 340.90	\$ 445.68
3 /week		\$ 48.59	\$ 274.32	\$ 313.61	\$ 392.20	\$ 470.78	\$ 627.94
4 /week		\$ 66.75	\$ 338.71	\$ 391.10	\$ 495.88	\$ 600.65	\$ 810.21
5 /week		\$ 84.91	\$ 403.10	\$ 468.59	\$ 599.56	\$ 730.53	\$ 992.47
6 /week		\$ 103.08	\$ 467.49	\$ 546.07	\$ 703.24	\$ 860.40	\$ 1,174.73
Temporary Container	N/A	N/A	\$ 83.78	\$ 86.81	\$ 92.85	\$ 98.90	\$ 110.99
Second Container		\$ 6.66	\$ 45.30	\$ 59.80	\$ 87.26	\$ 112.45	\$ 168.49

2025/2026 Recycling Commercial Rates - Full COS							
Frequency		96	1.5	2	3	4	6
1 /week		\$ 13.34	\$ 154.28	\$ 169.14	\$ 198.84	\$ 228.55	\$ 287.97
2 /week		\$ 32.47	\$ 224.70	\$ 254.41	\$ 313.82	\$ 373.24	\$ 492.08
3 /week		\$ 51.60	\$ 295.11	\$ 339.67	\$ 428.80	\$ 517.93	\$ 696.19
4 /week		\$ 70.74	\$ 365.53	\$ 424.94	\$ 543.78	\$ 662.62	\$ 900.29
5 /week		\$ 89.87	\$ 435.94	\$ 510.21	\$ 658.76	\$ 807.31	\$ 1,104.40
6 /week		\$ 109.00	\$ 506.36	\$ 595.48	\$ 773.74	\$ 951.99	\$ 1,308.51
Temporary Container	N/A	N/A	\$ 87.31	\$ 90.73	\$ 97.59	\$ 104.45	\$ 118.16
Second Container		\$ 7.29	\$ 50.76	\$ 67.06	\$ 98.06	\$ 126.74	\$ 189.92

2024/2025 Organic Commercial Rates - Full COS					
Frequency		96	1.5	2	3
1 /week		\$ 18.94	\$ 357.73	\$ 433.62	\$ 585.40
2 /week		\$ 41.79	\$ 610.50	\$ 762.29	\$ 1,065.85
3 /week		\$ 64.65	\$ 863.28	\$ 1,090.95	\$ 1,546.30
4 /week		\$ 87.50	\$ 1,116.05	\$ 1,419.61	\$ 2,026.75
5 /week		\$ 110.35	\$ 1,368.82	\$ 1,748.28	\$ 2,507.19
6 /week		\$ 133.20	\$ 1,621.59	\$ 2,076.94	\$ 2,987.64
Second Container		\$ 11.35	\$ 234.58	\$ 312.10	\$ 465.38

2025/2026 Organic Commercial Rates - Full COS					
Frequency		96	1.5	2	3
1 /week		\$ 20.24	\$ 372.92	\$ 452.47	\$ 611.57
2 /week		\$ 44.27	\$ 637.42	\$ 796.52	\$ 1,114.72
3 /week		\$ 68.29	\$ 901.92	\$ 1,140.57	\$ 1,617.87
4 /week		\$ 92.32	\$ 1,166.42	\$ 1,484.62	\$ 2,121.02
5 /week		\$ 116.35	\$ 1,430.92	\$ 1,828.67	\$ 2,624.16
6 /week		\$ 140.38	\$ 1,695.42	\$ 2,172.72	\$ 3,127.31
Second Container		\$ 12.18	\$ 245.55	\$ 326.73	\$ 487.33

2024/2025 MSW Commercial Rates - Full COS COMPACTOR					
Frequency		2	3	4	6
1 /week		\$ 622.88	\$ 831.73	\$ 1,047.64	\$ 1,521.80
2 /week		\$ 1,098.63	\$ 1,516.34	\$ 1,948.16	\$ 2,896.48
3 /week		\$ 1,574.39	\$ 2,200.95	\$ 2,848.68	\$ 4,271.16
4 /week		\$ 2,050.15	\$ 2,885.56	\$ 3,749.20	\$ 5,645.84
5 /week		\$ 2,525.91	\$ 3,570.17	\$ 4,649.72	\$ 7,020.52
6 /week		\$ 3,001.66	\$ 4,254.78	\$ 5,550.24	\$ 8,395.20
Per Pickup - Compactor		\$ 251.86	\$ 300.05	\$ 349.88	\$ 459.30
Second Container		\$ 375.36	\$ 584.22	\$ 800.13	\$ 1,274.29

2025/2026 MSW Commercial Rates - Full COS COMPACTOR					
Frequency		2	3	4	6
1 /week		\$ 645.96	\$ 867.31	\$ 1,096.63	\$ 1,603.13
2 /week		\$ 1,144.20	\$ 1,586.89	\$ 2,045.54	\$ 3,058.54
3 /week		\$ 1,642.44	\$ 2,306.48	\$ 2,994.45	\$ 4,513.96
4 /week		\$ 2,140.68	\$ 3,026.07	\$ 3,943.36	\$ 5,969.37
5 /week		\$ 2,638.92	\$ 3,745.65	\$ 4,892.27	\$ 7,424.78
6 /week		\$ 3,137.16	\$ 4,465.24	\$ 5,841.18	\$ 8,880.20
Per Pickup - Compactor		\$ 260.43	\$ 311.51	\$ 364.43	\$ 481.31
Second Container		\$ 394.84	\$ 616.18	\$ 845.50	\$ 1,352.01

2024/2025 Recycling Commercial Rates - Full COS COMPACTOR					
Frequency		2	3	4	6
1 /week		\$ 286.32	\$ 338.71	\$ 391.10	\$ 495.88
2 /week		\$ 489.36	\$ 594.14	\$ 698.92	\$ 908.47
3 /week		\$ 692.40	\$ 849.57	\$ 992.40	\$ 1,291.96
4 /week		\$ 895.44	\$ 1,105.00	\$ 1,314.55	\$ 1,733.66
5 /week		\$ 1,098.48	\$ 1,360.43	\$ 1,622.37	\$ 2,146.25
6 /week		\$ 1,301.52	\$ 1,615.86	\$ 1,930.19	\$ 2,558.85
Per Pickup		\$ 174.19	\$ 186.28	\$ 198.37	\$ 222.55
Second Container		\$ 104.78	\$ 157.17	\$ 209.55	\$ 314.33

2025/2026 Recycling Commercial Rates - Full COS COMPACTOR					
Frequency		2	3	4	6
1 /week		\$ 306.11	\$ 365.53	\$ 424.94	\$ 543.78
2 /week		\$ 525.47	\$ 644.30	\$ 763.14	\$ 1,000.81
3 /week		\$ 744.83	\$ 923.08	\$ 1,101.34	\$ 1,457.85
4 /week		\$ 964.18	\$ 1,201.86	\$ 1,439.53	\$ 1,914.88
5 /week		\$ 1,183.54	\$ 1,480.64	\$ 1,777.73	\$ 2,371.91
6 /week		\$ 1,402.90	\$ 1,759.41	\$ 2,115.92	\$ 2,828.95
Per Pickup		\$ 182.00	\$ 195.71	\$ 209.42	\$ 236.85
Second Container		\$ 118.84	\$ 178.26	\$ 237.67	\$ 356.51

APPENDIX A-8: ROLL OFF COST OF SERVICE CALCULATIONS

Roll-Off All Materials – Cost of Service

FY2021/22	Cost of Service Information
103%	CPI Adjustment
	CITY OF TRACY OVERHEAD
\$ 740,195	City Personnel, Contracted Service, Commodities & ISC Charges (Including New Programs)
\$ 648,624	Tracy Disposal General Admin
\$ 344,470	Tracy Disposal Depreciation
\$ (206,204)	Non-Rate Revenue
\$ (688,187)	Operating Reserve
\$ 729,720	Franchise Fee
\$ 1,858,682	Tracy Disposal Direct Costs
	Equipment Replacement
\$ 3,450,328	MSW Transport/Processing/Disposal Costs
\$ 1,209	Wood Transport/Processing/Disposal Costs
\$ -	REC Transport/Processing/Disposal Costs
\$ 1,088	YW Transport/Processing/Disposal Costs
\$ 263,081	C&D Transport/Processing/Disposal Costs
\$ 7,143,008	Total All Costs
\$ 838,899	Fixed Cost
\$ 132.35	MSW Per Ton Disposal Cost
\$ -	REC Per Ton Disposal Cost
\$ 103.08	DIRT Per Ton Disposal Cost
\$ 134.64	C&D Per Ton Disposal Cost
\$ 83.71	YW Per Ton Disposal Cost

	Box Rates by Cost of Service									
	Total	MSW	REC	C&D	Wood	YW - Loose	MSW - Comp	Rec - Comp	YW Comp	
Setouts/Max Load	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Total Containers	8,368	4,794	-	630	24	10	2,910	-	-	
"FTE Route Factor"	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	
Disposal Factor		4.00								
Routes if All Subs	9,095.50	4,794.00	-	630.00	24.00	10.00	3,637.50	-	-	
Cost per Route	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cost all Routes	\$ 853.61	\$ 853.61	\$ 853.61	\$ 853.61	\$ 853.61	\$ 853.61	\$ 1,067.01	\$ 1,067.01	\$ 1,067.01	
Minimum	\$							853.61		
Equivalent Cart Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	
Accounts by Size	8,368	4,794	-	630	24	10	2,910	-	-	
Equivalent Cart Units (ECU)	9,096	4,794	-	630	24	10	3,638	-	-	
Annual Variable Route Costs	\$ 2,588,403									
ECUs	9,096									
Annual Variable/ECU	\$ 284.58									
Variable/ECU	\$ 284.58									
Equivalent Cart Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	
Variable Route Costs/Pull	\$ 284.58	\$ 284.58	\$ 284.58	\$ 284.58	\$ 284.58	\$ 284.58	\$ 355.73	\$ 355.73	\$ 355.73	
Fixed Costs/Container/Pull	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25	
MSW Txfr & Disp Cost/Pull										
REC Collection Cost/Pull										
OCC Txfr & Proc Cost/Pull										
YW/CD Txfr & Proc Cost/Pull										
TOTAL RATE PER PULL BEFORE DISP/PRX	\$ 384.83	\$ 384.83	\$ 384.83	\$ 384.83	\$ 384.83	\$ 384.83	\$ 455.98	\$ 455.98	\$ 455.98	

Roll off Tons	Disposal Costs	Per Ton
MSW 26,070	\$ 3,450,328	\$ 132.35
YW 13	\$ 1,088	\$ 83.71
C&D 1,954	\$ 263,081	\$ 134.6
Wood 16	\$ 1,209	\$ 75.6
28,053	\$ 3,715,706	\$ 106.57 Average Cost/ton

Convert Tons to Yards			
Tons	Total Yards	Ratio of Compacted to Non	
MSW 26,070	215,115	38%	
Non-compacted Yardage			
114,110	\$ 3,450,328	Disposal	
Compacted Yardage			
2,506,446		Disposal Cost for Compacted	
101,005	\$ 943,882	Disposal Cost for Non-Compacted	
Compactor = 3 - 1 303,015			
	\$ 24.82	Per Yard Costs Compacted	
	\$ 8.27	Per Yard Costs Non-Compacted	
# of Pulls Total Yards Total Cost RATE			
10 535	5,350	\$ 44,254	\$ 83 \$ 384.83 \$ 467.55
20 2735	54,700	\$ 452,461	\$ 165 \$ 384.83 \$ 550.27
30 690	20,700	\$ 171,224	\$ 248 \$ 384.83 \$ 632.98
40 834	33,360	\$ 275,944	\$ 331 \$ 384.83 \$ 715.70
10 0	-	\$ -	\$ 248 \$ 455.98 \$ 704.13
20 66	1,320	\$ 32,756	\$ 496 \$ 455.98 \$ 952.28
25 321	8,025	\$ 199,141	\$ 620 \$ 455.98 \$ 1,076.35
30 911	27,330	\$ 678,196	\$ 744 \$ 455.98 \$ 1,200.43
35 30	1,050	\$ 26,056	\$ 869 \$ 455.98 \$ 1,324.50
40 1582	63,280	\$ 1,570,297	\$ 993 \$ 455.98 \$ 1,448.58
		\$ 3,450,328	

Convert Tons to Yards					
	Tons	Total Yards	Cost per Yard		RATE
C&D	1,954	25,200	\$ 10.44		
# of Pulls Total Yards Total Cost					
Yards 8	0	0	\$ -	\$ 384.83	\$ 83.52 \$ 468.35
Yards 10	0	0	\$ -	\$ 384.83	\$ 104.40 \$ 489.23
Yards 20	0	0	\$ -	\$ 384.83	\$ 208.79 \$ 593.63
Yards 30	0	0	\$ -	\$ 384.83	\$ 313.19 \$ 698.02
Yards 40	630	25200	\$ 263,081	\$ 384.83	\$ 417.59 \$ 802.42
Convert Tons to Yards					
	Tons	Total Yards	Cost per Yard		RATE
YW	13	150	\$ 7.25		
# of Pulls Total Yards Total Cost					
Yards 8	0	0	\$ -	\$ 384.83	\$ 58 \$ 442.87
Yards 10	5	50	\$ 362.74	\$ 384.83	\$ 73 \$ 457.38
Yards 20	5	100	\$ 725.47	\$ 384.83	\$ 145 \$ 529.93
Yards 30	0	0	\$ -	\$ 384.83	\$ 218 \$ 602.47
Yards 40	0	0	\$ -	\$ 384.83	\$ 290 \$ 675.02
COMPACT 10	0	0	\$ -	\$ 455.98	\$ 218 \$ 673.62
COMPACT 20	0	0	\$ -	\$ 455.98	\$ 435 \$ 891.26
COMPACT 25	0	0	\$ -	\$ 455.98	\$ 544 \$ 1,000.08
COMPACT 30	0	0	\$ -	\$ 455.98	\$ 653 \$ 1,108.90
COMPACT 35	0	0	\$ -	\$ 455.98	\$ 762 \$ 1,217.72
COMPACT 40	0	0	\$ -	\$ 455.98	\$ 871 \$ 1,326.54
Convert Tons to Yards					
	Tons	Yards	Cost per yard		RATE
Wood	16	189.35	\$ 6.30		
# of Pulls Total Yards Total Cost					
Yards 8	24	189	\$ 1,209.43	\$ 384.83	\$ 50 \$ 435.22

APPENDIX A-9: ROLL OFF PER PULL RATES – COST OF SERVICE – LOOSE MATERIAL

Roll Off Per Pull Rates – Cost of Service – Loose Material - FY 2019-2020 through FY 2025-2026

MSW Roll Off Rates - (19-20 Approved)					
Per Pull	8	10	20	30	40
1	N/A	\$ 276.90	\$ 395.95	\$ 518.05	\$ 637.10

MSW Roll Off Rates - 2021-2022 Full COS					
Per Pull	8	10	20	30	40
1	N/A	\$ 467.55	\$ 550.27	\$ 632.98	\$ 715.70

MSW Roll Off Rates - 2022-2023 Full COS					
Per Pulls	8	10	20	30	40
1	N/A	\$ 497.69	\$ 582.89	\$ 668.09	\$ 753.28

Recycling Roll Off Rates - (19-20 Approved)					
Per Pull	8	10	20	30	40
1	N/A	N/A	N/A	N/A	N/A

Recycling Roll Off Rates - 2021-2022 Full COS					
Per Pull	8	10	20	30	40
1	\$ 384.83	\$ 384.83	\$ 384.83	\$ 384.83	\$ 384.83

Recycling Roll Off Rates - 2022-2023 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 412.49	\$ 412.49	\$ 412.49	\$ 412.49	\$ 412.49

Yard Waste Roll Off Rates - (19-20 Approved)					
Per Pull	8	10	20	30	40
1	N/A	\$ 276.90	\$ 395.95	\$ 518.05	\$ 637.10

Yard Waste Roll Off Rates - 2021-2022 Full COS					
Per Pull	8	10	20	30	40
1	\$ 442.87	\$ 457.38	\$ 529.93	\$ 602.47	\$ 675.02

Yard Waste Roll Off Rates - 2022-2023 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 472.27	\$ 487.21	\$ 561.94	\$ 636.66	\$ 711.38

C&D Roll Off Rates - (19-20 Approved)					
Per Pull	8	10	20	30	40
1	N/A	\$ 276.90	\$ 395.95	\$ 518.05	\$ 637.10

C&D Roll Off Rates - 2021-2022 Full COS					
Per Pull	8	10	20	30	40
1	\$ 468.35	\$ 489.23	\$ 593.63	\$ 698.02	\$ 802.42

C&D Roll Off Rates - 2022-2023 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 498.51	\$ 520.02	\$ 627.55	\$ 735.08	\$ 842.61

Wood Box - 8 yd. \$ 435.22

Wood Box - 8 yd. \$ 464.39

MSW Roll Off Rates - 2023-2024 Full COS					
Per Pulls	8	10	20	30	40
1	N/A	\$ 612.46	\$ 700.21	\$ 787.97	\$ 875.72

MSW Roll Off Rates - 2024-2025 Full COS					
Per Pulls	8	10	20	30	40
1	N/A	\$ 659.58	\$ 749.97	\$ 840.36	\$ 930.75

MSW Roll Off Rates - 2025-2026 Full COS					
Per Pulls	8	10	20	30	40
1	N/A	\$ 708.12	\$ 801.22	\$ 894.32	\$ 987.42

Recycling Roll Off Rates - 2023-2024 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 524.71	\$ 524.71	\$ 524.71	\$ 524.71	\$ 524.71

Recycling Roll Off Rates - 2024-2025 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 569.20	\$ 569.20	\$ 569.20	\$ 569.20	\$ 569.20

Recycling Roll Off Rates - 2025-2026 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 615.03	\$ 615.03	\$ 615.03	\$ 615.03	\$ 615.03

Yard Waste Roll Off Rates - 2023-2024 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 586.28	\$ 601.67	\$ 678.64	\$ 755.60	\$ 832.57

Yard Waste Cart Rates - 2024-2025 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 632.62	\$ 648.47	\$ 727.75	\$ 807.02	\$ 886.29

Yard Waste Cart Rates - 2025-2026 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 680.35	\$ 696.68	\$ 778.33	\$ 859.98	\$ 941.64

C&D Roll Off Rates - 2023-2024 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 613.31	\$ 635.46	\$ 746.21	\$ 856.97	\$ 967.72

C&D Roll Off Rates - 2024-2025 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 660.46	\$ 683.28	\$ 797.35	\$ 911.43	\$ 1,025.51

C&D Roll Off Rates - 2025-2026 Full COS					
Per Pulls	8	10	20	30	40
1	\$ 709.03	\$ 732.53	\$ 850.03	\$ 967.52	\$ 1,085.02

Wood Box - 8 yd. \$ 578.17

Wood Box - 8 yd. \$ 624.26

Wood Box - 8 yd. \$ 671.74

APPENDIX A-10: ROLL OFF PER PULL RATES – COST OF SERVICE – COMPACTED MATERIAL

Roll Off Per Pull Rates – Cost of Service – Compact Material - FY 2019-2020 through FY 2025-2026

MSW Compacted Roll Off Rates - (19-20 Approved)						
Per Pulls	10	20	25	30	35	40
1	\$ 320.35	\$ 481.10	\$ 561.55	\$ 641.90	\$ 722.30	\$ 802.65

MSW Compacted Roll Off Rates - 2021-2022 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 704.13	\$ 952.28	\$1,076.35	\$1,200.43	\$ 1,324.50	\$ 1,448.58

MSW Compacted Roll Off Rates - 2022-2023 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 744.78	\$1,000.37	\$1,128.17	\$1,255.97	\$1,383.76	\$1,511.56

REC Compacted Roll Off Rates - (19-20 Approved)						
Per Pulls	10	20	25	30	35	40
1	\$ 284.05	\$ 412.20	\$ 476.50	\$ 540.65	\$ 604.70	\$ 668.85

REC Compacted Roll Off Rates - 2021-2022 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 455.98	\$ 455.98	\$ 455.98	\$ 455.98	\$ 455.98	\$ 455.98

REC Compacted Roll Off Rates - 2022-2023 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 489.18	\$ 489.18	\$ 489.18	\$ 489.18	\$ 489.18	\$ 489.18

Yard Waste Cart Rates - 2021-2022 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 673.62	\$ 891.26	\$1,000.08	\$1,108.90	\$ 1,217.72	\$ 1,326.54

Yard Waste Cart Rates - 2022-2023 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 713.35	\$ 937.52	\$1,049.61	\$1,161.69	\$1,273.78	\$1,385.86

MSW Compacted Roll Off Rates - 2023-2024 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 870.74	\$1,134.01	\$1,265.64	\$1,397.27	\$1,528.90	\$1,660.53

MSW Compacted Roll Off Rates - 2024-2025 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 932.80	\$1,203.97	\$1,339.55	\$1,475.13	\$1,610.71	\$1,746.29

MSW Compacted Roll Off Rates - 2025-2026 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 996.73	\$ 1,276.02	\$ 1,415.67	\$ 1,555.32	\$ 1,694.97	\$ 1,834.62

REC Compacted Roll Off Rates - 2023-2024 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 607.48	\$ 607.48	\$ 607.48	\$ 607.48	\$ 607.48	\$ 607.48

REC Compacted Roll Off Rates - 2024-2025 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 661.64	\$ 661.64	\$ 661.64	\$ 661.64	\$ 661.64	\$ 661.64

REC Compacted Roll Off Rates - 2025-2026 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 717.43	\$ 717.43	\$ 717.43	\$ 717.43	\$ 717.43	\$ 717.43

Yard Waste Cart Rates - 2023-2024 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 838.38	\$1,069.27	\$1,184.72	\$1,300.17	\$1,415.61	\$1,531.06

Yard Waste Cart Rates - 2024-2025 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 899.47	\$1,137.29	\$1,256.20	\$1,375.11	\$1,494.02	\$1,612.93

Yard Waste Cart Rates - 2025-2026 Full COS						
Per Pulls	10	20	25	30	35	40
1	\$ 962.39	\$ 1,207.35	\$ 1,329.83	\$ 1,452.30	\$ 1,574.78	\$ 1,697.26

APPENDIX A-11: CURRENT RATE SCHEDULE

RESIDENTIAL REFUSE, RECYCLING, AND YARD WASTE RATES			
Subscription Levels	Current Monthly Rate	Extra Recycling	Extra Yard Waste
60 Gallon Refuse 96 Gallon Recycling 96 Gallon Yard Waste	\$ 36.50	\$ -	\$ 8.70
60 Gallon Refuse - LIRA 96 Gallon Recycling 96 Gallon Yard Waste	\$ 31.50	\$ -	\$ 8.70
90 Gallon Refuse 96 Gallon Recycling 96 Gallon Yard Waste	\$ 43.20	\$ -	\$ 8.70

COMMERCIAL REFUSE, RECYCLING, AND YARD WASTE RATES				
Subscription Levels	Current Monthly Rate	Combo Recycling & Yard Waste	Extra Recycling	Extra Yard Waste
60 Gallon Refuse	\$ 39.70	\$ 43.60	\$ -	\$ 8.70
90 Gallon Refuse	\$ 51.58	\$ 43.60	\$ -	\$ 8.70

REFUSE AND RECYCLING BIN RATES		
Subscription Levels	Current Monthly Rate	Per Dump Rate
REFUSE		
1.5 Yards	\$ 148.20	\$ 40.65
2 Yards	\$ 191.58	\$ 55.10
3 Yards	\$ 257.55	\$ 77.70
4 Yards	\$ 322.65	\$ 99.80
6 Yards	\$ 440.55	\$ 140.05
RECYCLING		
1.5 Yards	\$ 130.90	\$ 35.55
2 Yards	\$ 169.70	\$ 48.50
3 Yards	\$ 226.00	\$ 68.70
4 Yards	\$ 280.40	\$ 88.45
6 Yards	\$ 377.15	\$ 124.55

APPENDIX A-11: CURRENT RATE SCHEDULE

ROLL-OFF RATES*		
Subscription Levels	Current Monthly Rate	Per Dump Rate
10 Yards	N/A	\$ 276.90
20 Yards	N/A	\$ 395.95
30 Yards	N/A	\$ 518.05
40 Yards	N/A	\$ 637.10

* Additional fees based on weight may apply

COMPACTOR REFUSE RATES*		
Subscription Levels	Per Dump Rate - Self Contained	Per Dump Rate - Stationary
2 Yards	\$ 222.45	N/A
3 Yards	\$ 236.10	N/A
4 Yards	\$ 249.75	N/A
6 Yards	\$ 284.50	N/A
8 Yards	\$ 311.80	N/A
10 Yards	\$ 338.95	\$ 320.35
20 Yards	\$ 499.70	\$ 481.10
25 Yards	\$ 580.15	\$ 561.55
30 Yards	\$ 660.50	\$ 641.90
35 Yards	\$ 740.90	\$ 722.30
40 Yards	\$ 821.25	\$ 802.65

* Additional fees based on weight may apply

COMPACTOR RECYCLING RATES*		
Subscription Levels	Per Dump Rate - Self Contained	Per Dump Rate - Stationary
2 Yards	\$ 210.75	N/A
3 Yards	\$ 221.50	N/A
4 Yards	\$ 232.25	N/A
6 Yards	\$ 259.55	N/A
10 Yards	\$ 302.85	\$ 284.05
20 Yards	\$ 430.60	\$ 412.20
25 Yards	\$ 494.85	\$ 476.50
30 Yards	\$ 558.90	\$ 540.65
35 Yards	\$ 623.40	\$ 604.70
40 Yards	\$ 687.60	\$ 668.85

* Additional fees based on weight may apply



CONTINUATION OF THE PUBLIC HEARING TO
CONSIDER A PROPOSED INCREASE TO SOLID WASTE
RATES AND APPROVAL OF RATE STUDY, DISCUSS
OTHER FUNDING OPTIONS, AND ADOPT THE
PROPOSED RESOLUTION INCREASING SOLID WASTE
RATES AT THE CONCLUSION OF THE PUBLIC HEARING

APRIL 5, 2022

COLLABORATORS

- HF&H Consultants, LLC

Marva Sheehan

Scott Holt

Rick Simonson

- Tracy Disposal/MRF

Mike Repetto

Scott Stortroen

Anna Lovecchio



Think Inside the Triangle®

SERVICES PROVIDED

City

- Oversees Agreements
- Coordinates Recycling and Other Events
- Provides Various Services
 - Billing
 - Compliance

Tracy Disposal

- Collection
- Transportation
- Disposal of Solid Waste Materials

Tracy MRF

- Material Acceptance
- Processing and Disposition of Recycled Materials and Organics
- Transfer Services





BASIS FOR RATE INCREASE

- State Mandates
- Rates Last Changed in 2012
- Increased Service Area
- Cost Increases
- Drop in Recycling Market

INITIAL PROPOSED RATE CHANGES

Projected Cost of Service and Proposed Monthly Residential Rate Increase											
Solid Waste, Recycling, and Organics	Current Rates	FY 21/22	\$ Change	FY 22/23	\$ Change	FY 23/24	\$ Change	FY 24/25	\$ Change	FY 25/26	\$ Change
60-Gallon Container*	\$36.50	\$44.38	+ \$7.88	\$52.35	+ \$7.96	\$61.18	+ \$8.83	\$65.75	+ \$4.56	\$70.40	+ \$4.66
90-Gallon Container*	\$43.20	\$52.57	+ \$9.37	\$60.87	+ \$8.30	\$70.21	+ \$9.35	\$75.50	+ \$5.29	\$80.89	+ \$5.39

*Only applicable for Residential Customers. Includes a 90-Gallon Recycling and a 90-Gallon Organics container.

- All Three Containers Collected Weekly
- Bulky Pick-Up Increased From One to Two Annually
- Continuation and Expansion of Recycling Events
- Container Changes
- Include Roadway Impact Charge for Roadway Improvements and Maintenance
- Improve City's Diversion Rate Resulting in Positive Environmental Impact





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PROPOSED OPTIONS 1-3

Option 1: Remove Weekly Recycling Pickup						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 1 Only		\$ 42.90	\$ 49.36	\$ 57.87	\$ 62.36	\$ 65.52
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 1 Only		\$ 51.08	\$ 57.88	\$ 66.90	\$ 72.12	\$ 76.01
Incremental Change		\$ (1.49)	\$ (2.99)	\$ (3.31)	\$ (3.39)	\$ (4.88)

Option 2: Remove Second Bulky Items Pickup						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 2 Only		\$ 43.19	\$ 51.14	\$ 59.96	\$ 64.51	\$ 68.58
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 2 Only		\$ 51.37	\$ 59.65	\$ 68.99	\$ 74.26	\$ 79.07
Incremental Change		\$ (1.20)	\$ (1.21)	\$ (1.23)	\$ (1.24)	\$ (1.82)

Option 3: Remove Leaf Pickup Program						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 3 Only		\$ 43.42	\$ 51.38	\$ 60.20	\$ 64.75	\$ 68.94
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 3 Only		\$ 51.61	\$ 59.89	\$ 69.23	\$ 74.51	\$ 79.43
Incremental Change		\$ (0.96)	\$ (0.97)	\$ (0.98)	\$ (0.99)	\$ (1.46)



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PROPOSED OPTIONS 4-5

Option 4: Replace Only One Container

Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 4 Only		\$ 43.91	\$ 51.42	\$ 60.25	\$ 64.81	\$ 69.07
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 4 Only		\$ 52.09	\$ 59.94	\$ 69.28	\$ 74.57	\$ 79.56
Incremental Change		\$ (0.47)	\$ (0.93)	\$ (0.93)	\$ (0.93)	\$ (1.33)

Option 5: Delay Road Impact Charge by Two Years

Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 5 Only		\$ 42.92	\$ 49.38	\$ 58.18	\$ 62.72	\$ 67.33
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 5 Only		\$ 51.11	\$ 57.90	\$ 67.21	\$ 72.47	\$ 77.82
Incremental Change		\$ (1.46)	\$ (2.97)	\$ (3.00)	\$ (3.03)	\$ (3.07)

PROPOSED OPTION 6

Proposed Rates from Rate Study in Prop 218 Notice													
Select Rates	Existing Rates	Year 1	\$ Change	Year 2	\$ Change	Year 3	\$ Change	Year 4	\$ Change	Year 5	\$ Change	Total Increase	% Increase
Residential 60 Gal	\$ 36.50	\$ 44.38	\$ 7.88	\$ 52.35	\$ 7.96	\$ 61.18	\$ 8.83	\$ 65.75	\$ 4.56	\$ 70.40	\$ 4.66	\$ 33.90	92.87%
Residential 90 Gal	\$ 43.20	\$ 52.57	\$ 9.37	\$ 60.87	\$ 8.30	\$ 70.21	\$ 9.35	\$ 75.50	\$ 5.29	\$ 80.89	\$ 5.39	\$ 37.69	87.24%

Inclusion of 35 Gallon Container													
Select Rates	Existing Rates	Year 1	\$ Change	Year 2	\$ Change	Year 3	\$ Change	Year 4	\$ Change	Year 5	\$ Change	Total Increase	% Increase
Residential 35 Gal	\$ -	\$ 39.24	\$ 39.24	\$ 47.91	\$ 8.67	\$ 56.48	\$ 8.57	\$ 60.69	\$ 4.21	\$ 65.05	\$ 4.36	\$ 25.81	65.77%
Residential 60 Gal	\$ 36.50	\$ 47.18	\$ 10.68	\$ 56.34	\$ 9.16	\$ 65.43	\$ 9.09	\$ 70.35	\$ 4.92	\$ 75.45	\$ 5.10	\$ 38.95	106.71%
Residential 90 Gal	\$ 43.20	\$ 57.19	\$ 13.99	\$ 65.55	\$ 8.36	\$ 75.11	\$ 9.56	\$ 80.68	\$ 5.57	\$ 86.44	\$ 5.76	\$ 43.24	100.09%

Option 6: Include 35-Gallon Refuse Container						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
35 Gal with Option 6 Only	\$ -	\$ 39.24	\$ 47.91	\$ 56.48	\$ 60.69	\$ 65.05
Incremental Change		-	\$ 8.67	\$ 8.57	\$ 4.21	\$ 4.36
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 6 Only		\$ 47.18	\$ 56.34	\$ 65.43	\$ 70.35	\$ 75.45
Incremental Change		\$ 10.68	\$ 9.16	\$ 9.09	\$ 4.92	\$ 5.10
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 6 Only		\$ 57.19	\$ 65.55	\$ 75.11	\$ 80.68	\$ 86.44
Incremental Change		\$ 13.99	\$ 8.36	\$ 9.56	\$ 5.57	\$ 5.76



RECOMMENDED RATES

Proposed Rates from Rate Study in Prop 218 Notice													
Select Rates	Existing Rates	Year 1	\$ Change	Year 2	\$ Change	Year 3	\$ Change	Year 4	\$ Change	Year 5	\$ Change	Total Increase	% Increase
Residential 60 Gal	\$ 36.50	\$ 44.38	\$ 7.88	\$ 52.35	\$ 7.96	\$ 61.18	\$ 8.83	\$ 65.75	\$ 4.56	\$ 70.40	\$ 4.66	\$ 33.90	92.87%
Residential 90 Gal	\$ 43.20	\$ 52.57	\$ 9.37	\$ 60.87	\$ 8.30	\$ 70.21	\$ 9.35	\$ 75.50	\$ 5.29	\$ 80.89	\$ 5.39	\$ 37.69	87.24%

Recommended Rates: Removal of Weekly Recycling, 2nd Cleanup, and Leaf Pickup													
Select Rates	Existing Rates	Year 1	\$ Change	Year 2	\$ Change	Year 3	\$ Change	Year 4	\$ Change	Year 5	\$ Change	Total Increase	% Increase
Residential 60 Gal	\$ 36.50	\$ 40.74	\$ 4.24	\$ 47.17	\$ 6.43	\$ 55.66	\$ 8.49	\$ 60.13	\$ 4.47	\$ 62.24	\$ 2.11	\$ 25.74	70.52%
Residential 90 Gal	\$ 43.20	\$ 48.92	\$ 5.72	\$ 55.69	\$ 6.77	\$ 64.69	\$ 9.01	\$ 69.88	\$ 5.19	\$ 72.73	\$ 2.84	\$ 29.53	66.04%

Recommended Rates: Removal Of Options 1, 2, and 3						
Select Rates	Existing Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Proposed 60 Gal Rate	\$ 36.50	\$ 44.38	\$ 52.35	\$ 61.18	\$ 65.75	\$ 70.40
60 Gal with Option 1, 2, & 3		\$ 40.74	\$ 47.17	\$ 55.66	\$ 60.13	\$ 62.24
Initial Proposed 90 Gal Rate	\$ 43.20	\$ 52.57	\$ 60.87	\$ 70.21	\$ 75.50	\$ 80.89
90 Gal with Option 1, 2, & 3		\$ 48.92	\$ 55.69	\$ 64.69	\$ 69.88	\$ 72.73
Incremental Change		\$ (3.65)	\$ (5.18)	\$ (5.52)	\$ (5.62)	\$ (8.16)



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Questions?



RESOLUTION 2022-___

ADOPTION OF PROPOSED INCREASE TO SOLID WASTE RATES

WHEREAS, State mandates, especially Senate Bill (SB) 1383, are impacting services and costs for jurisdictions statewide to meet compliance, and

WHEREAS, Solid waste rates were last increased in 2012 without factoring in the Consumer Price Index (CPI) increases, and

WHEREAS, The current rates do not cover the cost of services provided for solid waste and recycling, and with the increase in the City's service area creating a larger deficit, and

WHEREAS, Significant drops in the recyclable markets have drastically reduced revenues, and

WHEREAS, HF&H Consultants, Inc. completed a solid waste rate study by conducting comprehensive analysis of the City's residential, commercial, and industrial solid waste and recycling rates, along with associated fees for service impacts, recycling, and green waste and food waste (organics) diversion that would sustain the Solid Waste Enterprise Fund while protecting the interest of the community, and

WHEREAS, Changes are required to the garbage and yard waste (changing to organics) containers and frequency of collection services, and

WHEREAS, City Council directed staff at the special City Council meeting on November 2, 2021, to proceed with sending a notification of a Public Hearing for the proposed solid waste rate increases in compliance with Proposition 218, and

WHEREAS, The City Council held a public hearing at a regularly scheduled City Council meeting on December 21, 2021 for the proposed increase to solid waste rates, and determined to continue the discussion at a later date, and

WHEREAS, City Council continued the discussion at the regularly scheduled City Council meeting on April 5, 2022 which staff presented options for the Council to consider as possibilities to reduce the impact of the increase to customers;

NOW, THEREFORE, BE IT RESOLVED, The City Council hereby approves the solid waste rate study and approves and adopts the increased solid waste rates as outlined in Attachment A, effective July 1, 2022.

Resolution _____
April 5, 2022
Page 2

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the 5th day of April 2022, by the following vote:

AYES: COUNCIL MEMBERS

NOES: COUNCIL MEMBERS

ABSENT: COUNCIL MEMBERS

ABSTAIN: COUNCIL MEMBERS

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 3.D

REQUEST

PUBLIC HEARING TO CONSIDER A TIME EXTENSION OF THE DEVELOPMENT REVIEW PERMIT FOR THE TRACY ASSISTED LIVING AND MEMORY CARE FACILITY (D19-0019) LOCATED ON APPROXIMATELY 2.73 ACRES AT THE NORTHWEST CORNER OF CORRAL HOLLOW ROAD AND ALEGRE DRIVE (2050 W. GRANT LINE ROAD) – THE APPLICANT IS RACHEL MARQUIZ, MEDCORE, LLC, FOR TRACY ASSISTED LIVING, LLC; APPLICATION NUMBER EXT21-0003

EXECUTIVE SUMMARY

On December 3, 2019, the City Council approved the Tracy Assisted Living and Memory Care Facility Development Review Permit. Prior to the two-year expiration of the permit, the applicant submitted a request to extend the life of the permit by an additional three years. City staff and the Planning Commission recommend that the City Council grant the three-year time extension request.

DISCUSSION

Background

The Tracy Assisted Living and Memory Care Facility Development Review Permit was approved by the City Council on December 3, 2019. In accordance with Tracy Municipal Code Section 10.08.3980, a Development Review Permit lapses after two years unless a building permit is issued or the property owner applies for an extension of the permit. A building permit has not yet been issued for the facility and prior to the permit's expiration, the owner submitted a time extension request (Attachment A).

The 2019 project approval also included an amendment to the Residential Areas Specific Plan, to allow dependent living facilities. That Plan Amendment is a permanent change, not subject to time expiration.

Status of the Project

Following the initial Development Review Permit approval, the project and property ownership changed in 2021. The new owner, Tracy Assisted Living, LLC, critically evaluated the approved project and proposed some changes to the building floor plans and minor revisions to the building exterior. These minor revisions are illustrated in Attachments C through F.

Designing these revisions, of course, took time and a building permit application for the project was submitted in December 2021. The construction documents are currently being reviewed by the City and the owner has initiated the process to obtain construction bids for the project.

Consequently, at this point, this sequence of events, combined with the City's review time of the construction documents, will result in building permit issuance after the two-

year life of the Development Review Permit. Therefore, the owner submitted the request for the time extension.

Although the owner intends to begin construction within the next couple months, the request is for a three-year extension, just in case there are unforeseen circumstances that might affect construction timing.

Project Description

The project is to construct a 101-unit assisted living and memory care facility on the vacant, 2.73-acre site, at the northwest corner of Corral Hollow Road and Alegre Drive. The original approval was for 100 units. Five of the units contain two bedrooms and the remaining 96 units are one-bedroom units. Attachment B identifies the location of the proposed project. The site is located on the rear (southern) parcel in the Grant Line Center (Chili's/Western Dental Care) commercial center.

Attachments C through F include the project's previously approved and proposed site plans, floor plans, exterior building elevations, and color board. Attachment G is a color rendering of the front (north side) of the building.

The proposed building contains three floors, with a total of 91,997 square feet. The floor plans, Attachment D, show that the second floor contains less area than the first floor, and the third floor contains significantly less area than the second floor. Due to the second and third floor setback from the first floor, on the south side of the building, the result is a building that appears to be two and three stories from the north side and appears to be one and two stories from the south side. This creates a considerably less visual impact on the adjacent residential neighborhood to the south than a building that is two or three stories over its entire footprint.

Care facilities, such as the one proposed, have limited parking demands, as most of the parking is used by employees or visitors. Accordingly, City standards require only one, off-street parking space per three beds. Based on this standard, the 106-bed facility would require 35 parking spaces. This project exceeds that standard by providing 59 spaces.

The exterior building elevations and color rendering are depicted in Attachments E and G, respectively. Together with the site plan (Attachment C) and the floor plans (Attachment D), they illustrate the building's significant "movement" (horizontal relief) as one advances around the perimeter of the building.

The west end of the building includes an open courtyard, bench seating, stone garden with pilasters and accent planter pots, a dining terrace, ornamental landscaping, and other amenities. The east half of the building is designed to surround an outdoor courtyard containing flowering accent trees, decorative pavers and artificial turf, a raised planter surrounding a large focal point tree, and bench and lounge seating. The south side of the building contains a dining room, seating, and landscaping.

The proposed building is the same architectural character, scale, and general footprint of the building approved in 2019. The architecture includes significant interest and variety to create a positive addition to this site, and successful transition between the active

area of this commercial center (to the north) and the adjacent residential neighborhood (to the south).

All of the recommended Conditions of Approval are the same as the project's previous approval in 2019 except for Condition Numbers B.20 and B.21, which are proposed to be added. These new requirements are added to incorporate the City's current policy to impose assessments ("special taxes" through a Community Facilities District) to finance maintenance costs for certain public improvements and services.

Land Use Compatibility

The project site plan is well integrated with the circulation and parking plan of the existing commercial center. Furthermore, the one- and two-story portions of the building facing south toward Alegre Drive are respectful of the scale of the single-family homes on the south side of Alegre Drive.

Recommended Condition of Approval B.16 (Exhibit 1 to the Resolution, Attachment H) requires the existing eight-foot-tall masonry wall adjacent to the project's south boundary, along the north side of Alegre Drive, to be reduced in height to approximately four feet. The reason for this recommendation is related, primarily, to the appearance of Alegre Drive and the project site, and also of the view from the first floor windows of the new facility. The eight-foot-tall, flat, masonry wall offers limited opportunity for aesthetic appeal. The proposed building, by contrast, will contain windows, wood siding, stucco with accent score lines, and three colors. The building will be located approximately 25 to 35 feet north of the Alegre Drive curb. This space will be occupied by trees, shrubs, ground cover, and a portion will contain a new walkway. City staff recommends this condition because lowering the height of the wall will result in a more attractive view of the building and landscaping than the flat masonry wall.

The wall was required in the early 1990s when the residential subdivision was approved because the expectation, at the time, was that a grocery store/drug store shopping center would be built on the commercial side of the wall, and the wall would help mitigate noise and other impacts associated with deliveries, roll-up doors, and trash compactors of the shopping center. With the proposed assisted living facility, a wall will not be necessary to mitigate noise, light, or glare.

Planning Commission Consideration

The Planning Commission considered this proposal during their regular meeting on March 9, 2022. The applicant spoke in favor of the time extension request and was the only testimony submitted. Following the public hearing and discussion, by a vote of five to zero, the Planning Commission recommended approval of the three-year, time extension request.

CEQA Documentation

The project is an infill development, consistent with the City's General Plan and zoning, on a site of less than five acres, substantially surrounded by urban uses, has no value as habitat for threatened or endangered species, and will not result in significant effects on

City utilities or services. Therefore, the project is categorically exempt from CEQA review in accordance with Guidelines Section 15332.

STRATEGIC PLAN

This agenda item is a routine operational matter that does not relate to the Council's Strategic Plans.

FISCAL IMPACT

This is a routine development application, requesting no direct expenditure of funds. The applicant paid the normal, flat rate application processing fee of \$545.00 when they submitted the request for a permit time extension. City staff time to process the application was paid through the normal, Development Services Department budget.

RECOMMENDATION

Staff and the Planning Commission recommend that the City Council approve a three-year extension of the Tracy Assisted Living and Memory Care Facility Development Review Permit, Application Number EXT21-0003, to December 3, 2024.

Prepared by: Alan Bell, Senior Planner

Reviewed by: Bill Dean, Interim Development Services Director
Karin Schnaider, Finance Director
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

- Attachment A – Property Owner Time Extension Request
- Attachment B – Project Vicinity
- Attachment C – Previously Approved and Proposed Site Plans (two pages)
- Attachment D – Previously Approved and Proposed Floor Plans (six pages)
- Attachment E – Previously Approved and Proposed Exterior Elevations (six pages)
- Attachment F – Previously Approved and Proposed Color Boards
- Attachment G – Color Rendering of Building Front (north side)

EXT21-0003

PAID
\$545.00

December 2, 2021

Via Email to: PlanningAdmin@CityofTracy.org
Mr. Alan Bell, Senior Planner
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

RE: Extension of the Development Application for Tracy Assisted Living and Memory Care
(D19-0019)

Mr. Alan Bell:

On behalf of the owner, Tracy Assisted Living, LLC, we are requesting an extension of the permit noted above. Our partnership is sincerely grateful for our working relationship with the City of Tracy. As with any great success of a project, it is recognized that it takes a joint effort with the City to meet or exceed the end users' needs and expectations.

As you may recall, this project has passed through many hands to get us to the dream team we have in place now. Now with the right teams and attention is in place, we have what the Tracy project needs to become a successful for all parties involved. We all have been working through refinement of the drawings that we inherited to add value and enhance the building that will be delivered. With the reallocation of resources and capital required to develop a project is tasking, therefore is the reason we are seeking the extension.

We expect to submit a complete building permit application with construction documents in December 2021 and intend to begin construction this Spring (2022). Therefore, to account for unforeseen delays, we respectfully request an extension of the Development Review Permit for three (3) years, to December 13, 2024.

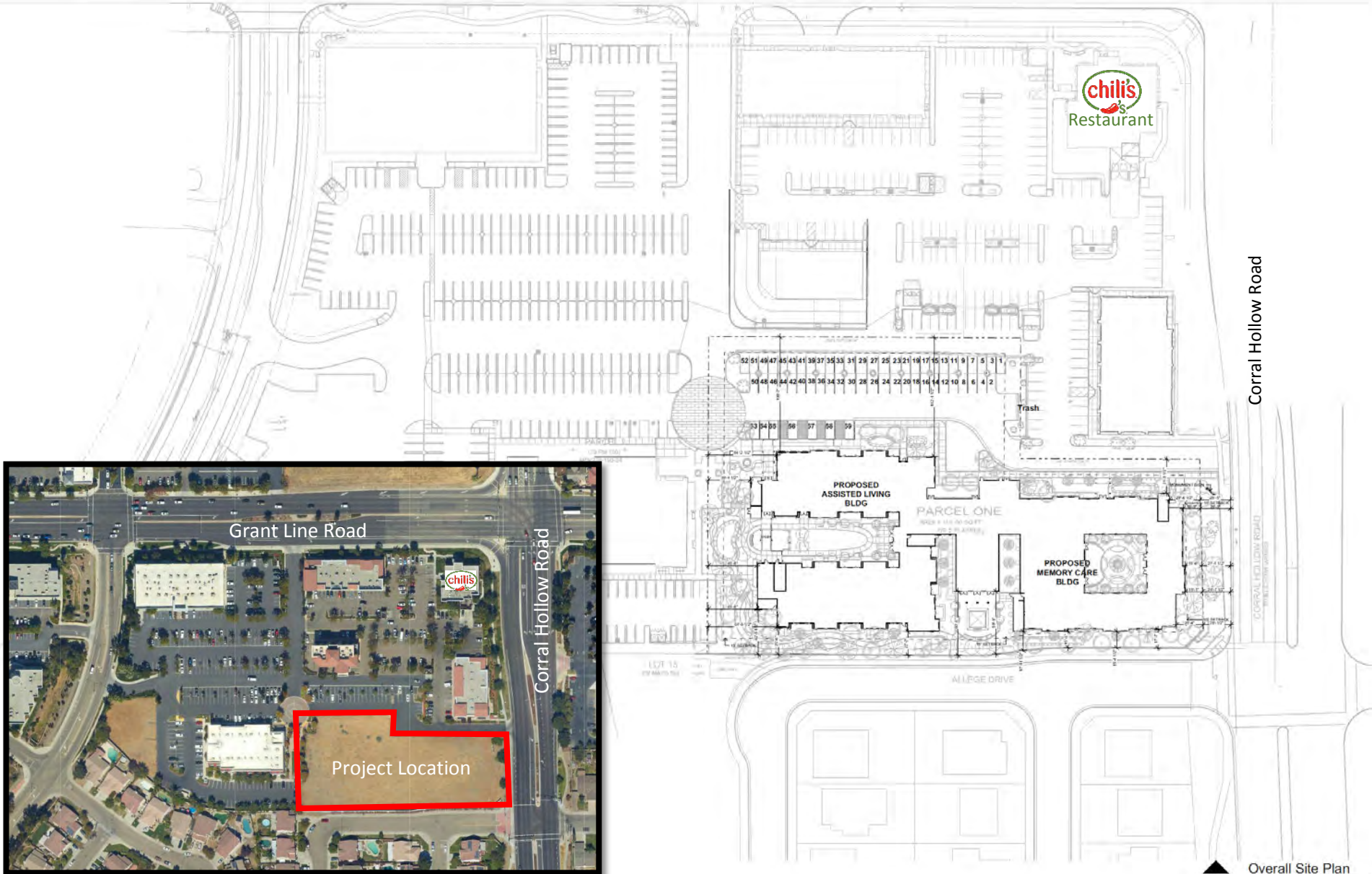
We have an opportunity to develop a tremendous amenity and asset to the greater community of Tracy. Our partnership and team in place have proven track records of developing and operating some of the highest quality senior living retirement communities in the country. We are requesting an extension to enable us to bring that quality of living to the City of Tracy. With your continued support, I know this development will achieve all parties' goals and objectives. If you would like to discuss this project in more detail or have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Rachel Marquis' in a cursive script.

Rachel Marquis
Development Manager

Grant Line Road



Corral Hollow Road

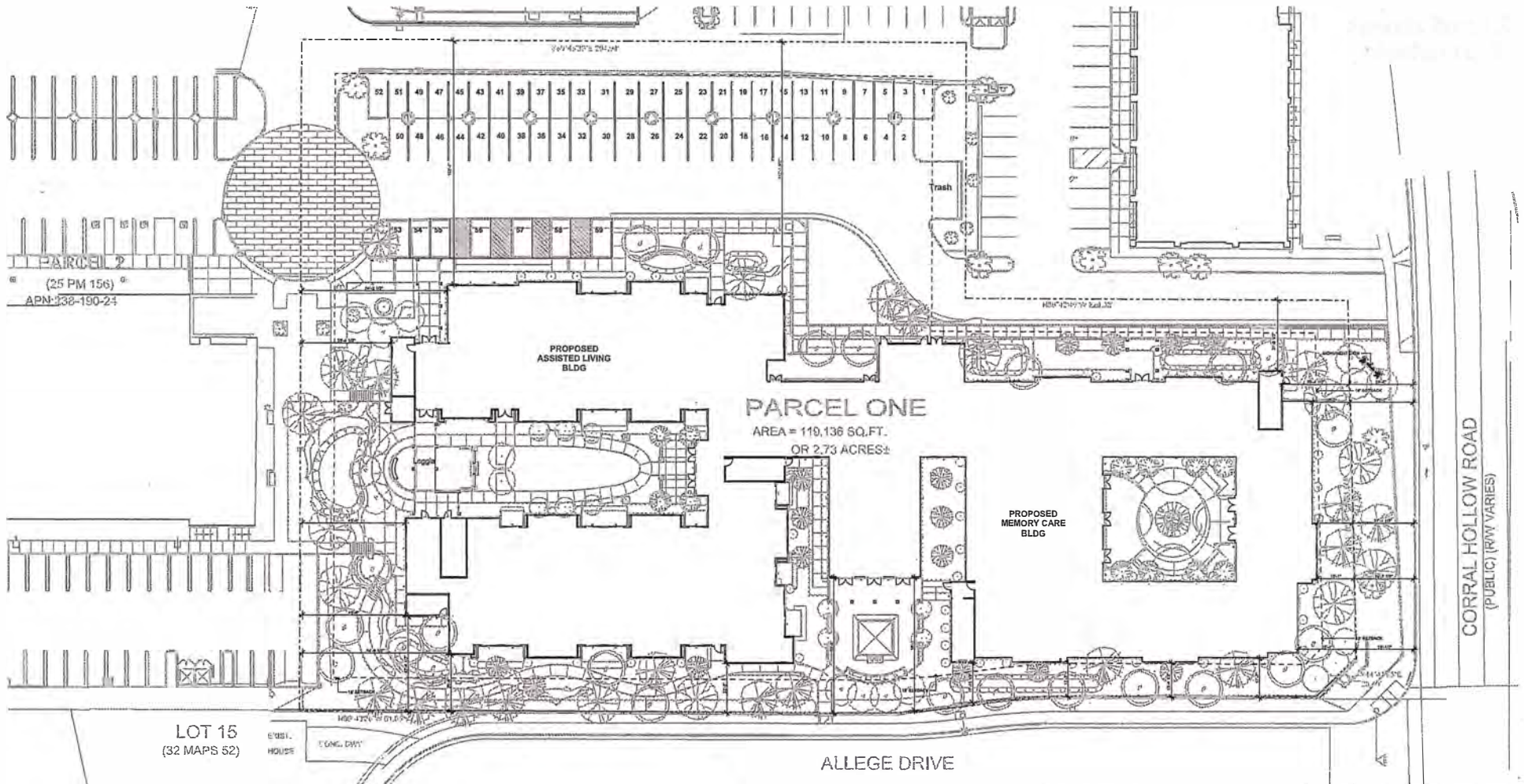
Grant Line Road

Corral Hollow Road

Project Location




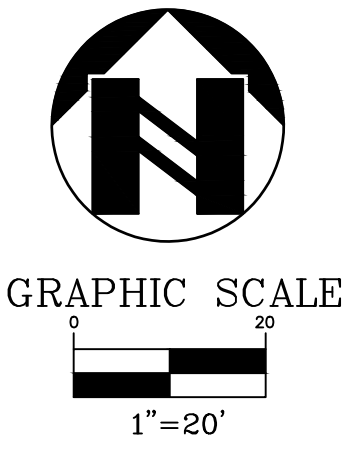
Overall Site Plan
SCALE: 1" = 40'





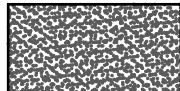

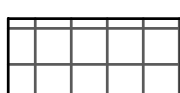

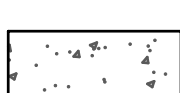

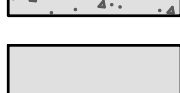
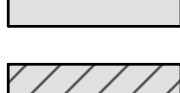

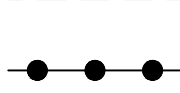
AERIAL MAP




 Enlarged Site Plan
 SCALE: 1" = 20'



LEGEND:

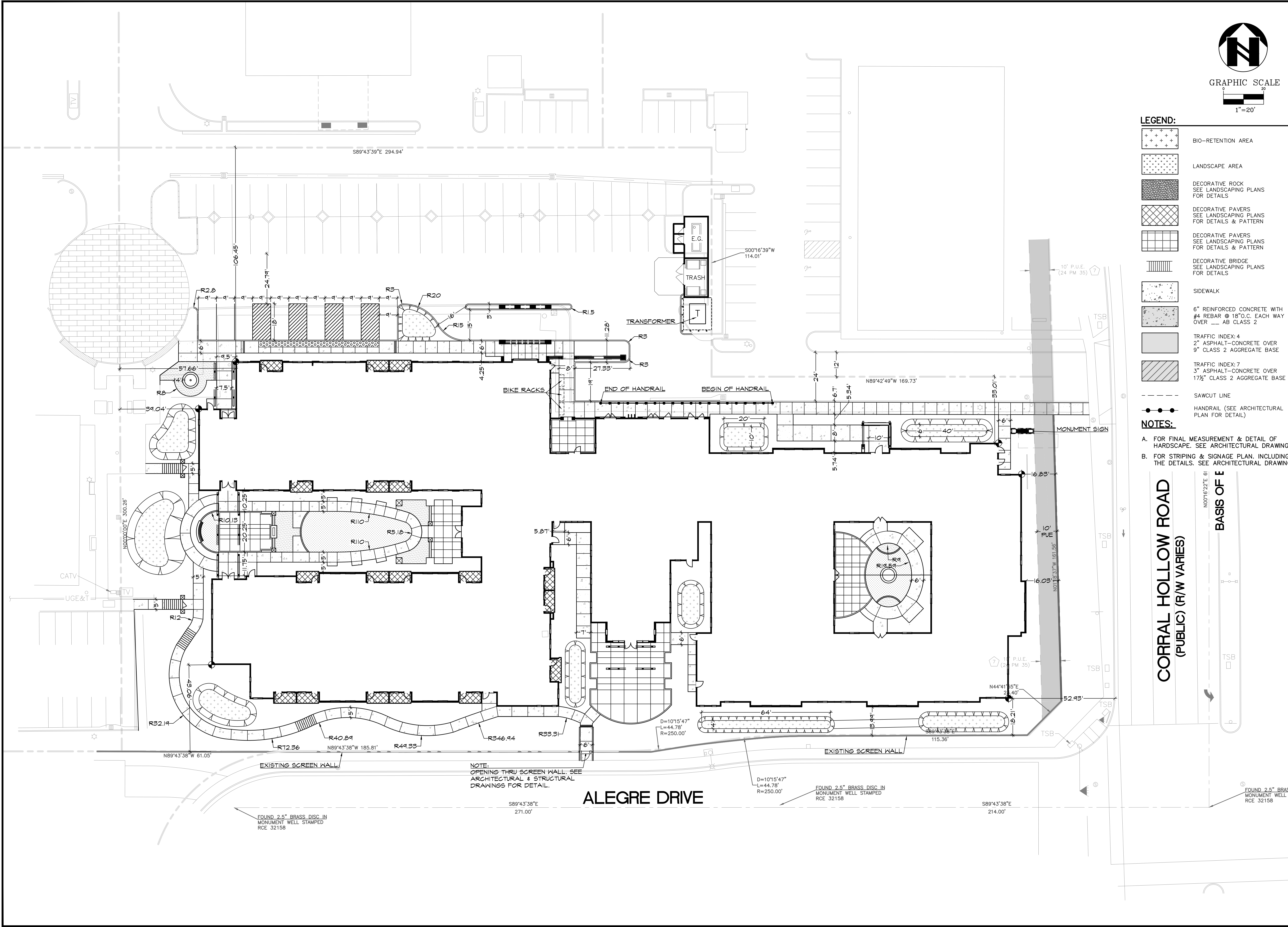
-  BIO-RETENTION AREA
-  LANDSCAPE AREA
-  DECORATIVE ROCK
SEE LANDSCAPING PLANS FOR DETAILS
-  DECORATIVE PAVERS
SEE LANDSCAPING PLANS FOR DETAILS & PATTERN
-  DECORATIVE PAVERS
SEE LANDSCAPING PLANS FOR DETAILS & PATTERN
-  DECORATIVE BRIDGE
SEE LANDSCAPING PLANS FOR DETAILS
-  SIDEWALK
-  6" REINFORCED CONCRETE WITH #4 REBAR @ 18" O.C. EACH WAY OVER AB CLASS 2
-  TRAFFIC INDEX: 4
2" ASPHALT-CONCRETE OVER 9" CLASS 2 AGGREGATE BASE
-  TRAFFIC INDEX: 7
3" ASPHALT-CONCRETE OVER 17 1/2" CLASS 2 AGGREGATE BASE
-  SAWCUT LINE
-  HANDRAIL (SEE ARCHITECTURAL PLAN FOR DETAIL)

NOTES:

- A. FOR FINAL MEASUREMENT & DETAIL OF HARDSCAPE. SEE ARCHITECTURAL DRAWINGS.
- B. FOR STRIPING & SIGNAGE PLAN, INCLUDING THE DETAILS. SEE ARCHITECTURAL DRAWINGS.

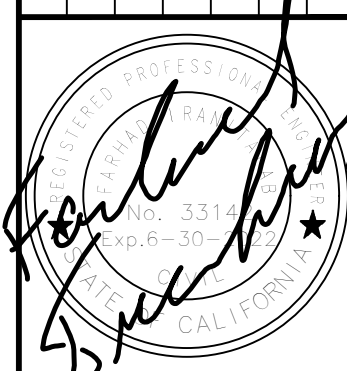
**CORRAL HOLLOW ROAD
(PUBLIC) (R/W VARIES)**

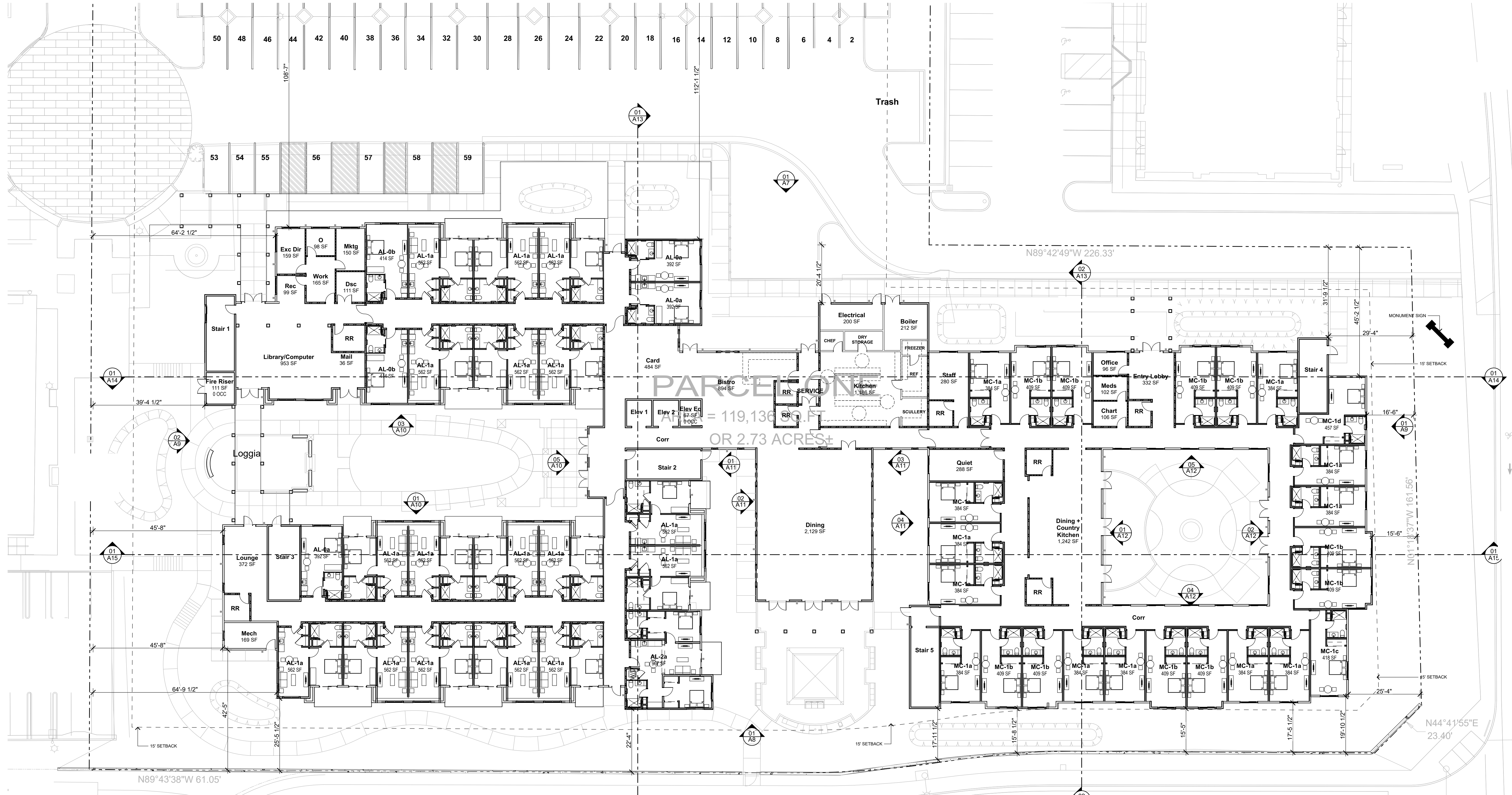
BASIS OF F



NOTE:
OPENING THRU SCREEN WALL. SEE ARCHITECTURAL & STRUCTURAL DRAWINGS FOR DETAIL.

ALEGRE DRIVE

PROJECT	19-2445			
SHEET	C-31	DATE	11-19-21	BY
OF		SCALE	1" = 20'	REV #
PROJECT	HORIZONTAL CONTROL PLAN TRACY ASSISTED LIVING AND MEMORY CARE ALEGRE DRIVE & CORRAL HOLLOW ROAD TRACY SAN JOAQUIN COUNTY CALIFORNIA			
DESIGNER:	ams			
DRAWN:	801 YGNACIO VALLEY ROAD SUITE 220 WALNUT CREEK, CA 94596 925-943-2777 FAX 925-943-2778			
CHECKED:	AS			
APPROVED:	 CAROL MGR: AS ENGINEERING SURVEYING			
FILE PATH:				



PARCEL TOTAL AREA = 119,136 SQ. FT. OR 2.73 ACRES ±

CORRAL HOLLOW ROAD
(PUBLIC) (RAW VARIES)

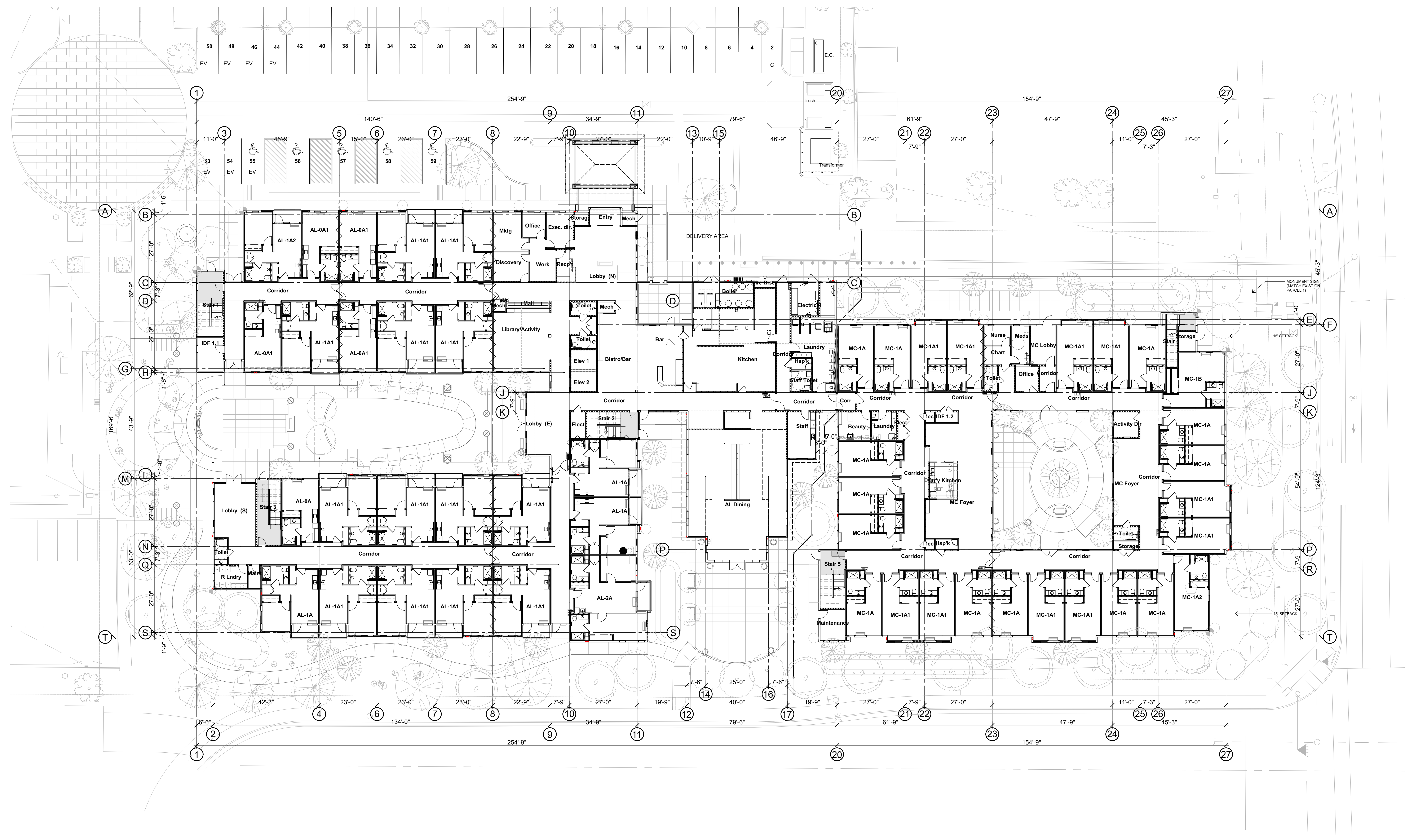


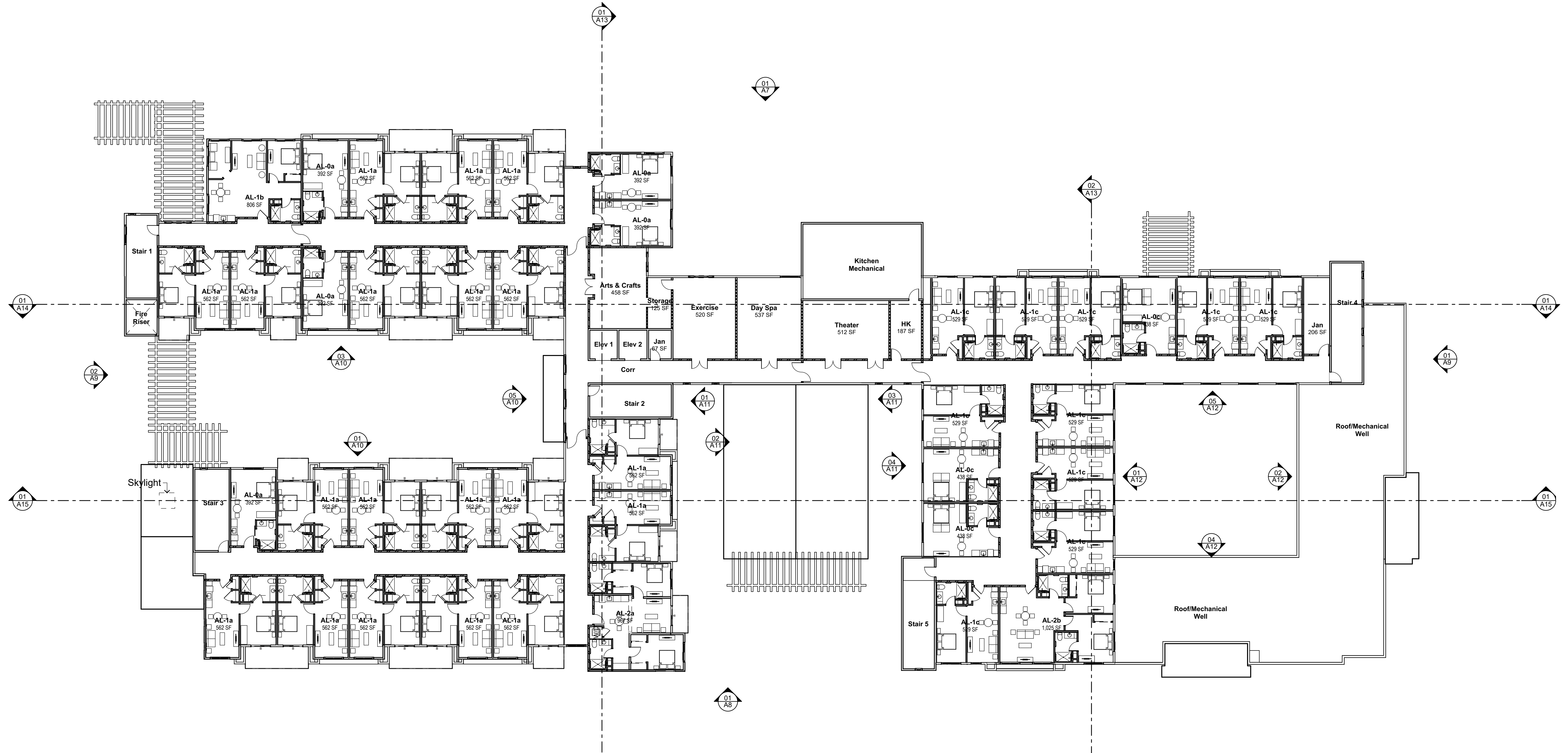
245 Fischer Avenue, Suite B-2 Costa Mesa CA 92626
(714) 557 2448 www.ipaac.com
ARCHITECTURE PLANNING CONSULTING

Tracy Assisted Living and Memory Care
Tracy Assisted Living, LLC
2050 W. Corral Hollow Rd Tracy CA 95377

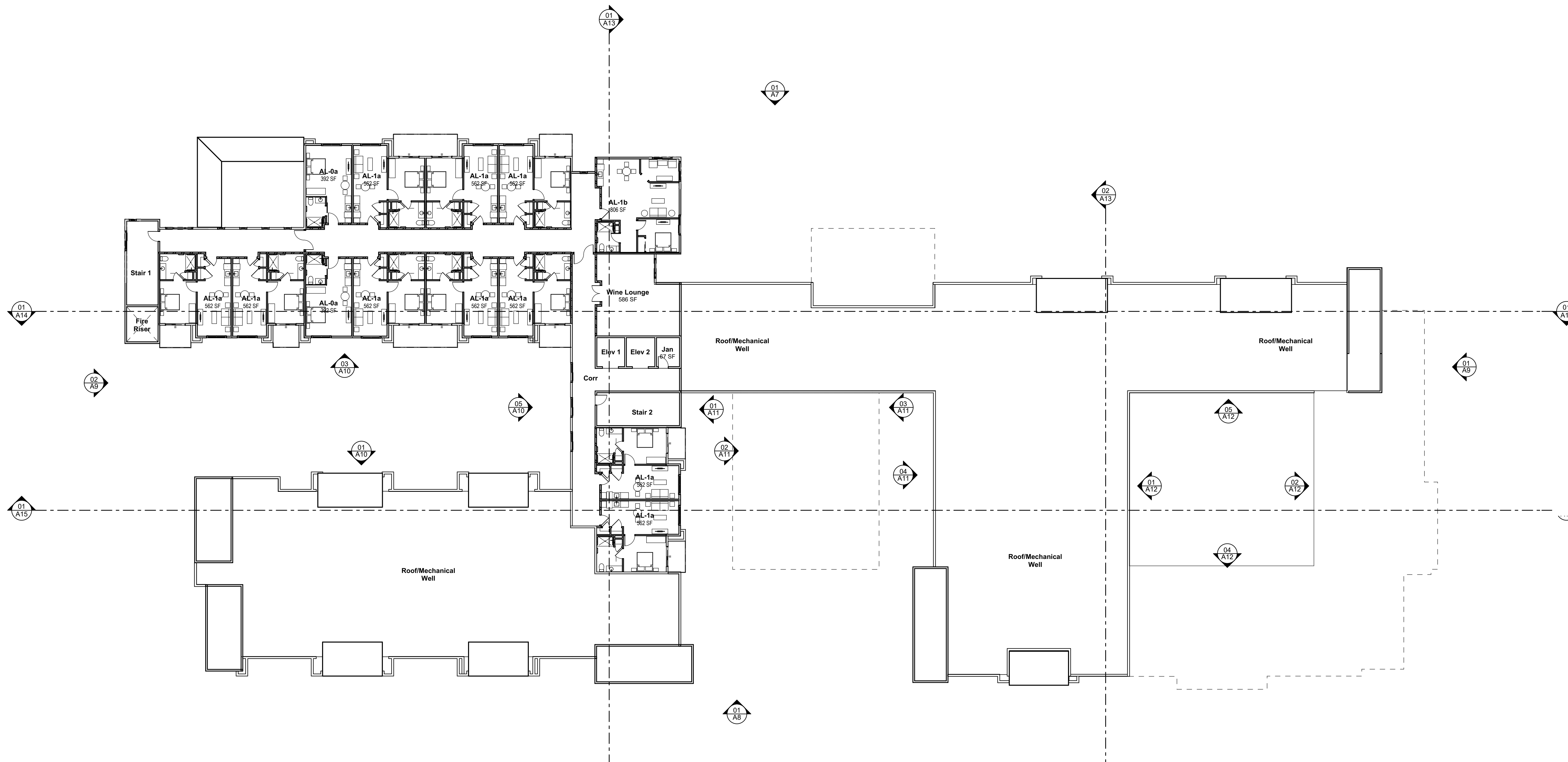
FIRST FLOOR PLAN - ORIGINAL APPROVAL
A1.1

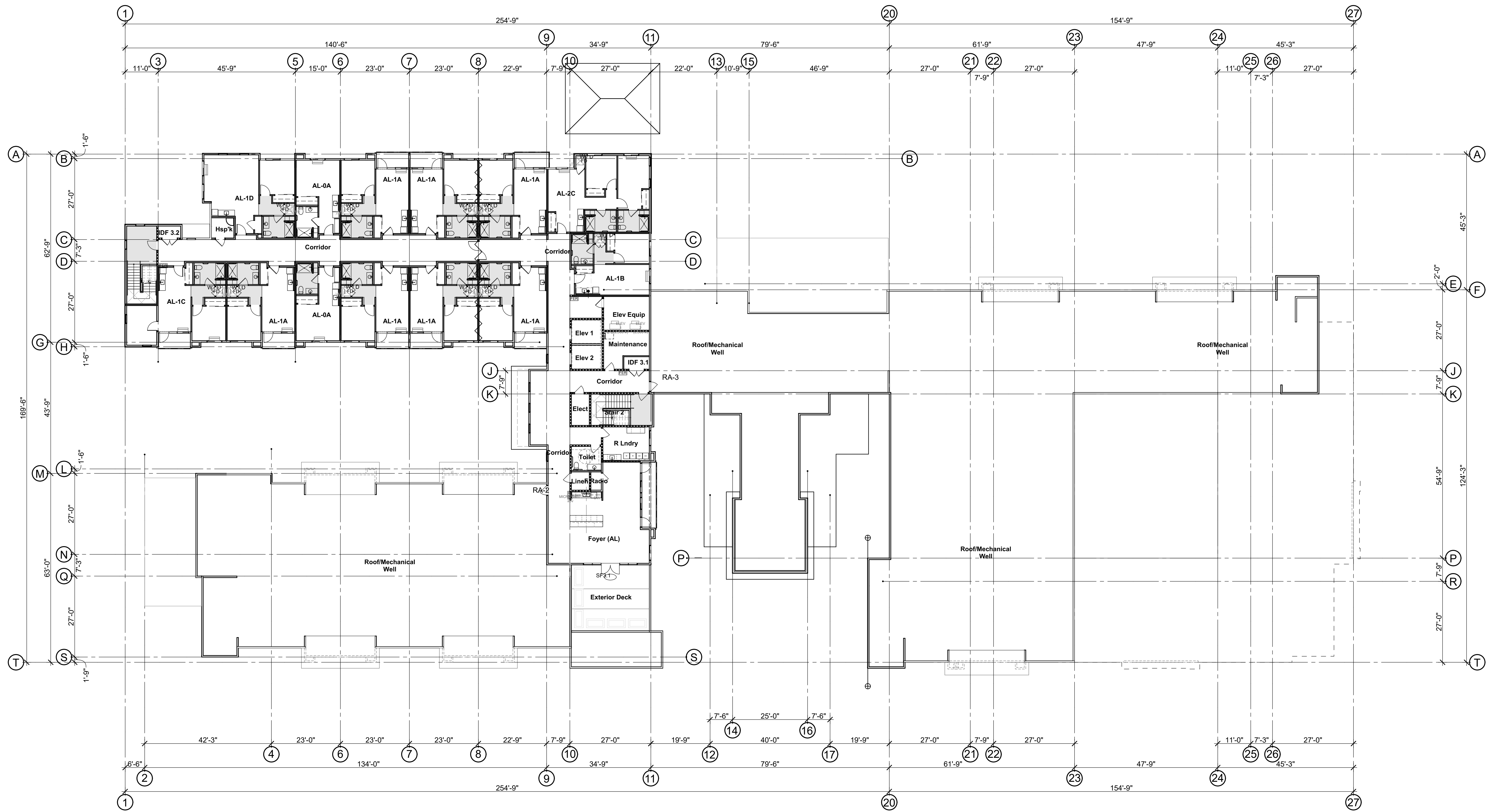
PROJECT NO: 19000.00
PLOT DATE: 2/22/2022
19000 Tracy CD

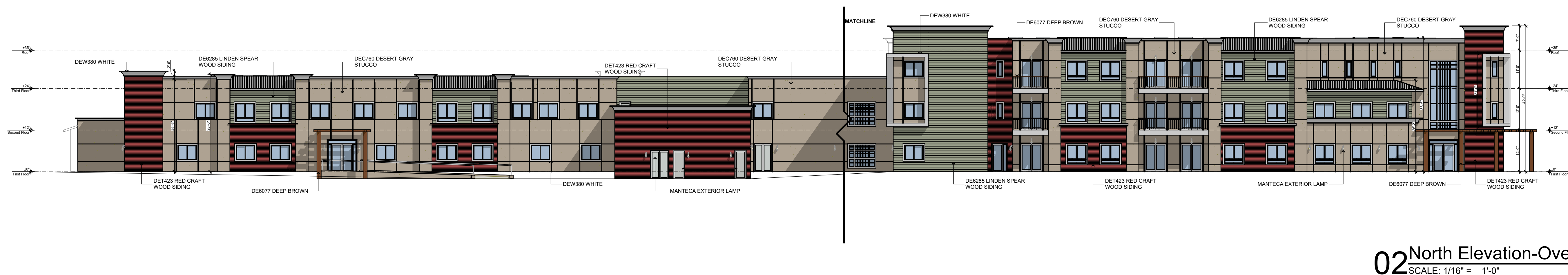
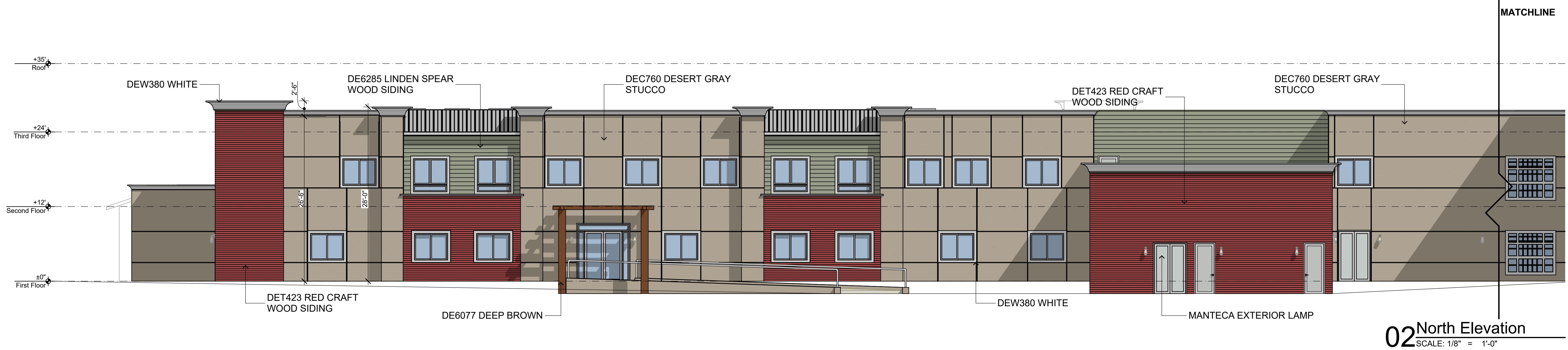
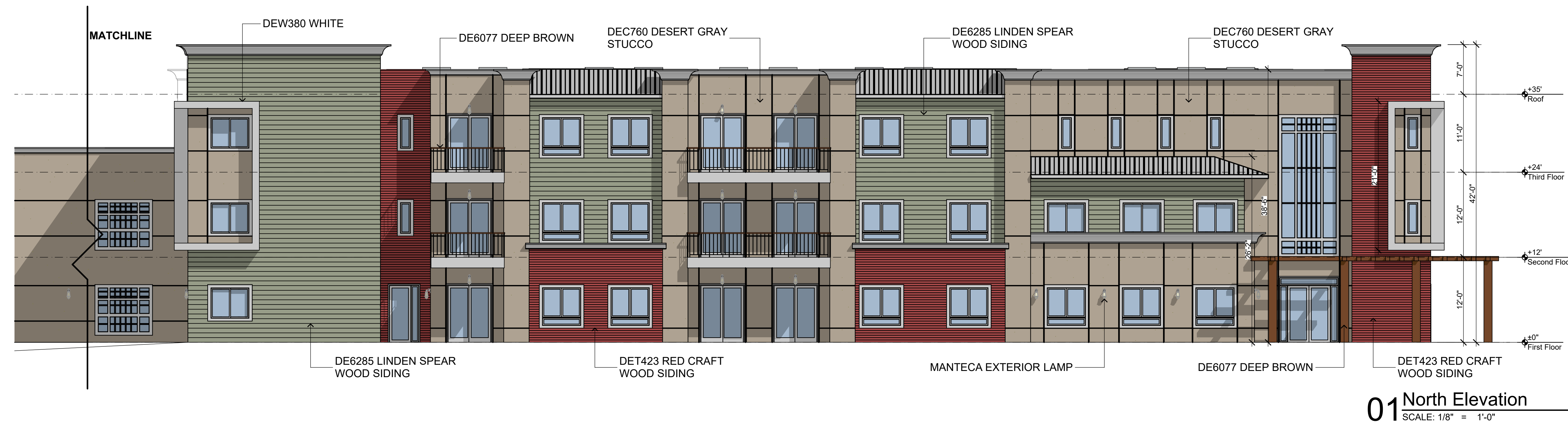














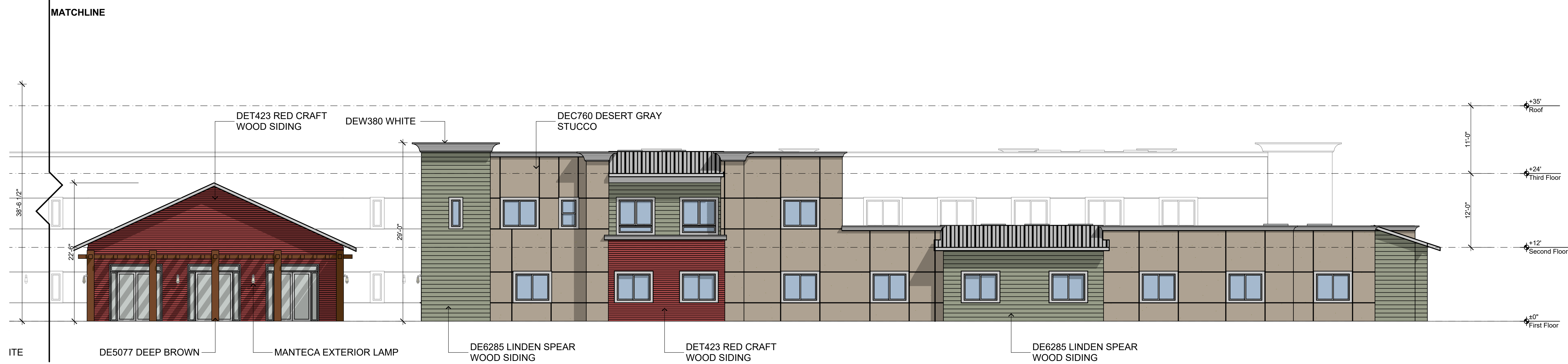
01 North Elevation
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02 North Elevation
SCALE: 1/8" = 1'-0"



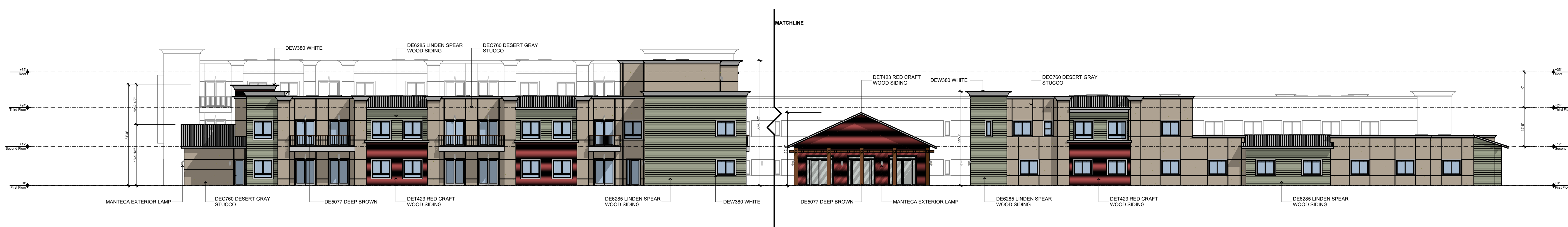
02 North Elevation-Overall
SCALE: 1/16" = 1'-0"



01 South Elevation
SCALE: 1/8" = 1'-0"



02 South Elevation
SCALE: 1/8" = 1'-0"



03 South Elevation-Overall
SCALE: 1/16" = 1'-0"



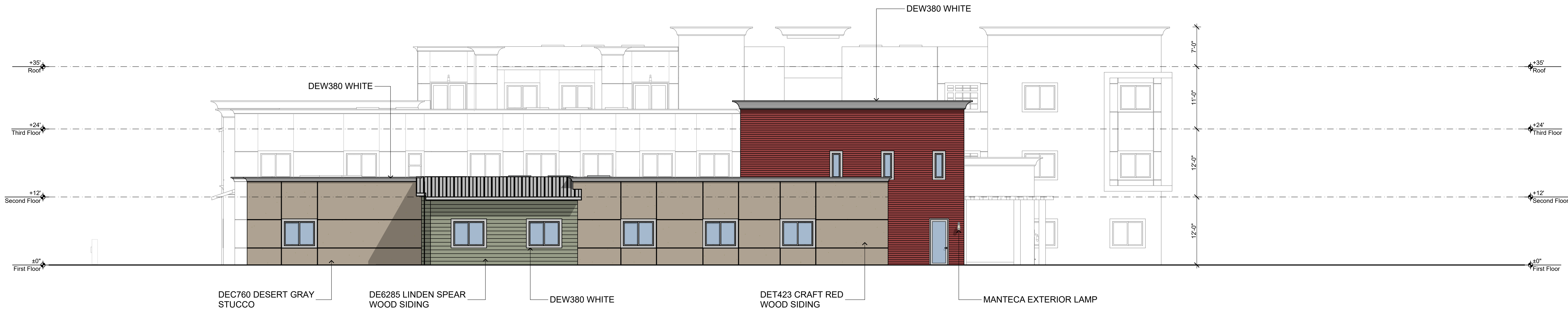
01 South Elevation
SCALE: 1/8" = 1'-0"



02 South Elevation
SCALE: 1/8" = 1'-0"



03 South Elevation-Overall
SCALE: 1/16" = 1'-0"



01 East Elevation
SCALE: 1/8" = 1'-0"



02 West Elevation
SCALE: 1/8" = 1'-0"



01 East Elevation
SCALE: 1/8" = 1'-0"



02 West Elevation
SCALE: 1/8" = 1'-0"

ORIGINAL APPROVAL COLORS

PROPOSED COLORS

Tracy Assisted Living & Memory Care Color Board

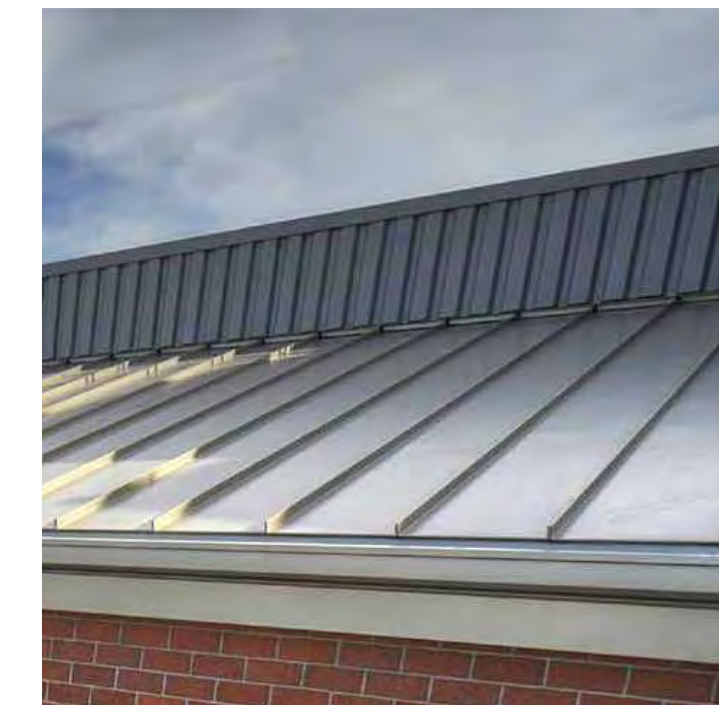
Tracy Assisted Living & Memory Care Color Board



The Garland Company
Standing Seam Roof



Manteca Lighting
Lighthouse Outdoor Light



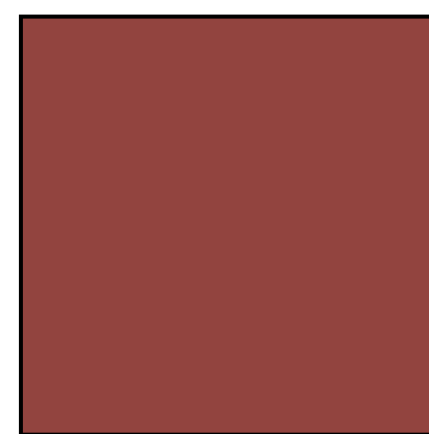
Metal Sales Manufacturing Corporation
Standing Seam Roof



Luminis
Scirocco Wall Sconce



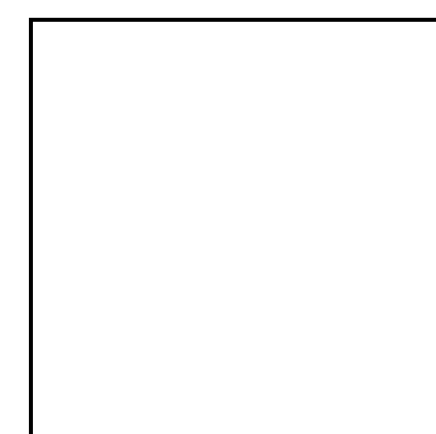
Kim Lighting
Gem Performance Bollards



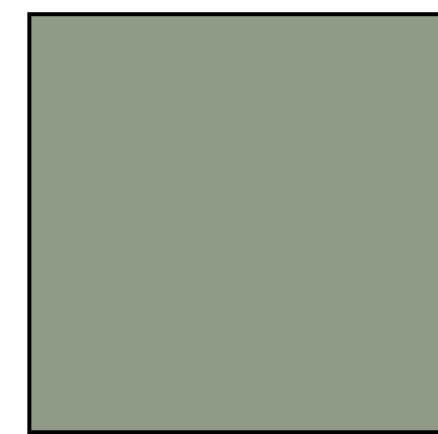
DET 423
Red Craft
Horizontal Siding



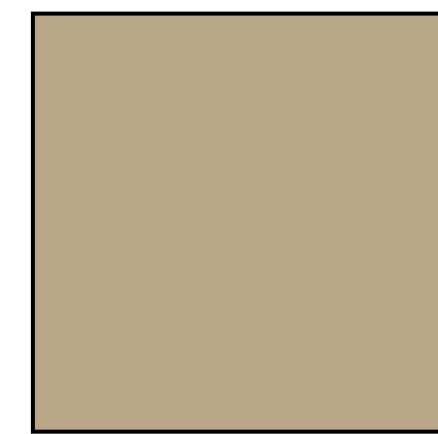
DE 6077
Deep Brown
Wood Trim



DEW 380
White
Accent Trim &
Window Trim



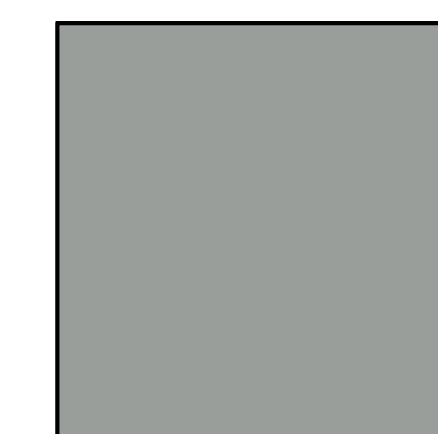
DE 6285
Linden Spear
Horizontal Siding



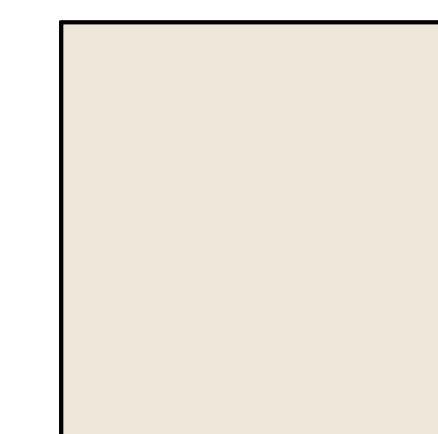
DEC 760
Desert Gray
Base Stucco



SW 2839
Roycroft Copper Red
Horizontal Siding



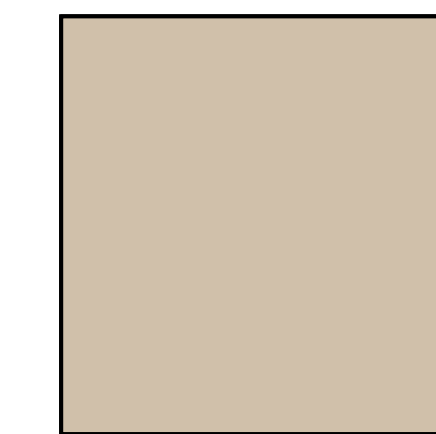
SW 7660
Earl Grey
Wood Trim



SW 7012
Creamy
Accent Trim &
Window Trim



SW 9130
Evergreen Fog
Horizontal Siding



SW 9110
Malabar
Base Stucco

SUMMIT
SENIOR LIVING LLC

PROJECT: 19000



PROJECT: 19000



Tracy Assisted Living and Memory Care

SHEET INDEX



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A2.2	SECOND FLOOR PLAN - PROPOSED
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A4	EXTERIOR COLORS
A5.1	ELEVATION - ORIGINAL APPF
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VICINITY MAP



RESOLUTION 2022-_____

APPROVING A THREE-YEAR TIME EXTENSION OF THE DEVELOPMENT REVIEW PERMIT FOR TRACY ASSISTED LIVING AND MEMORY CARE FACILITY LOCATED ON APPROXIMATELY 2.73 ACRES AT THE NORTHWEST CORNER OF CORRAL HOLLOW ROAD AND ALEGRE DRIVE, (2050 W. GRANT LINE ROAD, ASSESSOR'S PARCEL NUMBERS 238-190-25 AND -26) APPLICATION NUMBER EXT21-0003

WHEREAS, On December 3, 2019, the Tracy City Council approved the Development Review Permit for the Tracy Assisted Living and Memory Care Facility, Application Number D19-0019, and

WHEREAS, In accordance with Tracy Municipal Code Section 10.08.3980, a Development Review Permit lapses two years after it becomes effective unless a building permit is issued or the owner requests an extension, and

WHEREAS, A building permit has not been issued, but the owner requested an extension of the Development Review Permit prior to its expiration, and

WHEREAS, Subsequent to Development Review Permit approval, ownership of the property and the project changed, the new owner undertook interior floor plan changes, made minor modifications to the building exterior, and submitted a building permit application, and

WHEREAS, A building permit could not be issued prior to expiration of the Development Review Permit, and

WHEREAS, The owner submitted a request to extend the Development Review Permit for three years, and

WHEREAS, On March 9, 2022, the Planning Commission conducted a public hearing and recommended the City Council approve a three-year extension of the Development Review Permit;

NOW, THEREFORE BE IT RESOLVED, That the City Council of the City of Tracy hereby approves a time extension of three years, to December 3, 2024, for the Tracy Assisted Living and Memory Care facility (D19-0019) on approximately 2.73 acres at the northwest corner of Corral Hollow Road and Alegre Drive (2050 W. Grant Line Road, Assessor's Parcel Numbers 238-190-25 and -26), Application Number EXT21-0003, subject to the conditions contained in Exhibit 1 and based on the following findings:

1. The proposal increases the quality of the project site and enhances the property in a manner that therefore improves the property in relation to the surrounding area and the citizens of Tracy.

The project involves the construction of an approximately 99,997 square foot Assisted Living and Memory Care facility with 59 off-street parking spaces, associated landscaping, irrigation, utilities, and site work.

The facility and site design is compatible with the single-family home neighborhood to the south of the project site because the Assisted Living and Memory Care facility will have

less traffic than retail, restaurant, or consumer-service businesses of comparable size (also permitted at the site), and therefore, less traffic noise, light and glare that could affect the adjacent residential neighborhood; vehicle driveways, loading parking, and other circulation will occur on the north, east, and west sides of the building, directed away from the adjacent residential neighborhood, thus minimizing traffic noise and other effects of the project on adjacent residences. The proposed building, located within an existing commercial center, is at the rear of the site, has very limited visibility from Grant Line Road, and therefore, is well suited for this low-impact, destination land use that does not rely on pass-by traffic for marketing, as would a retail or consumer-oriented use. The building architecture is consistent with building materials and color themes of surrounding uses, and includes meaningful exterior glazing, trim, accent features, and vertical and horizontal relief to create an attractive building for this site.

- 2. The proposal conforms to Tracy Municipal Code Chapter 10.08, the General Plan, the Design Goals and Standards, and the City’s Infrastructure Master Plans.

The subject property is designated Office by the City’s General Plan and General Highway Commercial within the Residential Areas Specific Plan (RSP). The Assisted Living and Memory Care facility is a permitted use within the General Plan and zoning of the site. The project documents compliance with the City’s landscaping, parking, requirements and architectural guidelines; and the storm drainage, water, wastewater, traffic and other improvements are consistent with the utility and requirements of the infrastructure master plans.

* * * * *

The foregoing Resolution 2022-_____ was adopted by the Tracy City Council on the 5th day of April, 2022, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

**Tracy Assisted Living and Memory Care
Conditions of Approval
Application Number EXT21-0003
Time Extension for D19-0019
City Council
April 5, 2022**

These Conditions of Approval shall apply to the real property described as Tracy Assisted Living and Memory Care, Development Review Application Number D19-0019 (Time Extension EXT21-0003). The approximately 2.73-acre subject property is located at the northwest corner of Corral Hollow Road and Alegre Drive, 2050 W. Grant Line Road (Assessor's Parcel Numbers 238-190-25 and -26).

A. The following definitions shall apply to these Conditions of Approval:

1. "Applicant" means any person, or other legal entity, defined as a "Developer".
2. "City Engineer" means the City Engineer of the City of Tracy, or any other duly licensed engineer designated by the City Manager, or the Development Services Director, or the City Engineer to perform the duties set forth herein.
3. "City Regulations" means all written laws, rules and policies established by the City, including those set forth in the City of Tracy General Plan, the Tracy Municipal Code, ordinances, resolutions, policies, procedures, and the City's Design documents (the Streets and Utilities Standard Plans, Design Standards, Parks and Streetscape Standard Plans, Standard Specifications, Multi-Agency Post-Construction Stormwater Standards Manual, and Relevant Public Facilities Master Plans).
4. "Conditions of Approval" shall mean the conditions of approval applicable to the Tracy Assisted Living and Memory Care facility, Development Review Application Number D19-0019 (Time Extension EXT21-0003).
5. "Development Services Director" means the Development Services Director of the City of Tracy, or any other person designated by the City Manager or the Development Services Director to perform the duties set forth herein.
6. "Developer" means any person, or other legal entity, who applies to the City to divide or cause to be divided real property within the Project boundaries, or who applies to the City to develop or improve any portion of the real property within the Project boundaries. The term "Developer" shall include all successors in interest.

B. General Conditions of Approval:

1. Unless specifically modified by these Conditions of Approval, the Project shall comply with all City Regulations.
2. Unless specifically modified by these Conditions of Approval, the Developer shall comply with all mitigation measures identified in the General Plan Environmental Impact Report, dated February 1, 2011.

3. Pursuant to Government Code section 66020, including section 66020(d)(1), the City HEREBY NOTIFIES the Developer that the 90-day approval period (in which the Developer may protest the imposition of any fees, dedications, reservations, or other exactions imposed on this Project by these Conditions of Approval) has begun on the date of the conditional approval of this Project. If the Developer fails to file a protest within this 90-day period, complying with all of the requirements of Government Code section 66020, the Developer will be legally barred from later challenging any such fees, dedications, reservations or other exactions.
4. Except as otherwise modified by these Conditions of Approval, all construction shall be consistent with the plans received by the Development Services Department on August 22, 2019 and as modified by plans submitted on February 25, 2022.
5. Prior to the issuance of a building permit, the applicant shall provide a detailed landscape and irrigation plan consistent with City landscape and irrigation standards, including, but not limited to Tracy Municipal Code Section 10.08.3560, and the City's Design Goals and Standards, to the satisfaction of the Development Services Director, and consistent with the applicable Department of Water Resources 2015 Model Efficient Landscape Ordinance on private property and Tracy Municipal Code Chapter 11.28 to the satisfaction of the Utilities Director; and the applicant shall prepare and submit an electronic MWELO Project Information Sheet to the satisfaction of the Utilities Director. Said landscape plans shall include documentation which demonstrates there is no less than 20 percent of the new parking area in landscaping, and 40 percent canopy tree coverage at tree maturity in accordance with City Regulations. Newly planted, on-site trees shall be a minimum size of 24-inch box and shrubs shall be a minimum size of five gallons. Root barriers (two-feet deep by eight feet long) shall be installed along all buildings or edge of planter where a tree is within ten feet of building or edge of planter.
6. Prior to the issuance of a building permit, an Agreement for Maintenance of Landscape and Irrigation Improvements shall be executed and financial security submitted to the Development Services Department. The Agreement shall ensure maintenance of the on-site landscape and irrigation improvements for a period of two years. Said security shall be equal to the actual material and labor costs for installation of the on-site landscape and irrigation improvements, or \$2.50 per square foot of on-site landscape area.
7. Prior to final inspection or certificate of occupancy, all exterior and parking area lighting shall be directed downward or shielded, to prevent glare or direct spray of light onto adjacent residential property, to the satisfaction of the Development Services Director.
8. Prior to the issuance of a building permit, the developer shall document compliance with Tracy Municipal Code Chapter 11.34 and the City of Tracy Multi-Agency Post-Construction Stormwater Standards Manual (Manual) to the satisfaction of the Utilities Director, which includes the requirement for Site Design Control Measures, Source Control Measures and Treatment Control Measures under the guidelines in a project Stormwater Quality Control Plan (SWQCP). Compliance with the Manual includes,

- but is not limited to, addressing outdoor storage areas, loading and unloading areas, trash enclosures, parking areas, any wash areas and maintenance areas. The SWQCP must conform to the content and format requirements indicated in Appendix D of the Manual and must be approved by the Utilities Director prior to issuance of grading or building permits.
9. All on-site construction activity associated with development of this Tracy Assisted Living and Memory Care facility shall be limited to daylight hours or 7:00 a.m. to 8:00 p.m.
 10. No roof mounted equipment, including, but not limited to, HVAC units, fans, antennas, vents, ladders, and dishes whether proposed as part of this application, potential future equipment, or any portion thereof, shall be visible from Corral Hollow Road, Alegre Drive, Grant Line Road, or any other public right-of-way to the satisfaction of the Development Services Director. The building permit construction documents shall demonstrate that the building's exterior parapet wall is at least as tall as all HVAC units, vents, fans, antennas, or any other roof equipment or utilities.
 11. All vents, gutters, downspouts, flashing, electrical conduit, gas meters, electrical panels and doors, and other wall-mounted or building-attached utilities shall be painted to match the color of the adjacent surface or otherwise designed in harmony with the building exterior to the satisfaction of the Development Services Director.
 12. Prior to the issuance of a building permit, bicycle parking spaces shall be provided in accordance with Tracy Municipal Code Section 10.08.3510 to the satisfaction of the Development Services Director.
 13. All PG&E transformers, phone company boxes, Fire Department connections, backflow preventers, irrigation controllers, and other on-site utilities, shall be vaulted or screened from view from any public right-of-way, behind structures or landscaping, to the satisfaction of the Development Services Director.
 14. Prior to the installation of any signs, the applicant shall submit a sign permit application and receive approval from the Development Services Director in accordance with City Regulations.
 15. Prior to the issuance of a building permit, the building permit construction documents shall include an enclosure for all trash or recycling receptacles. The trash enclosure exterior wall shall be of masonry construction, finished with stucco material and color to match the existing trash enclosures on site; include solid metal doors painted to match the enclosure; and a solid roof (painted to match the color(s) of the building) to the extent required by City stormwater quality regulations. The enclosure should also contain an interior concrete curb to prevent the trash dumpsters and containers from hitting and damaging the walls.
 16. The approximately eight-foot tall, masonry wall along the north side of Alegre Drive shall be reduced in height to approximately four feet tall (excluding where adjacent to the lot at 2193 Misquez Lane, APN 238-140-15). The wall shall include a decorative

trim cap along the top of the wall. Prior to the issuance of a building permit, the developer shall include plans detailing how this will be designed, to the satisfaction of the Development Services Director, and the wall shall be completed prior to the occupancy or final inspection. An opening with a gate shall be installed along the wall in accordance with the California Fire Code standards to the satisfaction of the Fire Marshal.

17. Prior to the issuance of a building permit, the developer shall submit to the City and cause to be recorded, a lot line adjustment or other instrument to effectively merge lots or otherwise relocate property lines, consistent with City standards, to result in no property lines passing through or underneath buildings, to the satisfaction of the Development Services Director. The developer shall prepare and record easement(s), agreement(s), or other instruments to ensure all lots affected by this project have access to utilities, parking, and circulation, to the satisfaction of the Development Services Director.
18. Prior to occupancy or final inspection, all dead or missing trees or other on-site landscaping shall be replaced or restored in accordance with City standards to the satisfaction of the Development Services Director.
19. Developer shall comply with all performance, monitoring, and reporting requirements of the San Joaquin Valley Air Pollution Control District, as identified in APCD correspondence dated July 24, 2019, to the satisfaction of the District.
20. Streets, Streetlights and Sidewalks

Before issuance of any building permit for the Property, Developer shall provide for perpetual funding of the on-going costs of operation, maintenance and replacement for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property (including all costs required PG&E), by doing one of the following, subject to the approval of the City's Finance Director:

Community Facilities District (CFD). Developer shall enter into an agreement with the City, to be signed by the Finance Director, which shall be recorded against the Property, which requires that prior to the final inspection, Developer shall complete the annexation of the Property to City of Tracy Community Facilities District in compliance with the requirements of the Mello – Roos Community Facilities Act of 1982 (Gov. Code § 53311 et seq.) including, without limitation, affirmative votes, and the recordation of a Notice of Special Tax Lien. Developer shall be responsible for all costs associated with the CFD proceedings.

Or

- a. POA and dormant CFD. If the POA is the chosen funding mechanism, Developer must do the following:

- 1) Form a Property Owner's Association (POA) or other maintenance association, with CC&Rs reasonably acceptable to the City, to assume the obligation for the on-going costs of operation, maintenance and replacement for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property (including all costs required by PG&E);
- 2) Cause the POA to enter into an agreement with the City, in a form to be approved by the City and to be recorded against the Property prior to the final inspection, setting forth, among other things, the required maintenance obligations, the standards of maintenance, and all other associated obligation(s) to ensure the long-term maintenance by the POA for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property;
- 3) Before final inspection, annex into a CFD in a "dormant" capacity, to be triggered if the POA fails (as determined by the City in its sole and exclusive discretion) to perform the required level of operation, maintenance and replacement for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property. The dormant tax or assessment shall be disclosed to all property owners, even during the dormant period.

Or

- b. Direct funding. Developer shall enter into an agreement with the City, which shall be recorded against the Property, which requires that prior to approval of final inspection, Developer shall deposit with the City an amount necessary, as reasonably determined by the City, to fund in perpetuity the on-going costs of operation, maintenance and replacement for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property (including all costs required PG&E).

If the provisions for adequate funding of the on-going costs of operation, maintenance and replacement for the streets, traffic signals, streetlights, sidewalks, and street sweeping that will serve the Property (including all costs required PG&E) are met prior to issuance of the building permit for the Property, subject to the Finance Director's review and approval, the terms of this condition shall be considered to have been met and this condition shall become null and void.

21. Landscaping Maintenance

Prior to issuance of any building permit for the Property, Developer shall provide for perpetual funding of the on-going costs of operation, maintenance and replacement

for public landscaping for the Property at a high-quality service level as determined by the Public Works Director by doing one of the following, subject to the approval of the City's Finance Director:

- a. CFD or other funding mechanism. The Developer shall enter into an agreement with the City, which shall be recorded against the Property, which stipulates the following: (1) prior to issuance of a building permit, the Developer shall form or annex into a Community Facilities District (CFD) for funding the on-going costs related to maintenance, operation, repair and replacement of public landscaping, public walls and any public amenities included in the Project, and ongoing public landscaping maintenance costs associated with major program roadways identified in the Citywide Roadway and Transportation Master Plan; (2) the items to be maintained include but are not limited to the following: ground cover, turf, shrubs, trees, irrigation systems, drainage and electrical systems; masonry walls or other fencing, entryway monuments or other ornamental structures, furniture, recreation equipment, hardscape and any associated appurtenances within medians, parkways, dedicated easements, channel-ways, public parks, and public open space areas and trails; (3) formation of the CFD shall include, but not be limited to, affirmative votes and the recordation of a Notice of Special Tax Lien; (4) upon successful formation, the parcels will be subject to the maximum special tax rates as outlined in the Rate and Method of Apportionment; (5) prior to issuance of a building permit, the Developer shall deposit an amount equal to the first year's taxes; and (6) the Developer shall be responsible for all costs associated with formation or annexation of the CFD.

Or

- b. POA and dormant CFD. If the POA is the chosen funding mechanism, the Developer must do the following:
 1. Form a Property Owner's Association (POA) or other maintenance association, with CC&Rs reasonably acceptable to the City, to assume the obligation for the on-going maintenance of all public landscaping areas that will serve the Property;
 2. Cause the POA to enter into an agreement with the City, in a form to be approved by the City and to be recorded against the Property prior to the final inspection, setting forth, among other things, the required maintenance obligations, the standards of maintenance, and all other associated obligation(s) to ensure the long-term maintenance by the POA of all public landscape areas that will serve the Property;
 3. Make and submit to the City, in a form reasonably acceptable to the City, an irrevocable offer of dedication of all public landscape areas that will serve the Property;
 4. Before final inspection, annex into a CFD in a "dormant" capacity, to be triggered if the POA fails (as determined by the City in its

sole and exclusive discretion) to perform the required level of public landscape maintenance. The dormant tax or assessment shall be disclosed to all property owners, even during the dormant period.

Or

- c. Direct funding. The Developer shall enter into an agreement with the City, which shall be recorded against the Property, which stipulates that prior to issuance of a building permit, the Developer shall deposit with the City an amount necessary, as reasonably determined by the City, to fund in perpetuity the full on-going maintenance costs related to maintenance, operation, repair and replacement of public landscaping, public walls and any public amenities included in the Project, and ongoing public landscaping maintenance costs associated with major program roadways identified in the Citywide Roadway and Transportation Master Plan. The items to be maintained include but are not limited to the following: ground cover, turf, shrubs, trees, irrigation systems, drainage and electrical systems, masonry walls or other fencing, entryway monuments or other ornamental structures, furniture, recreation equipment, hardscape and any associated appurtenances within medians, parkways, dedicated easements, channel-ways, public parks, and public open space areas and trails.

C. Engineering Division Conditions of Approval

C.1. General Conditions

Developer shall comply with the applicable sections of approved documents and/or recommendations of the technical analyses/reports prepared for the Project listed as follows:

- 1) Traffic Memorandum prepared by Kimley Horn and Associates dated October 17, 2019.
- 2) Storm Drain Memorandum by Storm Water Consultants dated October 7, 2019.
- 3) Water Supply Memorandum by Black Water Consulting Engineers dated October 17, 2019.
- 4) Sanitary Sewer Memorandum by Black Water Consulting Engineers yet to be completed.

C.2. RESERVED
C.3. RESERVED

C.4. Grading Permit

All grading work (on-site and off-site) shall require a Grading Plan. All grading work shall be performed and completed in accordance with the recommendation(s) of the Project's Registered Geotechnical Engineer. The City will not accept a Grading Permit application for the Project until Developer provides all documents related to said Grading Permit required by the applicable City Regulations and these Conditions of Approval, to the satisfaction of the City Engineer, including, but not limited to, the following:

- C.4.1 Developer has completed all requirements set forth in this section.
- C.4.2 Developer has obtained the approval (i.e. recorded easements for slopes, drainage, utilities, access, parking, etc.) of all other public agencies and/or private entities with jurisdiction over the required public and/or private facilities and/or property. Written permission from affected owner(s) will be required to be submitted to the City prior to the issuance of the Grading Permit.
- C.4.3 Developer has obtained a demolition permit to remove any existing structure located within the project's limits.
- C.4.4 All existing on-site water well(s), septic system(s), and leech field(s), if any, shall be abandoned or removed in accordance with the City and San Joaquin County requirements. Developer shall be responsible for all costs associated with the abandonment or removal of the existing well(s), septic system(s), and leech field(s) including the cost of permit(s) and inspection. Developer shall submit a copy of written approval(s) or permit(s) obtained from San Joaquin County regarding the removal and abandonment of any existing well(s), prior to the issuance of the Grading Permit.
- C.4.5 The Improvement Plans for all improvements to serve the Project (on-site and off-site) including the Grading and Drainage Plans shall be prepared in accordance with the City's Subdivision Ordinance (TMC Chapter 12.36), City Design Documents as defined in Title 12 of the TMC, and these Conditions of Approval.

- C.4.6 On-site Grading/Drainage Plans and Improvement Plans shall be prepared on a twenty-four (24) inch x thirty-six (36) inch size four (4) millimeter thick polyester film (mylar). These plans shall use the City's Title Block. Improvement Plans shall be prepared under the supervision of, stamped and signed by a Registered Civil Engineer and Registered Geotechnical Engineer. Developer shall obtain all applicable signatures by City departments and outside agencies (where applicable) on the mylars including signatures by the Fire Marshal prior to submitting the mylars to Engineering Division for City Engineer's signature. Erosion control measures shall be implemented in accordance with the Improvement Plans approved by the City Engineer for all grading work. All grading work not completed before October 15 may be subject to additional requirements as applicable. Improvement Plans shall specify all proposed erosion control methods and construction details to be employed and specify materials to be used during and after the construction.
- C.4.7 Payment of the applicable Grading Permit fees which include grading plan checking and inspection fees, and other applicable fees as required by these Conditions of Approval.
- C.4.8 For Projects on property larger than one (1) acre: Prior to the issuance of the Grading Permit, Developer shall submit to the Utilities Department (stephanie.hiestand@cityoftracy.org) one (1) electronic copy and one (1) hard copy of the Storm Water Pollution Prevention Plan (SWPPP) as submitted in Stormwater Multiple Applications and Reporting Tracker System (SMARTS) along with either a copy of the Notice of Intent (NOI) with the state-issued Wastewater Discharge Identification number (WDID) or a copy of the receipt for the NOI. After the completion of the Project, the Developer is responsible for filing the Notice of Termination (NOT) required by SWQCB, and shall provide the City, a copy of the completed Notice of Termination. Cost of preparing the SWPPP, NOI and NOT including the annual storm drainage fees and the filing fees of the NOI and NOT shall be paid by the Developer. Developer shall comply with all the requirements of the SWPPP, applicable Best Management Practices (BMPs) and the Stormwater Post-Construction Standards adopted by the City in 2015 and any subsequent amendment(s).

For Projects on property smaller than one (1) acre: Prior to the issuance of the Grading Permit, the Developer shall submit to the Utilities Department (stephanie.hiestand@cityoftracy.org) one (1) electronic copy and 1 hard copy of the City of Tracy Erosion and Sediment Control Plan (ESCP) for approval. Cost of preparing the ESCP including any annual storm drainage fees shall be paid by the Developer. Developer shall comply with all the requirements of the

ESCP, applicable BMPs and the Post-Construction Stormwater Standards adopted by the City in 2015 and any subsequent amendment(s).

- C.4.9 Developer shall provide a PDF copy of the Project's Geotechnical Report signed and stamped by a Registered Geotechnical Engineer. The technical report must include relevant information related to soil types and characteristics, soil bearing capacity, compaction recommendations, retaining wall recommendations, if necessary, paving recommendations, paving calculations such as gravel factors, gravel equivalence, etc., slope recommendations, and elevation of the highest observed groundwater level.
- C.4.10 Minor Retaining – Developer shall use reinforced or engineered masonry blocks for retaining soil at property lines when the grade differential among the in-tract lots exceeds twelve (12) inches. Developer will include construction details of these minor retaining walls with the on-site Grading and Drainage Plan. Developer may use slopes among the lots to address the grade differential but said slope shall not exceed a slope gradient of 3 (horizontal) to 1 (vertical) unless a California licensed geotechnical engineer signs and stamps a geotechnical report letter that supports a steeper slope gradient. Slope easements may be required and will be subject to approval by the City Engineer.

Minor Retaining along Project Perimeter – Developer shall use reinforced or engineered masonry blocks for retaining soil along the Project boundary and adjacent property(s) when the grade differential exceeds 12-inches. Developer will include construction details for these minor retaining walls with the on-site Grading and Drainage Plan. Developer may use slopes to address the grade differential but said slope shall not exceed a slope gradient of 3 (horizontal) to 1 (vertical). Slope easements may be subject to approval by the City Engineer and if adjacent and affected property(s) owner(s) grants said easements.

Slopes are an acceptable option as a substitute to engineered retaining walls, where cuts or fills do not match existing ground or final grade with the adjacent property or public right of way, up to a maximum grade differential of two (2) feet, subject to approval by the City Engineer.

Slope easements will be recorded, prior to the issuance of the Grading Permit. The Developer shall be responsible to obtain and record slope easement(s) on private properties, where it is needed to protect private improvements constructed within and outside the Project, and a copy of the recorded easement document must be provided to the City, prior to the issuance of the Grading Permit.

Walls - Developer shall show proposed retaining walls and masonry walls on the on-site Grading and Drainage Plan. The Developer is required to submit improvement plans, construction details, and structural calculations for retaining walls and masonry walls to Building and Safety. Retaining wall and masonry wall design parameters will be included in the geotechnical report.

- C.4.11 Developer shall provide a copy of the approved Incidental Take Minimization Measures (ITMM) habitat survey [San Joaquin County Multi-Species Habitat Conservation & Open Space Plan (SJMSCP)] from San Joaquin Council of Governments (SJCOG), if applicable.
- C.4.12 Developer shall provide a copy of the approved Air Impact Assessment (AIA) with an Indirect Source Review (ISR) from San Joaquin Valley Air Pollution Control District (SJVAPCD).
- C.4.13 Developer shall abandon or remove all existing irrigation structures, channels and pipes, if any, as directed by the City after coordination with the irrigation district, if the facilities are no longer required for irrigation purposes. If irrigation facilities including tile drains, if any, are required to remain to serve existing adjacent agricultural uses, the Developer will design, coordinate and construct required modifications to the facilities to the satisfaction of the affected agency and the City. Written permission from irrigation district or affected owner(s) will be required to be submitted to the City prior to the issuance of the Grading Permit. The cost of relocating and/or removing irrigation facilities and/or tile drains is the sole responsibility of the Developer.
- C.4.14 If the Project contains overhead utilities, the Developer shall underground existing overhead utilities such as electric, TV cable, telephone, and others. Each dry utility shall be installed at the location approved by the respective

owner(s) of dry utility and the Developer shall coordinate such activities with each utility owner. All costs associated with the undergrounding shall be the sole responsibility of the Developer and no reimbursement will be due from the City. Developer shall submit undergrounding plans. Exempt from this condition are high voltage power lines along the Project's northerly property line, if any.

C.4.15 If at any point during grading that the Developer, its contractor, its engineers, and their respective officials, employees, subcontractor, and/or subconsultant exposes/encounters/uncovers any archeological, historical, or other paleontological findings, the Developer shall address the findings as required per the General Plan Cultural Resource Policy and General Plan EIR; and subsequent Cultural Resource Policy or mitigation in any applicable environmental document.

C.4.16 Per the recommendation of SWC, Developer shall set the building's finish floor at least one (1) foot above a top-of-curb elevation. Please review SWC's technical memorandum for the precise location and other mitigations.

C.5. Improvement Agreement(s)

All construction activity involving public improvements will require a fully executed improvement agreement (Off-site, Subdivision, and/or Inspection). Any construction activity involving public improvements without a fully executed improvement agreement is prohibited. All public improvements shall be performed and completed in accordance with the recommendation(s) of the Project's Registered Civil Engineer. The City will not start writing any improvement agreement or schedule any improvement agreement to be approved by City Council for the Project until the Developer provides all documents related to said improvements required by the applicable City Regulations and these Conditions of Approval, to the satisfaction of the City Engineer, including, but not limited to, the following:

C.5.1. Off-site and/or Public Infrastructure Improvement Plans prepared on a 24-inch x 36-inch size 4-millimeter thick mylar that incorporate all requirements described in the documents described in these Conditions of Approval, the City's Design Documents as defined in Title 12 of the Tracy Municipal Code. Developer shall use the latest title block and, if necessary, contain a signature block for the Fire Marshal. Improvement Plans shall be prepared

under the supervision of, and stamped and signed by a Registered Civil, Traffic, Electrical, Mechanical Engineer, and Registered Landscape Architect for the relevant work. Developer shall obtain all applicable signatures by City departments and outside agencies (where applicable) on the mylars including signatures by Fire Marshal to submitting the mylars to Engineering Division for City Engineer's signature. The improvement plans shall be prepared to specifically include, but not be limited to, the following items:

- C.5.1.a. All existing and proposed utilities such as domestic water line, irrigation service, fire service line, storm drain, and sanitary sewer, including the size and location of the pipes.
- C.5.1.b. All supporting engineering calculations, materials information or technical specifications, cost estimate, and technical reports. All improvement plans shall contain a note stating that the Developer (or Contractor) will be responsible to preserve and protect all existing survey monuments and other survey markers such as benchmarks.
- C.5.1.c. A PDF copy of the Project's Geotechnical/Soils Report, prepared or signed and stamped by a Registered Geotechnical Engineer. The technical report must include relevant information related to street pavement thickness, materials, compaction and other pertinent information.
- C.5.1.d. Storm Water - The Project's on-site storm water drainage connection to the City's storm water system shall be approved by the City Engineer. Drainage calculations for the sizing of the on-site storm drainage system. Improvement Plans to be submitted with the hydrology and storm water.

Storm drainage release point is a location at the boundary of the Project adjacent public right-of-way where storm water leaves the Property, in a storm event and that the Property's on-site storm drainage system fails to function or it is clogged. Site grading shall be designed such that the Project's storm drainage overland release point will be directly to an adjacent public right-of-way with a functional storm drainage system and the existing storm drainage line has adequate capacity to drain storm water from the Property. The storm drainage release point is recommended to be at least 0.70-feet lower than the building finish floor elevation and shall be designed and improved to the satisfaction of the City Engineer.

The Project's permanent storm drainage connection(s) shall be designed and constructed in accordance with City Regulations. The design of the permanent storm drainage connection shall be shown on the Grading and Drainage Plans with calculations for the sizing of the storm drain pipe(s), and shall comply with the applicable requirements of the City's storm water regulations adopted by the City Council in 2012 and any subsequent amendments.

Developer shall construct a storm water quality treatment basin.

Developer and its heirs (i.e. apartment complex owner) shall be responsible for repairing and maintaining the on-site storm water system and treatment basin at the Developer's (and heirs') sole cost and expense.

C.5.1.e. Sanitary Sewer - It is the Developer's responsibility to design and construct the Project's permanent on-site sanitary sewer (sewer) improvements including the Project's sewer connection in accordance with the City's Design Standards, City Regulations and Standard Specifications. Sewer improvements shall include but not limited to, replacing asphalt concrete pavement, reconstructing curb, gutter and sidewalk, restoring pavement marking and striping, and other improvements that are disturbed as a result of installing the Project's permanent sewer connection. Developer shall submit improvement plans that include the design of the sewer line from the Property to the point of connection. Developer shall also construct the recommended mitigations from the sanitary sewer technical memorandum.

C.5.1.g. Water Distribution - Developer shall design and construct domestic and irrigation water service that comply with the City Regulations. Water line sizing, layout and looping requirements for this Project shall comply with City Regulations. During the construction of the Project, the Developer is responsible for providing water infrastructure (temporary or permanent) capable of delivering

adequate fire flows and pressure appropriate to the various stages of construction and as approved by the Fire Marshal.

Interruption to the water supply to the existing businesses and other users will not be allowed to facilitate construction of improvements related to the Project. Developer shall be responsible for notifying business owner(s) and users, regarding construction work. The written notice, as approved by the City Engineer, shall be delivered to the affected residents or business owner(s) at least seventy-two (72) hours before start of work. Prior to starting the work described in this section, the Developer shall submit a Work Plan acceptable to the City that demonstrates no interruptions to the water supply, and Traffic Control Plan to be used during the installation of the off-site water mains and connections.

The Project's water service connections shall use a remote-read (radio-read) master water meter (the water meter to be located within City's right-of-way) and a Reduced Pressure Type back-flow protection device in accordance with City Regulations. The domestic and irrigation water service connection(s) must be completed before the inspection of the building. The location of the meters shall be approved by the City Engineer.

After improvement acceptance, repair and maintenance of the water service from the water meter to the point of connection with the water distribution main in the street shall be the responsibility of the City. Water service repairs after the water meter is the responsibility of the Developer or individual lot owner(s).

Prior to improvement acceptance, repair and maintenance of all on-site water lines, laterals, sub-water meters, valves, fittings, fire hydrant and appurtenances shall be the responsibility of the Developer or the individual lot owner(s).

All costs associated with the installation of the Project's water connection(s) including the cost of removing and replacing asphalt concrete pavement, pavement marking and striping such as crosswalk lines and lane line markings on existing street or parking area(s) that may be disturbed with the installation of the permanent water connection(s), or domestic water service, and other improvements shall be paid by the Developer.

Fire Service Line – Location and construction details of fire service line including fire hydrant(s) that are to serve the Project shall be approved by the Fire Marshal. Prior to the approval of the Improvement Plans by the City Engineer, the Developer shall obtain written approval from the Fire Marshal, for the design, location and construction details of the fire service connection to the Project, and for the location and spacing of fire hydrants that are to be installed or planned to serve the Project.

- C.5.1.h. Streets – Developer shall construct their frontage improvements. Frontage improvements include but are not limited to the following: curb, gutter, sidewalk, street widening, landscaping, street lighting, undergrounding of overhead utilities and other improvements. All streets and utilities improvements within City right-of-way shall be designed and constructed in accordance with City Regulations, and City's Design Standards including the City's Facilities Master Plan for storm drainage, roadways, wastewater, and water as adopted, amended, and updated by the City, or as otherwise specifically approved by the City.

All proposed public street widths and cross sections shall conform to the 2012 Transportation Master Plan (TMP).

Corral Hollow Road

Developer will construct the new commercial driveways per Standard Detail 133. Developer shall dedicate a ten (10) feet wide Public Utility Easement on all public streets if the easement is not present.

Developer shall construct driveways that conform to Section 3.09(F) of the 2008 Design Standards. Driveways shall have one and half (1.5) feet of full-height (i.e. six (6) inches) of vertical curb from the driveway's edge. Driveways shall be fire truck accessible to the satisfaction of the City Engineer.

Developer shall use existing utility stubs. If the stubs are not present or unusable or additional utility connections are required, the pavement restoration shall conform to C.8.1 of these Conditions.

On the west side of Corral Hollow Road, Developer shall landscape and irrigate the existing area as per current adopted City landscape standards. Landscape and irrigation plans shall be prepared on a 24-inch x 36-inch size 4-millimeter thick mylar that incorporate all requirements described in the documents described in these Conditions of Approval, the City's Design Documents as defined in Title 12 of the Tracy Municipal Code. Developer shall use the latest title block. Said landscape and irrigation plan shall be prepared by a California licensed landscape architect. Developer can either protect-in-place the existing sidewalk and repair any cracked, settled, and/or damaged sidewalk or remove and replace the sidewalk so long as the replacement sidewalk is similar to the current sidewalk, i.e. similar width, meanders, etc. Developer shall also install street trees in the landscaped area between the existing meandering sidewalk and the curb and gutter. On the opposite side of the sidewalk, Developer shall install additional street trees, shrubs, ground cover, and other landscaping as required. The landscaping and irrigation shall conform to MWELo standards. If recommended, Developer shall use structural soil if the street trees' well is narrower than five (5) feet wide. Developer shall also remove existing sign monument and its appurtenances, and any other existing items such as bollards, mailboxes, etc.

- C.5.2. Joint Trench Plans and Composite Utility Plans, prepared on a twenty-four (24) inch x thirty-six (36) inch size four (4) millimeter thick mylar for the installation of dry utilities such as electric, gas, TV cable, telephone, and

others that will be located within the twenty-four (24) feet wide to forty-six (46) feet wide [the width varies) PUE to be installed to serve the Project. All private utility services to serve Project must be installed underground or relocated to be underground, and to be installed at the location approved by the respective owner(s) of the utilities from the street or an existing or proposed utility easement to the building(s). If necessary, the Developer shall dedicate twenty-two (22) feet wide PUE for access to these new utilities for re-installation, replacement, repair, and maintenance work to be performed by the respective utility owner(s) in the future.

- C.5.3. Signed and stamped Engineer's Estimate that summarizes the cost of constructing all the public improvements shown on the Improvement Plans. The cost estimate shall show the cost of designing the public improvements.

Payment of applicable fees required by these Conditions of Approval and City Regulations, including but not limited to, plan checking, grading and encroachment permits and agreement processing, construction inspection, and testing fees. The engineering review fees will be calculated based on the fee rate adopted by the City Council on September 2, 2014, per Resolution 2014-141 and on May 16, 2017, per Resolution 2017-098. Developer shall submit payment in the form of a check for the aforementioned fees.

- C.5.5. Traffic Control Plan - Prior to starting the work for any work within City's right-of-way, the Developer shall submit a Traffic Control Plan (TCP). TCP can be split among the different construction phases. TCP will show the method and type of construction signs to be used for regulating traffic at the work areas within these streets. TCP shall conform to the Manual on Uniform Traffic Control Devices as amended by the State of California, latest edition (MUTCD-CA). TCP shall be prepared under the supervision of, signed and stamped by a Registered Civil Engineer or Registered Traffic Engineer.

Access and Traffic Circulation to Existing Businesses/Residents - Developer shall take all steps necessary to plan and construct site improvements such that construction operations do not impact safety and access (including emergency vehicles) to the existing businesses and residents throughout the duration of construction. Developer shall coordinate with the owners and cooperate to minimize impacts on existing businesses. All costs of measures needed to provide safe and functional access shall be borne by the Developer.

- C.5.6. No street trench shall be left open, uncovered, and/or unprotected during night hours and when the Developer's contractor is not performing construction activities. Appropriate signs and barricades shall be installed on the street and on all trenches during such times. If the Developer or its contractor elects to use steel plates to cover street trenches, said steel plates will be skid-resistance, and shall be ramped on all sides. Ramps will be a minimum two-foot wide and will run the entire length of each side.
- C.5.7. If at any point during utility installation or construction in general that the Developer, its contractor, its engineers, and their respective officials, employees, subcontractor, and/or subconsultant exposes/encounters/uncovers any archeological, historical, or other paleontological findings, the Developer shall address the findings as required per the General Plan Cultural Resource Policy and General Plan EIR; and subsequent Cultural Resource Policy or mitigation in any applicable environmental document.
- C.5.8. On-site Private Improvements - Prior to the Developer commencing construction of on-site, in-tract public and private improvements, Developer shall possess a fully executed Grading Permit. Developer shall also complete all of the following requirements to the satisfaction of the City Engineer:

Developer has received City signed improvement plans.

Developer has paid all required processing fees including plan check and inspection fees.

~~Improvement Security—Developer shall provide improvement security for all public facilities, as required by the Improvement Agreement. The form of the improvement security may be a bond, or other form in accordance with the Government Code, and the TMC. The amount of the improvement security shall be in accordance with Title 12 of the TMC. Monumentation Bonds shall be seven hundred fifty (\$750.00) dollars multiplied by the total number of street centerline monuments plus one hundred twenty-five (\$125) dollars multiplied by the total number of legal lots that are shown on the Final Map.~~

~~Insurance – Developer shall provide written evidence of insurance coverage that meets the terms of the Improvement Agreement.~~

- C.5.9 Off-site Public Improvements - Prior to the Developer commencing construction of off-site public improvements, Developer shall possess a fully executed Off-site Improvement Agreement (OIA. Developer shall also complete all of the following requirements to the satisfaction of the City Engineer:

Developer has received City signed improvement plans.

Developer has paid all required processing fees including plan check and inspection fees.

Improvement Security - Developer shall provide improvement security for all public facilities, as required by the Improvement Agreement. The form of the improvement security may be a bond, or other form in accordance with the Government Code, and the TMC. The amount of the improvement security shall be in accordance with Title 12 of the TMC.

Insurance – Developer shall provide written evidence of insurance coverage that meets the terms of the Improvement Agreement.

C.6. Building Permit

No building permit within the Project boundaries will be approved by the City until the Developer demonstrates, to the satisfaction of the City Engineer, compliance with all required Conditions of Approval, including, but not limited to, the following:

- C.6.1 Developer has completed all requirements set forth in Condition C.1, through C.5, above.

- C.6.2 Developer pays the applicable development impact fees as required in the TMC, these Conditions of Approval, and City Regulations.

C.7 Acceptance of Public Improvements

Public improvements will not be considered for City Council's acceptance until after the Developer demonstrates to the reasonable satisfaction of the City Engineer, completion of the following:

- C.7.1 Developer has satisfied all the requirements set forth in these Conditions of Approval.
- C.7.2 Developer submitted the Storm Water Treatment Facilities Maintenance Agreement (STFMA) to the Utilities Department.
- C.7.3 Developer has satisfactory completed construction of all required/conditioned improvements. Unless specifically provided in these Conditions of Approval, or some other applicable City Regulations, the Developer shall use diligent and good faith efforts in taking all actions necessary to construct all public facilities required to serve the Project, and the Developer shall bear all costs related to construction of the public facilities (including all costs of design, construction, construction management, plan check, inspection, land acquisition, program implementation, and contingency).
- C.7.4 Certified "As-Built" Improvement Plans (or Record Drawings). Upon completion of the construction by the Developer, the City, at its sole discretion, temporarily release the original mylars of the Improvement Plans to the Developer so that the Developer will be able to document revisions to show the "As-Built" configuration of all improvements. Developer shall also provide the Project's CADD files to the City.

- C.7.5 Developer shall be responsible for any repairs or reconstruction of street pavement, curb, gutter and sidewalk and other public improvements along the frontage of the Project, if determined by the City Engineer to be in poor condition or damaged by construction activities related to the Project.
- C.7.6 Developer has completed the ninety (90) day public landscaping maintenance period.
- C.7.7 Per Section 21107.5 of the California Vehicle Code, Developer shall install signs at all entrance(s) of the Project stating that the streets are privately owned and maintained and are not subject to the public traffic regulations or control. Said signs must be conspicuously placed, plainly visible, and legible during daylight hours from a distance of one hundred (100) feet.
- C.7.8 Release of Security – Release of improvement security shall be in accordance with the requirements of Title 12 of the TMC. Monumentation Bond will be released to the Developer after City Council's acceptance of the public improvements and if the Developer meets the terms set in Section 66497(c) of the Subdivision Map Act. All survey monuments shown on the Final Map must be installed. Any altered, damaged, or destroyed survey monuments and/or benchmarks shall be re-established. Developer shall submit centerline tie sheets or a record of survey for the following: new public streets; re-established survey monuments, and/or benchmarks. If the Developer destroyed, altered, and/or reconstructed any existing curb returns, Developer shall also submit corner records. Any survey document will be submitted the City and to the San Joaquin County Surveyor to comply with California Business and Professions Code Section 8771(c). Said work shall be executed by a California licensed Land Surveyor at the Developer's sole expense.

C.8 Special Conditions

- C.8.1 When street cuts are made for the installation of utilities, the Developer shall conform to Section 3.14 of the 2008 Design Standards and is required install a two (2) inch thick asphalt concrete (AC) overlay with reinforcing fabric at least twenty-five (25) feet from all sides of each utility trench. A two (2) inch

deep grind on the existing AC pavement will be required where the AC overlay will be applied and shall be uniform thickness in order to maintain current pavement grades, cross and longitudinal slopes. This pavement repair requirement is when cuts/trenches are perpendicular and parallel to the street's direction.

- C.8.2 Nothing contained herein shall be construed to permit any violation of relevant ordinances and regulations of the City of Tracy, or other public agency having jurisdiction. This Condition of Approval does not preclude the City from requiring pertinent revisions and additional requirements to the improvement plans, prior to the City Engineer's signature on the improvement plans, and prior to issuance of Grading Permit, Encroachment Permit, Building Permit, if the City Engineer finds it necessary due to public health and safety reasons, and it is in the best interest of the City. The Developer shall bear all the cost for the inclusion, design, and implementations of such additions and requirements, without reimbursement or any payment from the City.
- C.8.3 If water is required for the project, the Developer shall obtain an account for the water service and register the water meter with the Finance Department. Developer shall pay all fees associated with obtaining the account number for the water service.
- C.8.4 Developer shall obtain an account for the water service to the Project and register the water meter with the Finance Department. Developer shall prepare and submit a map depicting the location of the water meter on a 8.5-inch X 11-inch sheet to Finance Department.
- C.8.5 Project Entrance: As stipulated by Section 5.17 of the 2008 Design Standards, a PCC valley gutter is prohibited in the City's right-of-way.

AGENDA ITEM 3.E

REQUEST

WITH RESPECT TO THE PROPOSED FINANCING OF LEGACY FIELDS SPORTS COMPLEX, PHASE 1E:

- 1) CITY COUNCIL HOLD A PUBLIC HEARING RELATING TO THE ISSUANCE OF LEASE REVENUE BONDS BY THE TRACY PUBLIC FINANCING AUTHORITY**
- 2) CITY COUNCIL ADOPT A RESOLUTION APPROVING THE ISSUANCE OF LEASE REVENUE BONDS BY THE TRACY PUBLIC FINANCING AUTHORITY AND RELATED DOCUMENTS AND ACTIONS**
- 3) TRACY PUBLIC FINANCING AUTHORITY BOARD OF DIRECTORS ADOPT A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LEASE REVENUE BONDS, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

EXECUTIVE SUMMARY

On March 22, 2022, the City Council awarded a construction contract for the Legacy Fields Sports Complex, Phase 1E Project CIP 78185 (the "Phase 1E Project").

Staff recommends that the City Council and the Board of Directors of the Tracy Public Financing Authority (the "Authority") take the steps required for the Authority to issue lease revenue bonds to finance the Phase 1E Project. The debt service on the lease revenue bonds will be paid from lease payments made by the City, and the lease payments are expected to be paid from Measure V funds.

DISCUSSION

MEASURE V FUNDING; PHASE 1E PROJECT

City voters approved a general sales tax measure (Measure V) on November 8, 2016, resulting in an additional 0.5% sales tax for 20 years.

On March 23, 2021, the City Council gave direction to staff to fully fund the Phase 1E Project through public financing and Measure V. On November 2, 2021, City Council approved increasing the budget of the Phase 1E Project to \$21 million based on inflationary cost increases, and staff received direction to proceed with public financing for a 15-year term.

On March 22, 2022, the City Council awarded a construction contract for the Phase 1E Project.

With completion of the Phase 1E Project, Legacy Fields will consist of 72 acres of baseball, softball and soccer fields. The first phase of Legacy Fields broke ground in April of 2012 and since that time three additional phases have been completed as funding has been available. The Phase 1E Project will complete Phase 1 of Legacy Fields and will help attract the regional, state and national events that Council envisions for the complex.

LEASE FINANCINGS

California cities commonly use lease financing to pay for capital improvements through their general fund without first holding a city-wide election. Lease financings are commonly structured as lease revenue bonds issued by a joint powers authority (a separate public agency formed to provide assistance with financings). Under a lease revenue bond financing, the city is obligated to make lease payments to the joint powers authority for the right to use and occupy a public building, and the joint powers authority assigns its right to receive the lease payments to a bond trustee; the bond trustee uses the lease payments to pay debt service on lease revenue bonds that are sold to investors. In lease financing structures, cities covenant to annually budget and appropriate from the general fund for the lease payments.

TRACY PUBLIC FINANCING AUTHORITY

The City and the Tracy Industrial Development Authority (the “Industrial Development Authority”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “Joint Powers Agreement”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) (the “Joint Powers Law”) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under Article 4 of the Joint Powers Law (the “Bond Law”).

PROPOSED LEASE REVENUE BONDS

Staff recommends the following actions:

Public Hearing. Staff recommends that the City Council hold a public hearing on the proposed issuance of lease revenue bonds by the Authority, as required by the Bond Law.

City and Authority Approvals. Staff recommends that the City Council and the Board of Directors of the Authority adopt resolutions:

- (i) approving the issuance by the Authority of its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields Phase 1E) (the “Lease Revenue Bonds”),
- (ii) approving the sale of the Lease Revenue Bonds to Piper Sandler & Co. (the “Underwriter”),
- (iii) approving the documents related to the Lease Revenue Bonds, including a Preliminary Official Statement, and
- (iv) authorizing staff to take all necessary actions related to issuance of the Lease Revenue Bonds.

TERMS OF THE LEASE REVENUE BONDS

Pursuant to the resolutions, the true interest cost of the Lease Revenue Bonds cannot exceed 5.00% and the principal amount of the Lease Revenue Bonds cannot exceed \$22,000,000.

Government Code Section 5852.1 requires the City to obtain and disclose a good faith estimate of certain information about the Lease Revenue Bonds, including the true interest cost, the financing costs, the use of proceeds and the total payment amount, and this information is included in Appendix A of the proposed resolutions. Based upon current market conditions, the Lease Revenue Bonds are estimated to be issued in the amount of \$18,330,000, which does not include approximately \$2,000,000 of net premium estimated to be generated, for total gross bond proceeds of \$20,330,000. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for such bonds is higher than the face value of such bonds. At current market conditions, the Lease Revenue Bonds are expected to carry a true interest cost of approximately 2.66%. The final interest rate on the Lease Revenue Bonds will not be determined until the bonds price in mid-April 2022.

DOCUMENTS RELATED TO THE LEASE REVENUE BONDS

The proposed Lease Revenue Bonds require the following documents:

- **Site Lease:** Under a Site Lease, the City will lease the land and improvements constituting Phase 1 of Legacy Fields (the “Leased Property”) to the Authority to facilitate the lease financing.
- **Lease Agreement:** Under a Lease Agreement, the Authority will sublease the Leased Property to the City. The City will covenant in the Lease Agreement to budget and appropriate for the scheduled lease payments – in an amount sufficient to pay debt service on the Lease Revenue Bonds – on an annual basis. If the City fails to make the scheduled lease payments, the trustee for the Lease Revenue Bonds (the “Trustee”) could sue the City to make the scheduled lease payments or the Trustee could take possession of and re-let the Leased Property. During construction of the Phase 1E Project, Phase 1 of Legacy Fields will continue to be substantially available for use. The City will confirm in the Lease Agreement that the lease payments made by the City under the Lease Agreement represent fair rental value for the Leased Property.
- **Indenture of Trust; Assignment Agreement:** Under an Assignment Agreement and an Indenture of Trust, each between the Authority and U.S. Bank Trust Company, National Association, as Trustee, the Authority will assign to the Trustee its right to receive the lease payments that are payable by the City under the lease agreement. Under the Indenture of Trust, the Authority will issue the Lease Revenue Bonds; the Trustee will use the lease payments assigned to it to pay debt service on the Lease Revenue Bonds.
- **Preliminary Official Statement.** The Official Statement is the primary disclosure document for investors in the Lease Revenue Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the Lease

Revenue Bonds. After the Lease Revenue Bonds have been priced, a final Official Statement will be circulated to investors; the final Official Statement should be identical to the Preliminary Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms).

The Preliminary Official Statement is prepared by Jones Hall, serving the City as Bond Counsel and Disclosure Counsel for this transaction, with the assistance of the remainder of the financing team, including City staff; CSG Advisors Incorporated, the City's municipal advisor ("Municipal Advisor"); and the Underwriter.

The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Lease Revenue Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Lease Revenue Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Lease Revenue Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The key sections of the Preliminary Official Statement are summarized below:

- "THE 2022 BONDS": This section summarizes the key terms of the Lease Revenue Bonds, including payment dates and redemption provisions.
- "SECURITY FOR THE 2022 BONDS": This section summarizes key security terms, including the lease payments made by the City under the Lease Agreement described above.

- “CITY FINANCIAL INFORMATION”: This section summarizes financial and operating data that is material to the City’s ability to pay the lease payments.
 - “BOND OWNERS’ RISKS”: This section highlights the primary risks associated with the Lease Revenue Bonds, most of which relate to the financial health of the City’s general fund.
 - “TAX MATTERS”: This section describes the tax-exempt nature of interest on the Lease Revenue Bonds.
- Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the underwriter of the Lease Revenue Bonds may only purchase the Lease Revenue Bonds if it has determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events. The City will execute a Continuing Disclosure Certificate to provide ongoing information consistent with SEC Rule 15c2-12, and a form of the Continuing Disclosure Certificate is attached to the Preliminary Official Statement.
 - Bond Purchase Agreement. At the time the Lease Revenue Bonds are sold, the City and the Authority will enter into a Bond Purchase Agreement with the Underwriter, who will agree to underwrite the Lease Revenue Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement. The resolution provides the Underwriter’s discount on the purchase of the Lease Revenue Bonds may not exceed 1.00% of the par amount of the Lease Revenue Bonds.

STRATEGIC PLAN

This agenda item supports the City of Tracy’s Quality of Life Strategic Priority, and specifically implements the following goals:

Goal 2: Facilitate the Completion of Measure V Amenities; Objective 3: Implement design of Measure V amenity and Objective 4: Break ground on Measure V amenity.

FISCAL IMPACT

The lease payments to be made by the City under the Lease Agreement are expected to be paid with Measure V revenues (F307).

The fees and expenses of the financing team, including Bond Counsel, Disclosure Counsel, Underwriter and Municipal Advisor are paid from proceeds of the Lease Revenue Bonds.

RECOMMENDATION

That the City Council hold a public hearing, and that the City Council and the Authority’s Board of Directors approve the resolutions described above.

Agenda Item 3.E

April 5, 2022

Page 6

Prepared by: Karin Schnaider, Finance Director
Christopher Lynch, Jones Hall
Scott Smith, CSG Advisors Incorporated

Reviewed by: Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

- A. City of Tracy Resolution
- B. Authority Board of Directors Resolution
- C. Preliminary Official Statement (including Continuing Disclosure Certificates)
- D. Indenture of Trust
- E. Lease Agreement
- F. Site Lease
- G. Assignment Agreement
- H. Bond Purchase Agreement

RESOLUTION NO. 2022-___

A RESOLUTION APPROVING DOCUMENTS AND ACTIONS
RELATING TO THE ISSUANCE AND SALE OF BONDS IN THE
AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$22,000,000
BY THE TRACY PUBLIC FINANCING AUTHORITY TO PROVIDE
FINANCING FOR PUBLIC IMPROVEMENTS TO BE OWNED AND
OPERATED BY THE CITY, APPROVING RELATED DOCUMENTS AND
DIRECTING RELATED ACTIONS

RESOLVED, by the City Council (the “Council”) of the City of Tracy (the “City”), State of California that:

WHEREAS, the City wishes to finance the acquisition and construction of Phase 1E of the Legacy Fields Sports Complex (the “Project”); and

WHEREAS, pursuant to Resolution No. 2019-012 adopted on February 5, 2019, the Council previously declared its intention to reimburse itself for expenditures related to the Project with proceeds of tax-exempt obligations to be issued in a maximum principal amount of \$10,000,000, and the City wishes to amend such Resolution to increase the maximum principal amount to \$22,000,000; and

WHEREAS, the City and the Tracy Industrial Development Authority (the “Industrial Development Authority”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “Joint Powers Agreement”), pursuant to which the Tracy Public Financing Authority (the “Authority”) was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) (the “Joint Powers Law”) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under Article 4 of the Joint Powers Law (the “Bond Law”); and

WHEREAS, the City has proposed to lease to the Authority the land and improvements constituting Phase 1 of the Legacy Fields Sports Complex (the “Leased Property”) under a Site Lease (the “Site Lease”), in consideration of the payment by the Authority of an upfront rental payment (the “Site Lease Payment”) that is sufficient to provide funds to finance the Project; and

WHEREAS, in order to raise funds to pay the Site Lease Payment, the Authority proposes to issue and sell its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) (the “Bonds”) under the Bond Law; and

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

WHEREAS, there has been submitted to the Council a form of preliminary Official Statement in connection with the marketing of the Bonds and the Council, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the Bonds that are in the personal knowledge of the members of the Council and the City staff; and

WHEREAS, the Authority and the City propose to sell the Bonds to Piper Sandler & Co. (the "Underwriter") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") among the City, the Authority and the Underwriter, the form of which is on file with the City Clerk; and

WHEREAS, in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing disclosure obligations with respect to the Bonds pursuant to a continuing disclosure certificate to be executed by the City (the "Continuing Disclosure Certificate"), the form of which is on file with the City Clerk; and

WHEREAS, in order to comply with Government Code Section 5852.1, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, as a condition precedent to the issuance of the Bonds, Section 6586.5 of the California Government Code requires that the City approve the Authority's issuance of the Bonds and make certain findings, and Section 6586.5 further requires that the City give the approval and make the findings only after holding a noticed public hearing; and

WHEREAS, as required by Section 6586.5, the City has caused publication of a notice of a public hearing once at least five days prior to the hearing in a newspaper of general circulation in the City; and

WHEREAS, on the date hereof, the Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of the proposed issuance of Bonds by the Authority to provide financing for the Project; and

WHEREAS, the Council wishes at this time to approve all proceedings to which it is a party relating to the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. **Recitals.** The foregoing recitals are true and correct.
2. **Findings.**

(a) Pursuant to the Bond Law, and based on the information provided to the Council by City staff and consultants, all as set forth in the proceedings and documents providing for the issuance and delivery of the Bonds, the Council hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits within the contemplation of Section 6586 of the Bond Law, namely, demonstrable savings in bond preparation, bond underwriting and bond issuance costs.

(b) The City Council hereby finds that the fair rental value of the Leased Property is equal to or greater than the Lease Payments to be paid by the City under the Lease Agreement. The Council further hereby finds that the Leased Property will be substantially available for use and occupancy by the City during construction of the Project.

3. **Issuance of Bonds.** The Council hereby approves the issuance of the Bonds by the Authority under the Bond Law in the maximum principal amount set forth in Section 5, for the purpose of providing funds to finance the Project.

4. **Approval of Related Financing Agreements.** The Council hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the Mayor, Vice-Mayor, City Manager, Assistant City Manager, City Attorney, Finance Director, or an authorized representative thereof (each, an "Authorized Officer"); execution of the agreements by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer, acting alone, is hereby authorized and directed for and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, if applicable, the final form of each such agreement, as follows:

- Site Lease, between the City as lessor and the Authority as lessee, under which the City leases the Leased Property to the Authority in consideration of the payment of an amount which will be applied by the Authority to finance the Project.
- Lease Agreement, between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments which are sufficient to provide revenues with which to pay principal of and interest on the Bonds when due.
- Bond Purchase Agreement, among the City, the Authority and the Underwriter, which establishes the terms under which the Underwriter will purchase the Bonds from the Authority.
- Continuing Disclosure Certificate, to be executed by the City for the purpose of providing continuing disclosure to owners of the Bonds.

The Council hereby authorizes the delivery and performance of each of the foregoing agreements.

5. **Negotiated Sale of Bonds.** The Council hereby approves the sale of the Bonds by the Authority to the Underwriter pursuant to the terms and provisions of the Bond Purchase Agreement, provided that the aggregate principal amount of the Bonds may not exceed \$22,000,000, the true interest cost may not exceed 5.00% and the underwriter's discount (exclusive of any original issue discount) may not exceed 1.00%.

6. **Official Statement.** The Council hereby approves the preliminary Official Statement describing the Bonds in substantially the form on file with the City Clerk. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to the preliminary Official Statement and to execute an appropriate certificate

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

7. **Amendment of Resolution No. 2019-012.** The City Council hereby amends Resolution No. 2019-012 to increase the maximum amount of the Obligations described in such Resolution to \$22,000,000.

8. **Official Actions.** The Authorized Officers, the City Clerk and all other officers of the City are each authorized and directed on behalf of the City to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including any agreements required to purchase a debt service reserve fund insurance policy or a municipal bond insurance policy. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

9. **Approval of Professional Services.** The Council hereby appoints the firm of Jones Hall, A Professional Law Corporation, as bond counsel and disclosure counsel to the City in connection with the issuance of the Bonds, and the City Attorney is authorized to execute an agreement with said firm in substantially the form of the agreement on file with the City Clerk.

The Council hereby appoints the firms of CSG Advisors Incorporated, as municipal advisor to the City in connection with the issuance of the Bonds, and the Finance Director is authorized to execute an agreement with said firm in substantially the form of the agreement on file with the City Clerk.

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

* * * * *

The foregoing Resolution _____ was adopted by the Tracy City Council on the 5th day of April, 2022, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

APPENDIX A

Government Code Section 5852.1 Disclosure

The following information consists of estimates that have been provided in good faith by the Municipal Advisor:

(A) True Interest Cost of the Bonds: 2.66%

(B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties, but excluding potential bond insurance or debt service reserve fund insurance premiums): \$331,000

(C) Net Proceeds to be Received (net of finance charges, reserves and capitalized interest, if any): \$20,000,000

(D) Total Payment Amount Through Maturity: \$24,804,000

The foregoing estimates constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

TRACY PUBLIC FINANCING AUTHORITY
RESOLUTION NO. 2022-____

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LEASE
REVENUE BONDS TO PROVIDE FINANCING FOR PUBLIC
IMPROVEMENTS TO BE OWNED AND OPERATED BY THE CITY OF
TRACY, APPROVING RELATED DOCUMENTS AND DIRECTING
RELATED ACTIONS

WHEREAS, the City of Tracy (the “City”) wishes to finance the acquisition and construction of Phase 1E of the Legacy Fields Sports Complex (the “Project”); and

WHEREAS, pursuant to Resolution No. 2019-012 adopted on February 5, 2019, the City Council previously declared its intention to reimburse itself for expenditures related to the Project with proceeds of tax-exempt obligations to be issued in a maximum principal amount of \$10,000,000; and

WHEREAS, the City and the Tracy Industrial Development Authority (the “Industrial Development Authority”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “Joint Powers Agreement”), pursuant to which the Tracy Public Financing Authority (the “Authority”) was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) (the “Joint Powers Law”) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under Article 4 of the Joint Powers Law (the “Bond Law”); and

WHEREAS, the City has proposed to lease to the Authority the land and improvements constituting Phase 1 of the Legacy Fields Sports Complex (the “Leased Property”) under a Site Lease (the “Site Lease”), in consideration of the payment by the Authority of an upfront rental payment (the “Site Lease Payment”) that is sufficient to provide funds to finance the Project; and

WHEREAS, in order to raise funds to pay the Site Lease Payment, the Authority proposes to issue and sell its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) (the “Bonds”) under the Bond Law; and

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

WHEREAS, there has been submitted to the City Council a form of preliminary Official Statement in connection with the marketing of the Bonds and the City Council, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper

disclosure of all material facts relating to the Bonds that are in the personal knowledge of the members of the City Council and the City staff; and

WHEREAS, the Authority and the City propose to sell the Bonds to Piper Sandler & Co. (the "Underwriter") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") among the City, the Authority and the Underwriter, the form of which is on file with the City Clerk; and

WHEREAS, in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing disclosure obligations with respect to the Bonds pursuant to a continuing disclosure certificate to be executed by the City (the "Continuing Disclosure Certificate"), the form of which is on file with the City Clerk; and

WHEREAS, in order to comply with Government Code Section 5852.1, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, as a condition precedent to the issuance of the Bonds, Section 6586.5 of the California Government Code requires that the City approve the Authority's issuance of the Bonds and make certain findings, and Section 6586.5 further requires that the City give the approval and make the findings only after holding a noticed public hearing; and

WHEREAS, as required by Section 6586.5, the City has caused publication of a notice of a public hearing once at least five days prior to the hearing in a newspaper of general circulation in the City; and

WHEREAS, on the date hereof, the City Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of the proposed issuance of Bonds by the Authority to provide financing for the Project; and

WHEREAS, the Authority wishes at this time to approve all proceedings to which it is a party relating to the issuance and sale of the Bonds and assist the City in the financing the Project;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. **Recitals.** The foregoing recitals are true and correct and the Authority hereby so finds and determines.

2. **Issuance of Bonds.** The Authority hereby authorizes the issuance of the Bonds under the Bond Law in the maximum principal amount of \$22,000,000, for the purpose of providing funds to finance the Project. The Bonds shall be issued under the Bond Law and the Indenture of Trust that is approved below.

3. **Approval of Related Financing Agreements.** The Authority hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Chair, Vice-Chair, Executive Director, Treasurer, Auditor or General Counsel of the Authority, or an authorized representative thereof (each, an "Authorized Officer"); execution of the

agreements by an Authorized Officer, acting alone, shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest, the final form of each such agreement, as follows:

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

The Chair of the Authority (or a designee thereof) is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary of the Authority is hereby authorized and directed to attest and affix the seal of the Authority to, the final form of each of the foregoing agreements, if applicable. The Governing Body hereby authorizes the delivery and performance of each of the foregoing agreements.

4. **Negotiated Sale of Bonds.** The Council hereby approves the sale of the Bonds by the Authority to the Underwriter pursuant to the terms and provisions of the Bond Purchase Agreement, provided that the aggregate principal amount of the Bonds may not exceed \$22,000,000, the true interest cost may not exceed 5.00% and the underwriter's discount (exclusive of any original issue discount) may not exceed 1.00%.

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

Authority hereby authorizes the distribution of the final Official Statement by the underwriter. The final Official Statement shall be executed on behalf of the Authority by an Authorized Officer.

6. Official Actions. The Chair of the Authority (the "Chair") and the Vice Chair of the Authority (the "Vice Chair") or their designees are each authorized and directed on behalf of the Authority to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including any agreements required to purchase a debt service insurance policy or a municipal bond insurance policy. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

7. Approval of Professional Services. The Board of Directors hereby appoints the firm of Jones Hall, A Professional Law Corporation, as bond counsel and disclosure counsel to the Authority in connection with the issuance of the Bonds, and the General Counsel is authorized to execute an agreement with said firm in substantially the form of the agreement on file with the Secretary.

The Board of Directors hereby appoints the firms of CSG Advisors Incorporated, as municipal advisor to the Authority in connection with the issuance of the Bonds, and the Treasurer is authorized to execute an agreement with said firm in substantially the form of the agreement on file with the Secretary.

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

The foregoing Resolution _____ was adopted by the Board of Directors of the Tracy Public Financing Authority on the ___th day of _____, 2022, by the following vote:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:
ABSTAIN:	BOARD MEMBERS:

CHAIR

ATTEST:

SECRETARY

APPENDIX A

Government Code Section 5852.1 Disclosure

Government Code Section 5852.1 Disclosure

The following information consists of estimates that have been provided in good faith by the Municipal Advisor:

(A) True Interest Cost of the Bonds: 2.66%

(B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties, but excluding potential bond insurance or debt service reserve fund insurance premiums): \$331,000

(C) Net Proceeds to be Received (net of finance charges, reserves and capitalized interest, if any): \$20,000,000

(D) Total Payment Amount Through Maturity: \$24,804,000

The foregoing estimates constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022**NEW ISSUE - FULL BOOK-ENTRY****RATING: Standard & Poor's: "____"****See "RATING" 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 2022 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields)**

Dated: Date of Delivery**Due: November 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "2022 Bonds") are being issued by the Tracy Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on _____, 2022, and an Indenture of Trust dated as of May 1, 2022 (the "Indenture") by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). See "THE 2022 BONDS – Authority for Issuance."

Purpose. The 2022 Bonds are being issued primarily to finance the acquisition and construction of public capital improvements of the City of Tracy (the "City"), consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City. In addition, the proceeds of the 2022 Bonds will be used to (i) if elected by the Authority, pay the premium for a municipal bond insurance policy and (ii) pay the costs of issuing the 2022 Bonds. See "FINANCING PLAN."

Security. Under the Indenture, the 2022 Bonds are payable from and secured by a first pledge of and lien on "Revenues" consisting primarily of lease payments (the "Lease Payments") made by the City for the lease of property under a Lease Agreement dated as of May 1, 2022, between the Authority, as lessor, and the City, as lessee, concerning the leaseback of certain real property and improvements, as further described in this Official Statement. The 2022 Bonds are also secured by certain funds on deposit under the Indenture. [Neither the Authority nor the City is establishing a reserve fund for the 2022 Bonds.] The Authority is considering the use of a municipal bond insurance policy that guarantees the scheduled payment of principal of and interest on all or a portion of the 2022 Bonds when due. The Authority will decide whether or not to utilize a municipal bond insurance policy depending on market conditions at the time of sale of the 2022 Bonds. See "SECURITY FOR THE 2022 BONDS."

Book-Entry Only. The 2022 Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The 2022 Bonds are issuable as fully registered securities in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of the 2022 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the 2022 Bonds. See "THE 2022 BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the 2022 Bonds accrues from the date of delivery and is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2022. Payments of principal and interest on the 2022 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the 2022 Bonds. See "THE 2022 BONDS - General Provisions."

Redemption. The 2022 Bonds are subject to optional redemption, mandatory sinking fund payment redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2022 BONDS – Redemption."

NEITHER THE 2022 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2022 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2022 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**MATURITY SCHEDULE
(see inside cover)**

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the 2022 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2022 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California, is serving as counsel to the Underwriter. It is anticipated that the 2022 Bonds will be delivered in book-entry form through the facilities of DTC on or about May _____, 2022.

[Piper Sandler Logo]

The date of this Official Statement is: _____, 2022

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

**TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields)**

MATURITY SCHEDULE*
(Base CUSIP:† _____)

\$ _____ Serial Bonds

<u>Maturity Date</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> †
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\$ _____ % Term Bond Due November 1, _____, Yield _____%, Price: _____%, CUSIP: _____

* Preliminary; subject to change.

† CUSIP Copyright 2022, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the Authority, the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

**TRACY PUBLIC FINANCING AUTHORITY
CITY OF TRACY**

**BOARD OF DIRECTORS OF THE AUTHORITY
AND MEMBERS OF THE CITY COUNCIL**

Nancy Young, *Chair and Mayor*
Veronica Vargas, *Vice Chair and Mayor Pro Tem*
Dan Arriola, *Member and Council Member*
Eleassia Davis, *Member and Council Member*
Mateo Bedolla, *Member and Council Member*

CITY STAFF

Michael Rogers, City Manager
Ray McCray, City Treasurer
Karin Schnaider, Finance Director
Adrienne Richardson, City Clerk
Nancy Ashjian, City Attorney

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2022 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Authority or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2022 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of Official Statement. The information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project", "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, Authority or any other entity described or referenced herein since the date hereof.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the 2022 Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2022 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The 2022 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2022 Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2022 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

Website. The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2022 Bonds.

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

OFFICIAL STATEMENT

\$ _____ *

**TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields)**

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “**2022 Bonds**”) by the Tracy Public Financing Authority (the “**Authority**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2022 Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The Authority is issuing the 2022 Bonds under the following:

- (a) Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code, as amended, commencing with Section 6584 (the “**Law**”),
- (b) resolutions adopted by the Board of Directors (the “**Board**”) of the Authority on _____, 2022 (the “**Authority Resolution**”), and by the City Council (the “**City Council**”) of the City of Tracy (the “**City**”) on _____, 2022 (the “**City Resolution**”), and
- (c) an Indenture of Trust (the “**Indenture**”) dated as of May 1, 2022, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

The Authority. The Authority is a joint powers authority between the City and the Tracy Industrial Development Authority established under a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018, entered into under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, for the purpose, among others, of issuing its bonds to be used to finance and refinance the acquisition, construction and improvement of certain public capital improvements in the City.

* Preliminary; subject to change.

The City. The City is located on the western edge of the Central Valley in San Joaquin County (the “County”), approximately 60 miles east of San Francisco and approximately 70 miles south of Sacramento. See “CITY FINANCIAL INFORMATION – General.”

Purpose of the 2022 Bonds. The 2022 Bonds are being issued primarily to finance the acquisition and construction of public capital improvements of the City, consisting of Phase 1E of the Legacy Fields Sports Complex, and such other improvements that may be identified from time to time by the City. In addition, proceeds of the 2022 Bonds will be used to pay the costs of issuing the 2022 Bonds. See “FINANCING PLAN.”

Security for the 2022 Bonds and Pledge of Revenues. Under the Indenture, the 2022 Bonds are payable from and secured by a first pledge of and lien on “Revenues,” consisting primarily of lease payments (the “Lease Payments”) made by the City for the lease of property under the Lease Agreement dated as of May 1, 2022, between the Authority, as lessor, and the City, as lessee (the “Lease Agreement”), concerning the leaseback of certain real property and improvements consisting of Phase 1 of the Legacy Fields Sports Complex (the “Leased Property”).

The 2022 Bonds are also secured by certain funds on deposit under the Indenture. See “SECURITY FOR THE 2022 BONDS.”

In order to provide the upfront site lease payment to facilitate the financing plan, the City and the Authority will enter into a Site Lease dated as of May 1, 2022 (the “Site Lease”), under which the City will lease the Leased Property to the Authority. Concurrently, the City and the Authority will enter into the Lease Agreement, under which the Authority will lease the Leased Property back to the City. See “THE LEASED PROPERTY.”

Potential Bond Insurance Policy. The Authority is considering the use of a municipal bond insurance policy that guarantees the scheduled payment of principal of and interest on all or a portion of the 2022 Bonds when due. The Authority will decide whether or not to utilize a municipal bond insurance policy depending on market conditions at the time of sale of the 2022 Bonds.

Form of Bonds; Book-Entry Only. The 2022 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the 2022 Bonds. Purchasers of the 2022 Bonds will not receive certificates representing the 2022 Bonds that are purchased. See “THE 2022 BONDS - Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption. The 2022 Bonds are subject to optional redemption, mandatory redemption from sinking fund payments, and special mandatory redemption from the proceeds of insurance or condemnation proceeds prior to their stated maturity dates. See “THE 2022 BONDS – Redemption.”

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease Agreement, the Owners of the 2022 Bonds would receive less than the full amount of principal of and interest on the 2022 Bonds. To the extent proceeds of rental interruption insurance are available (as described below), Lease Payments (or a portion thereof) may be made from those

proceeds during periods of abatement. See “SECURITY FOR THE 2022 BONDS – Abatement” and “BOND OWNERS’ RISKS.”

Additional Bonds. The Indenture permits the Authority, by supplemental indenture, to establish one or more other issues of additional bonds secured by a pledge of and payable from Revenues on a parity with the 2022 Bonds (the “**Additional Bonds**”; the 2022 Bonds and any Additional Bonds are referred to in this Official Statement collectively as the “**Bonds**”), subject to certain conditions set forth in the Indenture. See “SECURITY FOR THE 2022 BONDS – Additional Bonds.”

Legal Opinion. Upon delivery of the 2022 Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel (“**Bond Counsel**”) will release its final approving legal opinion with respect to the 2022 Bonds, regarding the validity and tax-exempt status of the 2022 Bonds, in the form attached hereto as APPENDIX D.

Risks of Investment. Debt service on the 2022 Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease Agreement. For a discussion of some of the risks associated with the purchase of the 2022 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

The Project

A portion of the proceeds of the 2022 Bonds will be used to finance the acquisition and construction of public capital improvements of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City (the “**Project**”). The Legacy Fields Sports Complex is a youth sports facility in the northern part of the City that, at full build-out, will consist of 166 acres of sports areas. Phase 1E includes renovation of the eastern baseball/softball fields, eastern baseball/softball field lighting, a plaza with restroom/concession building, parking lot paving, a new exit road, maintenance yard expansion, installation of wayfinding signage, earthwork and drainage, irrigation, and landscape. Construction of Phase 1E of the Legacy Fields Sports Complex, the portion of Legacy Fields Sports Complex that is expected to be financed with proceeds of the 2022 Bonds, is expected to commence in Spring 2022 and be completed in Fall 2023.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2022 Bonds are as follows:

Sources of Funds:

Principal Amount of 2022 Bonds	\$
<i>Plus:</i> Net Original Issue Premium	
<i>TOTAL SOURCES</i>	\$

Uses of Funds:

Deposit to Project Fund	\$
Deposit to Costs of Issuance Fund ⁽¹⁾	
Underwriter’s Discount	
<i>TOTAL USES</i>	\$

⁽¹⁾ Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees, premiums for any municipal bond insurance policy, if obtained and other costs of issuing the 2022 Bonds.

THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the City under the Lease Agreement for the use and occupancy of the Leased Property, which consists of Phase 1 of the Legacy Fields Sports Complex, of which the Project constitutes a portion. Phase 1 of the Legacy Fields Sports Complex consists of 72 acres of land containing 10 baseball fields, 8 soccer fields, three restroom/concession buildings, one restroom building, paved parking lots and landscaping. The City has determined that the fair rental value of the Leased Property is commensurate with the annual Lease Payments with respect thereto. The City will continue to have access to and use of Phase 1 of the Legacy Fields Sports Complex during the construction of the Project.

Modification of Leased Property

Under the Lease Agreement, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement.

Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this provision of the Lease Agreement, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this provision of the Lease Agreement; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Substitution

Under the Lease Agreement, the City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the requirements set forth in the Lease Agreement, which includes (among others) the following:

- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder, sufficient memorialization of an amendment of the Lease Agreement that adds the legal description of the Substitute Property and deletes therefrom the legal description of the Former Property, and has filed

and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

- The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease Agreement in the Substitute Property, subject only to Permitted Encumbrances (as defined in the Lease Agreement), in an amount at least equal to the estimated value thereof.
- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to November 1, 20___, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease Agreement.

Release of Leased Property

Under the Lease Agreement, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement (the "**Released Property**") provided that the City has satisfied all of the requirements under the Lease Agreement that are conditions precedent to such release, which include (among others) the following:

- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder, sufficient memorialization of an amendment of the Lease Agreement, Site Lease and Assignment Agreement which removes the Released Property from the Lease Agreement, Site Lease and Assignment Agreement.
- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease Agreement following such release is at least equal to the aggregate outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable thereunder.

See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Addition of Property

Under the Lease Agreement, the City may, at any time it deems it necessary or advisable, amend the Lease Agreement, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased under the Lease Agreement.

If the addition to the Leased Property (the “**Addition**”) is being done in connection with the issuance of Additional Bonds, the following requirements will apply, among others:

- The City certifies in writing to the Authority and the Trustee that
 - (i) the Addition serves the purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City,
 - (ii) the useful life of the Addition at least extends to the last day that precedes the final maturity of the Additional Bonds,
 - (iii) the estimated value of the Leased Property (including the Addition) is at least equal to the aggregate outstanding principal amount of the Bonds, and
 - (iv) the fair rental value of the Leased Property (including the Addition) is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

For the purposes of the certification described in clause (iv) above, the City may, if necessary to make such certification, assume completion of construction of the Addition if the Addition is being constructed with proceeds of the Additional Bonds as long as capitalized interest has been deposited in accordance with the Indenture.

- The City delivers to the Authority and the Trustee an Opinion of Bond Counsel to the effect that the amendment to the Lease Agreement has been duly authorized, executed and delivered and the Lease Agreement as so amended represents a valid and binding obligation of the City and the Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.
- The City causes to be recorded in the Office of the County Recorder sufficient memorialization of an amendment of the Lease Agreement that adds the legal

description of the Addition, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

- The City delivers to the Authority and the Trustee a CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the City's leasehold interest in the Addition to the Leased Property under the Lease Agreement, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with a certificate of the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon commence as to the Addition, and all references to the Leased Property will apply with full force and effect to the Addition.

THE 2022 BONDS

This section provides summaries of the 2022 Bonds and certain provisions of the Indenture. See APPENDIX B for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Authority for Issuance

The 2022 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on _____, 2022), the City Resolution (which was adopted by the City Council on _____, 2022), and the Indenture. Under the Authority Resolution and the City Resolution, the 2022 Bonds may be issued in a principal amount not to exceed \$_____.

General Provisions

Bond Terms. The 2022 Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of \$5,000, so long as no 2022 Bond has more than one maturity date.

The 2022 Bonds will mature on November 1 in each of the years and in the amounts, and bear interest at the rates, set forth on the inside cover page of this Official Statement.

Calculation of Interest. Interest on the 2022 Bonds will be payable on May 1 and November 1 in each year, commencing November 1, 2022 (each an “**Interest Payment Date**”).

Interest on the 2022 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2022 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a 2022 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any 2022 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the 2022 Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Record Date. Under the Indenture, “Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Payments of Principal and Interest. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2022 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2022 Bond which is not punctually paid or duly provided for on any Interest

Payment Date is payable to the person in whose name the ownership of such 2022 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2022 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2022 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2022 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2022 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2022 Bonds (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

While the 2022 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2022 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2022 Bonds. See “– Book-Entry Only System” below.

Redemption*

Optional Redemption. The 2022 Bonds maturing on or before November 1, 20__, are not subject to optional redemption prior to their stated maturity. The 2022 Bonds maturing on or after November 1, 20__, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on May 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2022 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2022 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following tables.

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption of
Term Bonds Maturing November 1, 20

Sinking Fund Redemption Date <u>(November 1)</u>	Principal Amount <u>To Be Redeemed</u>
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Mandatory Sinking Fund Redemption of
Term Bonds Maturing November 1, 20

Sinking Fund Redemption Date <u>(November 1)</u>	Principal Amount <u>To Be Redeemed</u>
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However, if some but not all of the Term Bonds have been redeemed through an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2022 Bonds of a single maturity, the Trustee will select the 2022 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each 2022 Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2022 Bond.

Whenever less than all of the outstanding 2022 Bonds of more than one series are called for redemption at any one time, the Trustee will select the outstanding 2022 Bonds or portions thereof to be redeemed as directed by the Authority.

Notice of Redemption. The Trustee will mail notice of redemption of the 2022 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2022 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Conditional Redemption Notices; Rescission of Redemption. Redemption notices may be conditional. The Authority has the right to rescind any notice of optional redemption of the 2022 Bonds by written notice to the Trustee on or prior to the date fixed for redemption.

Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2022 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture.

The Authority and the Trustee have no liability to the Owners of the 2022 Bonds or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Partial Redemption of 2022 Bonds. Upon surrender of any 2022 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2022 Bond or 2022 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2022 Bonds surrendered.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the 2022 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2022 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2022 Bonds so called for redemption will cease to accrue, said 2022 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2022 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2022 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2022 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2022 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2022 Bonds. Purchasers of the 2022 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the 2022 Bonds apply only during any period in which the 2022 Bonds are not subject to DTC’s book-entry system. While the 2022 Bonds are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and

requirements established by DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Bond Register. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2022 Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2022 Bonds as provided in the Indenture.

Transfer of Bonds. Any 2022 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2022 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any 2022 Bond is or 2022 Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2022 Bond or 2022 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2022 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2022 Bonds.

Prior to any transfer of the 2022 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and have no responsibility to verify or ensure the accuracy of such information.

Exchange of Bonds. The 2022 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2022 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority will pay the cost of printing 2022 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2022 Bonds.

Limitations on Transfer and Exchange. The Trustee may refuse to transfer or exchange, under these provisions of the Indenture, any 2022 Bonds selected by the Trustee for redemption under the Indenture, or any 2022 Bonds during the period established by the Trustee for the selection of 2022 Bonds for redemption.

DEBT SERVICE SCHEDULE

The table below shows scheduled Lease Payments and annual debt service payments on the 2022 Bonds.

<u>Year Ending November 1</u>	<u>Lease Payments</u>	<u>2022 Bonds Principal</u>	<u>2022 Bonds Interest</u>	<u>Total Debt Service</u>
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Total:

SECURITY FOR THE 2022 BONDS

The principal of and interest on the 2022 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2022 Bonds and certain provisions of the Indenture, the Lease Agreement and the Site Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture, the Lease Agreement and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the 2022 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture.

This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. "Revenues" are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease Agreement relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the City is authorized to expend its funds, and (ii) any Additional Rental Payments (consisting of certain administrative costs due to the Authority and the Trustee under the Lease Agreement), and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under the provisions of the Lease Agreement regarding Additional Rental Payments, advances, release and indemnification covenants, and agreement to pay attorneys' fees).

The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

The Trustee is also entitled to and required to, subject to the provisions of the Indenture regarding rights of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease Agreement.

Allocation of Revenues by Trustee; Application of Funds

Deposit of Revenues in Bond Fund. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest on the Bonds or provision therefore under the Indenture, and any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

Allocation of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) amount of the Bonds coming due and payable on such Interest Payment Date.

Lease Payments; Covenant to Appropriate

Obligation to Pay. Under the Lease Agreement, subject to the provisions of the Lease Agreement regarding abatement and prepayment, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Interest Payment Date immediately following each Lease Payment Date specified in the Lease Agreement (as it may be amended in connection with the issuance of Additional Bonds), and to be deposited by the City with the Trustee on the Lease Payment Dates specified in the Lease Agreement (as it may be amended in connection with the issuance of Additional Bonds).

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments

in part but not in whole under the Lease Agreement, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease Agreement. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee under the Lease Agreement.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property during each Rental Period.

The City and the Authority have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Source of Payments; Covenant to Budget and Appropriate. Under the Lease Agreement, the Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease Agreement regarding abatement. See “ – Abatement” below.

The City covenants in the Lease Agreement to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements agreed to be carried out and performed by the City under the Lease Agreement.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Abatement

Termination or Abatement Due to Eminent Domain. Under the Lease Agreement, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement thereupon ceases as of the day possession is taken. If less than all of the Leased

Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease Agreement will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the City and Authority waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Damage or Destruction. Under the Lease Agreement, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

In the event of any such damage or destruction, the Lease Agreement continues in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments that would otherwise be abated under the Lease Agreement, it being declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Additional Bonds

Under the Indenture, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds secured by a pledge of and payable from Revenues on a parity with the 2022 Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of the Indenture, and subject to the following specific conditions which are conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds must be authorized to finance additional capital improvements for the City, or to refund bonds previously issued to finance such capital improvements, and the issuance thereof must be determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City must be in compliance with all covenants and undertakings set forth in the Indenture and in the Lease Agreement and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture may not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(d) Such Additional Bonds must be equally and ratably secured by the Revenues with the 2022 Bonds authorized under the Indenture.

(e) The Authority must enter into an amendment to the Lease Agreement, in and by which the City obligates itself in the manner provided in the Lease Agreement to make Lease Payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest on such Additional Bonds as such principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) and interest become due and to make all other payments in the manner provided in the Lease Agreement, and the City must certify in writing that such Lease Payments, as amended, in any Rental Period will not exceed the fair rental value of the Leased Property.

(f) If necessary to ensure that the Lease Payments payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Rental Period, the Authority and the City must amend the Lease Agreement pursuant to the terms thereof to add additional property to the Leased Property.

(g) If the Additional Bonds are being issued to finance the construction of a to-be-built project, and such project is to be part of the Leased Property prior to its completion, the Supplemental Indenture authorizing the issuance of such Additional Bonds must require the deposit into a separate account (the “**Capitalized Interest Account**”) in the Interest Account, or a subaccount therein, an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated completion date of the project, but only if such Additional Bonds are issued prior to the substantial completion of such project and only if the City is unable to make a finding that the fair rental value of the Leased Property prior to the completion of the project is equal to or greater than the aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period.

No Reserve Fund

No debt service reserve fund has been established with respect to the 2022 Bonds. See “BOND OWNERS’ RISKS – No Debt Service Reserve Fund.”

Property Insurance

Liability and Property Damage Insurance. Under the Lease Agreement, the City is required to maintain or cause to be maintained throughout the Term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Property Insurance. Under the Lease Agreement, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, property insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at commercially reasonable cost from reputable insurers in the judgment of the City.

Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease Agreement and described below.

Rental Interruption Insurance. Under the Lease Agreement, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the property insurance described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance.

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

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

Remedies on Default

Under the Lease Agreement, upon the occurrence and continuance of any Event of Default, the Authority may exercise the remedies set forth in the Lease Agreement, which include (a) enforcement of the Lease Payments without termination of the Lease Agreement, (b) termination of the Lease Agreement and re-leasing the Leased Property, and (c) taking whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Lease Agreement or to enforce any other of its rights under the Lease Agreement. Under the Assignment Agreement, such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture. Neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. See APPENDIX B – Summary of Principal Legal Documents.

CITY FINANCIAL INFORMATION

General

The City is located on the western edge of the Central Valley in San Joaquin County (the “County”). The City is 60 miles east of San Francisco and 70 miles south of Sacramento. The City is situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580.

The City was founded in 1878 as a railroad center, incorporated as a city in 1910 and is currently composed of approximately 21 square miles. During the 1980s, the City experienced a period of major growth influenced by the East Bay area of the San Francisco Bay region with its high cost of housing. Population in the City has increased from 18,429 in 1980 to 98,601 in 2021.

The City operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and four council members. Council members are elected to four-year staggered terms, with two council members elected every two years. The mayor is also elected every two years. The City Council appoints the City Manager and the City Attorney.

Certain demographic information concerning the City is included in APPENDIX A.

Management

Michael Rogers, City Manager. Mr. Rogers has over 30 years of public and private sector experience delivering municipal strategic priorities, including the completion of multi-million-dollar transit, road, and water infrastructure projects in the Dallas, Texas area. He also served as the Deputy City Manager for the City of Glenn Heights, Texas and a policy board member for the National Association of City Transportation Officials. Michael previously served as Director of Transportation for both Dallas, Texas and Raleigh, North Carolina, where he created their first Departments of Transportation. As Director of the Dallas Department of Transportation, Mr. Rogers developed Dallas’s first Strategic Mobility Plan, “Connect Dallas,” a roadmap that rethinks how all the thoroughfares – from freeways to roads to bike trails – influence transit, zoning, housing, and economic development. While in North Carolina, Michael was involved in major transportation investments, including “smart” enhancements to on and off-street parking infrastructure and construction, as well as operation of the GoRaleigh transit hub and Union Station. He has also served as the Director of Public Works for City of Peoria, Illinois. Mr. Rogers holds a master’s degree in Civil Engineering from Michigan State University and a bachelor’s degree in Construction Engineering from Lawrence Technology University.

Ray McCray, City Treasurer. Ray McCray is a graduate of local schools in Tracy, Delta College in Stockton, Whittier College in Southern California and has completed certificate courses at Wharton Business School, Kellogg Business School and Hass Business School.

Ray McCray was appointed by the City Council to serve the remaining term of the City Treasurer in 1995 and continues in that role as their elected Treasurer. He is a member of the California Municipal Treasurers Association. Ray was appointed by the San Joaquin County Board of Supervisors to serve on the County Employees' Retirement Board, has served as its Chairman and was elected President of the State Association of County Retirement Systems (SACRS). Mr. McCray is a Director of the Merchant Services Credit Bureau, a founding board member of the Community Foundation of San Joaquin, and San Joaquin County Schools' Foundation Board. Mr. McCray has a Series 6 securities license and life and disability license.

Karin Schnaider, Finance Director. Karin Schnaider has been a Finance Director for over 13 years and has been in governmental accounting for over 19 years. She has worked for the City of San Diego, Pasadena Unified School District, City of Sierra Madre, and the City of Benicia. Karin has experience providing budget management and financial reporting for a wide variety of community based services; ranging from Police, Fire, Public Works, Utilities, Libraries, Development Services, and Parks/Recreation.

Karin understands the complexity of providing sound fiscal policies to a wide range of full service agencies from small (10,000) population to medium (90,000+) population. In her first job as a Finance Director, she helped the City of Sierra Madre bring more than three years of late audits current and completed five audits within her first two years. She also has experience with Federal Emergency Management Agency, Gas Tax, Internal Revenue Services, and CalPERS audits, as well as, many others. These experiences provided the framework for two conference presentations and a professional development webinar for California State and Municipal Finance Officer (CSMFO). She has executed Enterprise Resource Planning (accounting software) conversions in her last four agencies and understands the implications it has on financial transactions and business processes. Karin has issued more than \$100M in new and refinancing debt, both agency and community facilities districts; along with developing and maintaining sound maintenance/replacement, debt, and investment policies to support financial sustainability for asset and infrastructure management and planning. Karin has expanded her policy experience to include development of the City's cannabis policy and ordinance, State and Federal lobbying activities, and completing the City's Hazard Mitigation Plan for emergency management strategies.

She received her Bachelors of Science in Accountancy from San Diego State University and her Masters in Public Policy Administration from California State University Long Beach.

Budget Process

The Tracy Municipal Code requires that the City Council adopt a budget by no later than the close of the Fiscal Year (June 30). This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, by department, and by program. The Finance Department maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and within a single fund. The City Manager may authorize transfers between administrative control accounts within a department or within a capital project. Supplemental appropriations during the year must be approved by the City Council. Any transfer of appropriations between departments in the operating budget or between capital projects in the capital budget also requires City Council approval. For further information concerning the City's budgetary procedures, see the City's audited financial statements attached hereto as APPENDIX C.

The City's Fiscal Year runs from July 1 to June 30. The proposed Fiscal Year 2021-22 budget was released on April 20, 2021. A public hearing was held on May 18, 2021, where the City Council reviewed and considered the proposed operating budget prepared by City staff. The public hearing provided the opportunity for City Council to discuss the budget and to modify the proposed budget to reflect the Council's priorities. The workshop also permitted public comment and participation in the budget process. Copies of the budget are available for public viewing at the City's Public Library and at City Hall. The City Council adopted the Fiscal Year 2021-22 budget on May 18, 2021.

In response to a set of strategic priorities, goals and objectives were adopted to carry out the vision of the City Council, the City prepares a ten-year fiscal plan annually as a tool for the Council to meet these strategic priorities. The City's fiscal strategy includes the creation of a financial forecast to evaluate current and future fiscal conditions and is to guide policy and programmatic decisions. As part of building the multi-year forecast, the City uses information based on past, current, and projected financial conditions. The City has developed and maintains several tools to provide analytic measurements of future fiscal impacts. First, the ten-year forecast includes two separate actuarial studies to analyze the impacts of employee retirement benefits on the City's finances over time. One is focused on the fiscal impacts of pension obligation and the other focuses on retiree medical costs obligations. Secondly, the City has three separate studies on revenue forecasts based on economic trends surrounding short and long-term retail and housing markets. The City overlays each of these studies into the planning documents to create a multi-faceted approach to fiscal analysis and planning.

This has helped identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, funding obligations, or community services. The City uses the five-year financial forecast as a management tool to best anticipate inflows and outflows of City resources in the short-term, then projects out these trends into the longer ten-year model to ensure budget sustainability. Modeling of long-term strategies also allows marginal shifts to occur over time to maintain healthy reserves while still actively improving services to the public. The forecast has become an integral part of the annual and mid-budget process.

General Fund Budgets

General. The following table provides the adopted General Fund budget comparisons for Fiscal Year 2020-21, plus the amended General Fund budget for Fiscal Year 2021-22.

Table 1
General Fund
Adopted Budget, Revised Budget and Audited Actuals for Fiscal Year 2020-21
Amended Budget for Fiscal Year 2021-22

	Original Budget 2020-21	Final Budget 2020-21	Audited Actuals 2020-21	Amended Budget 2021-22
Revenues				
Taxes	\$60,104,338	\$62,104,338	\$86,616,285	\$96,706,547
Licenses and permits	5,738,849	3,738,849	4,554,069	4,022,462
Fines and forfeitures	133,746	133,746	779,652	585,083
Investment income (loss)	436,811	432,826	253,920	650,368
Intergovernmental	1,188,451	1,011,802	861,444	11,585,827
Charges for current services	10,829,527	10,829,527	10,264,482	471,617
Special assessments	353,086	353,086	454,147	148,227
Contributions	145,859	145,859	155,698	40,921
Other revenues	328,977	328,977	1,020,172	--
Total Revenues	79,259,644	79,079,010	104,959,869	114,211,052
Expenditures				
General Government				
Economic Development	858,157	1,396,593	1,146,152	847,044
General Government	9,203,360	8,047,883	7,659,534	9,846,263
Finance	4,631,737	4,787,032	5,122,963	5,654,340
Non-departmental	449,764	481,220	1,498,300	439,211
Public Safety				
Police	34,627,450	34,634,985	35,188,494	37,882,796
Fire	15,016,157	15,016,157	15,854,221	15,809,413
Public Ways And Facilities				
Development and engineering	169,417	200,316	265,249	307,216
Public works	6,979,485	6,997,610	7,083,249	8,446,788
Community Development				
Parks and community services	5,115,759	3,515,089	3,038,091	4,303,257
Capital outlay	--	4,165	--	--
Total Expenditures	77,051,286	75,081,050	76,856,253	83,536,327
Excess Revenues Over (Under) Expenditures	2,208,358	3,997,960	28,103,616	30,674,725
Other Financing Sources				
Transfers in	--	--	56,230	60,000
Transfers out ⁽¹⁾	(5,006,377)	(3,364,093)	(17,176,542)	(14,173,464)
Other Financing Sources Total	(5,006,377)	(3,364,093)	(17,120,312)	(14,113,646)
Net Change to Fund Balance	\$(2,798,019)	\$633,867	\$10,983,304	\$16,561,261
Fund Balance				
Beginning of year			23,046,950	34,030,254
End of year			<u>\$34,030,254</u>	<u>\$50,591,515</u>

(1) Transfers out primarily represent primarily capital, airport services, parks, and development services.

Sources: City of Tracy Annual Comprehensive Financial Report for Fiscal Year 2020-21; City of Tracy Adopted Budget for Fiscal Year 2021-22.

Budget Summary

The initial proposed budget for Fiscal Year 2021-22 expected a \$5.4 million deficit. In response, the City implemented some budget correction measures, including a temporary hiring freeze of select vacant positions (approximately 15 full-time equivalent), limited purchases and services spending, delay replacement of vehicle and equipment funding, and use of the City's Economic/Budget Stabilization reserves. The City had also adopted mitigation measures to deal with the financial uncertainty caused by the COVID-19 pandemic. Shortly after adoption of the Fiscal Year 2021-22 budget, the City received the January-March 2021 sales tax disbursement from the State of California Department of Tax Franchise Administration, which resulted in a significant change in the City's estimated revenues. Thereafter, on July 20, 2021, the City Council of the City adopted an amendment to the Fiscal Year 2021-22 budget to reflect the increase in sales tax revenues. As a result, the City was able to restore the funding for vehicles and equipment and approximately half of the frozen positions. Additionally, the COVID-19-related mitigation measures have been rescinded.

Financial Policies Summary

The City Council has an adopted "**Fund Balance Policy**" that establishes the procedures for reporting fund balance in the City's financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. Beginning in Fiscal Year 2014-15, the City Council, through budget adoption, approved a minimum fund balance in the General Fund to be equal to 30% of operating revenues, of which 10% is for Economic/Budget Stability Reserves and 20% is for Contingency Reserves (Emergency or Catastrophic Loss reserves). These fund balances have been carved out and represented in the table on the following page. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy took effect for financial reports for Fiscal Year ending June 30, 2011.

The City Council has an adopted "**Investment Policy**" that establishes the procedures for investing public fund and reporting in the City's financial statements. See "– Investment Policies and Procedures" below.

The City Council has an adopted "**Disclosure Policies and Procedures**" and "**Debt Management Policy**" that establish the procedures for reviewing, reporting, and issuing debt financing in the City. The Securities and Exchange Commission (the "SEC") recommends that issuers of municipal bonds adopt policies and procedures to govern compliance with respect to their initial disclosure and continuing disclosure undertakings. The Debt Policy is intended to comply with Government Code Section 8855(i) effective on January 1, 2017, and shall govern all debt undertaken by the City.

In addition, the City has adopted several other policies and procedures to monitor and sustain the City's fiscal health.

- **Guiding Budget Principles:** Sets 12 overarching principles that guide the budget process.

- **Interfund Loan Policy:** Establishes the guidelines for borrowing short-term (Due To/From) and long-term (Advances To/From) within the City-managed funds.
- **Grant Management Policy:** Establishes the guidelines for applying, reporting, and use of federal, State, or local grants funds.
- **Equipment and Vehicle: Use, Purchase, and Replacement Policy:** Establishes the guidelines for the City's fleet and equipment assets.
- **Cost Recovery Policy:** Establishes a citywide policy to set City fees at the full value of the services provided.
- **Capital Improvement Projects Procedures:** Establishes the guidelines for establishing, prioritizing, and funding capital infrastructure repairs, replacement, and construction.
- **Purchasing Policy and Ordinances:** Establishes the purchasing authority for department heads, the City Manager, and City Council; as well as, the guidelines for requesting supplies or services from outside vendors.
- **Technology and Cyber-Security Policy:** Establishes the guidelines for monitoring and reducing the risk technology cyber threats to the City.

Fund Balance History

The table below sets forth a three-year history of fund balance allocations in the General Fund.

Table 2
General Fund
Three-Year General Fund Balance Allocations
(dollar amounts in thousands)

Fund Balance Allocations		2018-19 Actuals	2019-20 Actuals	2020-21 Actuals	2021-22 Projected Actuals
	Revenues	\$80,058	\$83,148	\$104,960	\$114,210
	Expenditures	(71,491)	(72,410)	(76,857)	(83,536)
	Net Transfers In/(Out)	(16,326)	(20,672)	(17,120)	(14,113)
	Net Change in Position	(7,759)	(9,934)	10,983	16,561
Unspendable	Loans Receivable	470	40	40	40
Restricted	Fire Med. Leave Bank ⁽¹⁾	--	--	975	975
	Medical Leave Bank ⁽¹⁾	--	--	1,373	1,373
Committed	Reserve Policy ⁽²⁾	14,883	14,479	16,401	16,401
Assigned	Reserve Policy ⁽²⁾	7,441	5,760	10,934	10,934
	Animal Control	22	22	22	22
	Prior Year Reappropriations	2,105	420	321	321
	Measure V Capital ⁽³⁾	5,645	--	--	--
Uncommitted	Uncommitted	--	--	3,964	20,525
Total General Fund		\$30,566	\$20,631	\$34,030	\$50,591

(1) Restricted fund balances for Fire Medical Leave Bank and Medical Leave Bank added in Fiscal Year 2020-21 as part of GASB 84 implementation.

(2) In Fiscal Years 2018-19 and 2019-20, the City maintained a combined 30% reserve policy, divided as 20% for Committed for emergencies and 10% Assigned for economic/budget stability. Starting in Fiscal Year 2020-21, the combined reserve policy remained 30% while the Committed for emergencies amount decreased to 18% and the Assigned for economic/budget stability amount increased to 12%.

(3) The fund balance for Measure V, which is the City's 1/2 cent local sales tax measure, was included in the General Fund in Fiscal Year 2018-19 but in subsequent years is accounted for outside of the General Fund. The Measure V Capital fund is projected to have a balance of approximately \$36 million on June 30, 2022.

Source: City of Tracy.

State Budget and Its Impact on the City

General. Information about the Fiscal Year 2021-22 adopted State budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City or the Underwriter, and the City and the Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information*

posted there, and such information is not incorporated in this Official Statement by these references.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address a State budget deficit. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

Public Health Emergency – COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 (“**COVID-19**”) and local, state and federal actions in response to COVID-19, is having a significant impact on the economy and on the City’s operations and finances. On February 11, 2020, the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to a stark increase in unemployment across the County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be very significant for the City and the region’s economy. On June 8, 2020, the National Bureau of Economic Research announced that the United States of America officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

Starting in mid-March 2020, based on guidance and directives from the State and public health agencies, Shelter-in-Place (“**Shelter-in-Place**”) emergency orders or directives were initially imposed, which directed individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place orders or directives.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021.

On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the “**CDC**”). Masks are still required on public transportation, in hospitals and jails, in schools and in other child care centers pending updated guidance from the CDC. Public health measures currently remain for events with 5,000 or more people indoors or 10,000 attendees or more outdoors, with vaccine verification recommended. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, remain in certain business settings and for certain industries.

Financial Impact on City. On March 27, 2020, the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”) was enacted which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by the COVID-19 pandemic. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic. The City received

approximately \$1.1 million in Fiscal Year 2020-21 from the State from its share of funding under the CARES Act. Funds received by the City under the CARES Act are not available for payment of debt service on the Series Bonds and cannot be used to backfill City revenue losses related to the COVID-19 pandemic.

On March 11, 2021, the President of the United States signed the American Rescue Plan Act (“ARPA”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The ARPA includes \$350 billion in unrestricted economic relief to states, counties, and local governments. On May 10, 2021, the U.S. Treasury Department released interim guidance for use of the ARPA funds, and specifically authorized, among other things, the use of funds to help offset revenue shortfalls caused by the pandemic. As of the date of this Official Statement, the City estimates it will receive approximately \$13.5 million in funding under the ARPA. To date, the City has received approximately \$7.4 million of such funds and anticipates receiving a second installment in 2022. The City has not yet allocated such funding for specific purposes pending the release of final guidance from the United States government.

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments’ relief programs and the timing for the containment and treatment of COVID-19. Certain of the information in this Official Statement is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in unemployment levels. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City and the region. The ultimate impact of COVID-19 on the City’s operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. See “BOND OWNERS’ RISKS – Public Health Emergencies.”

Financial Statements

The accounting policies of the City conform to generally accepted accounting principles. The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. There are three groups of funds: governmental funds (which include the General Fund), proprietary funds (which include internal service funds) and fiduciary funds (which are used to account for resources held for the benefit of parties outside the City). Information is presented separately in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund and the other major funds. Data for the non-major funds are combined into a single aggregated presentation.

All governmental funds and fiduciary funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.

In Fiscal Year 2014-15, the City implemented GASB Statements No. 68 and 71. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension plan expenses. GASB Statements No. 68 and No. 71 do not change the pension funding obligations of the City and have had no effect on the General Fund.

The City's most recent audited financial statements are included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021, which is attached as APPENDIX C to this Official Statement. The financial statements were prepared by the City and audited by The Pun Group, Walnut Creek, California (the "**Auditor**").

The Financial Statements should be read in their entirety. The City has neither requested nor obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or General Fund. In addition, the Auditor has not reviewed this Official Statement.

Set forth on the following pages are (i) a general fund balance sheet for Fiscal Years 2016-17 through 2020-21 and (ii) a statement of revenues, expenditures and changes in fund balances for the City's general fund for the same period.

**Table 3
General Fund Balance Sheet**

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
Assets:					
Cash and investments	\$19,678,857	\$17,957,628	\$17,927,009	\$5,668,536	\$12,032,304
Receivables:					
Accounts receivable, net	7,742,385	7,502,054	8,415,783	9,174,498	18,638,260
Interest receivable	217,346	302,454	231,123	99,317	109,559
Prepaid items	5,847	--	--	--	--
Loans receivable	515,500	506,111	495,249	67,270	69,270
Due from other funds	10,209,715	13,510,793	8,193,988	8,427,230	2,869,971
Advances to other funds	4,616,954	1,042,000	--	--	--
Due from component unit				--	8,719,171
Total assets	\$42,986,604	\$40,821,040	\$35,263,152	\$23,436,851	\$42,438,535
Liabilities:					
Accounts payable	1,865,986	2,214,888	1,840,494	1,726,320	2,908,630
Salary and employee benefits payable			520,144	795,912	5,201,160
Due to other funds	--	--	1,833,600	--	--
Deposits payable	119,421	182,066	401,907	176,035	189,139
Unearned revenue	209,090	75,927	76,194	80,082	80,082
Total liabilities	2,194,497	2,472,881	4,672,339	2,778,349	8,379,011
Deferred inflows of resources:					
Unavailable revenue	21,270	23,270	25,270	27,270	29,270
Total Liabilities and Deferred Inflows of Resources	\$2,215,767	\$2,496,151	\$4,697,609	\$2,805,619	\$8,408,281
Fund Balance:					
Nonspendable:					
Prepaid items	5,847	--	--	--	--
Advances	4,616,954	1,042,000	--	--	--
Loans receivable	494,230	482,841	469,979	40,000	40,000
Restricted	--	--	--	--	2,348,064
Committed	11,716,000	14,960,997	14,882,561	14,479,022	16,401,047
Assigned	11,455,470	20,996,942	15,213,003	6,112,210	11,277,089
Unassigned ⁽¹⁾	12,482,336	842,109	--	--	3,964,054
Total fund balance	40,770,837	38,324,889	30,565,543	20,631,232	34,030,254
Total liabilities, deferred inflows of resources and fund balance	\$42,986,604	\$40,821,040	\$35,263,152	\$23,436,851	\$42,438,535

(1) The City Council adopted a revised Fund Balance Policy in Fiscal Year 2015-16 that moved \$25 million in Unassigned Reserves to Committed (20% Contingency Reserves) and Assigned (10% Economic/Stability Reserves); approximately. (See “–Fund Balance History” above for details). In Fiscal Year 2017-18, the City Council used Unassigned Fund balance to fund various one-time capital projects totaling over \$10 million, as well as funding temporary service enhancements.

Source: City of Tracy Annual Comprehensive Financial Reports.

Table 4
Statement of General Fund Revenues, Expenditures
and Changes in Fund Balance

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
Revenues:					
Taxes ⁽¹⁾	\$46,173,331	\$55,155,390	\$62,924,050	\$64,241,200	\$86,616,285
Licenses	2,980,580	3,694,142	3,588,115	3,907,932	4,554,069
Fines and penalties	198,177	220,087	209,256	180,186	779,652
Use of money and property ⁽²⁾	639,648	672,721	1,299,415	1,065,302	253,920
Intergovernmental	1,433,843	1,583,991	1,475,809	1,630,147	861,444
Charges for services ⁽³⁾	4,333,327	11,340,010	9,824,853	11,525,274	10,264,482
Special assessments	404,207	421,006	463,527	452,110	454,147
Contributions	139,175	143,350	147,221	145,859	155,698
Other revenues ⁽⁴⁾	3,375,741	1,574,278	125,463	--	1,020,172
Total revenues	59,678,029	74,804,975	80,057,709	83,148,010	104,959,869
Expenditures:					
Current:					
General government					
Economic Development	625,750	763,391	618,371	647,524	1,146,152
General Development	6,149,909	6,538,415	7,171,344	7,023,314	7,659,534
Finance	4,449,060	4,091,660	5,052,345	4,890,254	5,122,963
Non-departmental	861,455	268,301	433,091	599,975	1,498,300
Public Safety					
Police	24,238,642	26,539,255	29,868,676	32,903,426	35,188,494
Fire	11,946,948	13,701,292	14,978,488	15,714,615	15,854,221
Public Safety					
Development and engineering	882,145	972,497	1,217,572	201,974	265,249
Public works	5,646,319	6,249,178	6,886,803	7,043,632	7,083,249
Culture and leisure					
Parks and community services	2,286,985	2,682,569	3,245,383	3,180,097	3,038,091
Capital outlay	453,978	660,507	2,018,668	205,540	--
Debt service:					
Principal	63,279	68,552	--	--	--
Interest and fiscal charges	--	--	--	--	--
Total expenditures	57,604,470	62,535,617	71,490,741	72,410,351	76,856,253
Excess of revenues over (under) expenditures	2,073,559	12,269,358	8,566,968	10,737,659	28,103,616
Other financing sources (uses):					
Proceeds from sale of capital assets	5,158	500	2,034	33,298	--
Contributions	--	--	--	3,930,000	--
Transfers in	1,250,000	1,250,000	1,250,000	26,876	56,230
Transfers out ⁽⁵⁾	(3,976,247)	(12,618,396)	(17,578,348)	(24,662,144)	(17,176,542)
Total other financing sources (uses)	(2,721,089)	(11,367,896)	(16,326,314)	(20,671,970)	(17,120,312)
Net change in fund balance before special items		901,462	(7,759,346)	(9,934,311)	10,983,304
Special Item-SCFA Loan Write-off ⁽⁶⁾	--	(3,347,410)	--	--	--
Net change in fund balance	(647,530)	(2,445,948)	(7,759,346)	(9,934,311)	10,983,304
Fund balance - July 1 ⁽⁷⁾	41,418,367	40,770,837	38,324,889	30,565,543	23,046,950
Fund balance - June 30	\$40,770,837	\$38,324,889	\$30,565,543	\$20,631,232	\$34,030,254

[Footnotes appear on following page.]

- (1) Reflects two local ½ cent sales tax measures: Measure E had a sunset of March 2016 and Measure V began April 2017. The impacts of these revenues crossed over several historical years. The City experienced a one-time Sales Tax increase in Fiscal Year 2018-19 related to the State's timing of the 4th Quarter Fiscal Year 2017-18 distribution, which did not occur until Fiscal Year 2018-19. Additionally, a change in the method of tax reporting by a prominent sales tax producer in the City in early 2021 resulted in a shift in the tax allocation from a statewide allocation through the County sales tax pool to a local sales tax allocation based upon the businesses' point-of-sale or fulfillment of the sale, resulting in a significant increase in sales tax revenues.
- (2) The City has experienced fluctuation in earnings from its investments.
- (3) The City revised its overhead allocations in Fiscal Year 2017-18.
- (4) Other Revenue represents various one-time funds that may arise in a given year.
- (5) Transfers out primarily represent capital, airport services, parks, and development services.
- (6) In February 2018, the City and the Tracy Rural Fire Protection District established the South San Joaquin County Fire Authority with an effective date of March 1, 2018 and an implementation date of July 1, 2018. With the implementation of the new authority, the City and the Tracy Rural Fire Protection District entered into an agreement to resolve the outstanding financial obligations of the South County Fire Authority and dissolve the South County Fire Authority on June 30, 2018. As a result, the loan receivable from the District and the advance payable to the General Fund in the South County Fire Authority Special Revenue Fund were written off. The reduction of the loan balance that had resulted from the City advancing operational funds to the South County Fire Authority in the amount of \$3,347,410 was then reported as a special item in the General Fund as of June 30, 2018.
- (7) The General Fund balance at July 1, 2020 was restated to reflect implementation of GASB 84.

Source: City of Tracy Annual Comprehensive Financial Reports.

Major Revenues

General. Taxes and other sources of revenue received by the City are listed in the table below, which presents the major revenues of the City’s General Fund for the last five audited Fiscal Years.

Combined, taxes comprise over 80% of the City’s General Fund revenues. Property Tax and Sales Tax contribute more than two-thirds of the total income for the General Fund (and 90% of the total taxes). The next largest income is received through Charges for Services at 14% of the total General Fund revenue. All other revenues, including taxes from Business License, Transient Occupancy Tax, and Franchise Fees, comprise the remaining 15% of the total revenues. The City’s revenues are expected to continue to increase annually for the next several years; with an annual increase estimated at 2-3%. Although the City cannot foresee all economic trends, the City annually completes a ten-year forecast based upon historical collections, market trends and consumer demands. The City’s revenues are diversified among Property Tax, Sales Tax, and other revenues. Sales Tax is the most responsive to the volatility changes of the economy, while Property Tax tends to lag by 18-24 months. This allows the City to adjust more gradually to changes such as an economic downturn.

Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution.”

**Table 5
Major Tax Revenues by Source – General Fund**

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	% of 2020-21 Total	Amended Budget 2021-22	% of 2021-22 Total
Property Tax ⁽¹⁾	\$20,392,536	\$20,736,206	\$22,139,194	\$23,511,605	\$25,164,935	27.45%	\$26,797,441	26.60%
Property Transfer	372,636	1,311,406	1,130,147	1,392,908	2,084,113	2.27	1,316,930	1.31
Business License	838,037	749,739	934,038	850,019	1,016,050	1.11	770,092	0.76
Sales Tax-Bradley Burns ⁽²⁾	21,080,287	21,724,052	26,229,439	26,291,238	43,141,994	47.05	54,222,084	53.83
Sales Tax-Local Measure ⁽²⁾	2,210,380	9,036,647	10,853,130	10,747,534	14,026,197	15.30	12,000,000	11.91
Franchise Tax	2,829,424	3,694,143	3,588,115	3,907,932	4,554,069	4.97	4,022,462	3.99
Transient Tax	1,507,518	1,597,341	1,638,102	1,447,897	1,702,313	1.86	1,600,000	1.59
Total	\$49,230,818	\$58,849,533	\$66,512,165	\$68,149,133	\$91,689,672	100.00%	\$100,729,009	100.00%

(1) Included in Property tax: Special Assessments \$463,527 and Intergovernmental \$120,112.

(2) Measure E had a sunset of March 2016 and Measure V began April 2017. A change in sales tax allocation also increased Tracy’s sales tax revenues beginning in calendar year 2021. See “–Sales and Use Taxes” below.

Source: *City of Tracy Annual Comprehensive Financial Reports, Statistical Table (does not include Gas Tax); Finance Department, City of Tracy.*

Property Taxes

General. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See

the Statistical Section of the City's Fiscal Year 2020-21 audited financial statements, which are attached to this Official Statement as APPENDIX C, for a table of direct and overlapping governmental activities debt of the City.

Property taxes represent one of the largest source of tax revenues to the City at approximately 28% in Fiscal Year 2019-20 and 24% in Fiscal Year 2020-21 of total General Fund revenues. The City received approximately \$25.7 million in property tax revenue for Fiscal Year 2020-21 (7% growth over prior year) and such revenues are projected to increase to approximately \$27.0 million in Fiscal Year 2021-22 (5% growth over Fiscal Year 2020-21). The revenue growth is attributable to the 2% statutory inflationary increase on Assessed Valuation related to Proposition 13, as well as a steady increase in home sales and new home construction that is expected to continue for several years. See " – Assessed Valuation" below. The City uses the services of two consulting firms to assist in forecasting property tax revenues. In addition, these firms provide auditing services to ensure the County tax accurately reflect the City's allocations.

See " – Assessed Valuation" below.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. The City has also adopted a growth management ordinance that limits annual building permits for residential construction. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" and "BOND OWNERS' RISKS – Limitations on Taxes and Fees."

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93.

Levy and Collection. Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property

of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A of the State Constitution (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation History. The following table shows a ten-year history of the City's assessed valuation.

**Table 6
Assessed Value of Taxable Property
Fiscal Years 2011-12 through 2020-21**

Category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Residential	\$5,014,246,784	\$4,941,891,425	\$5,483,285,494	\$6,338,819,597	\$6,659,567,812	\$7,068,856,191	\$7,507,417,694	\$8,039,865,942	\$8,555,296,590	\$9,143,911,871
Commercial	762,602,990	759,270,908	780,671,922	809,032,343	813,724,348	885,051,665	929,006,663	947,333,003	955,735,852	1,030,981,316
Industrial	707,411,399	710,743,366	643,307,116	731,830,268	729,448,654	985,768,269	1,096,123,367	1,174,162,150	1,317,064,070	1,497,816,029
Agricultural	12,121,912	12,310,276	15,845,815	50,838,834	64,987,156	16,157,722	16,512,544	14,680,140	13,112,309	9,954,085
Govt. Owned	51,637	52,669	53,723	1,213,712	1,096,359	55,884	57,001	58,141	383,006	390,665
Institutional	8,854,601	8,457,785	8,872,850	9,692,380	9,515,260	5,720,691	14,530,172	13,108,380	14,022,064	17,778,493
Miscellaneous	34,602,445	34,534,323	31,765,357	31,703,360	32,517,596	904,446	1,000,531	1,020,538	1,040,944	1,059,690
Recreational	14,887,781	14,215,180	16,461,155	16,557,457	16,769,125	12,877,684	13,135,180	13,397,875	13,655,823	13,907,241
Vacant	114,584,285	114,511,579	132,775,224	130,690,678	298,360,191	245,602,494	237,333,513	224,337,103	390,395,541	450,516,491
SBE Nonunitary	11,041,870	11,041,870	12,164,031	12,164,031	12,164,031	11,939,960	11,939,960	11,939,960	11,939,960	13,423,391
Cross Reference	5,062,316	5,128,442	5,285,640	5,447,560	6,166,763	6,326,367	6,436,773	6,538,593	6,625,995	7,908,510
Unsecured	283,655,648	285,483,775	283,642,728	362,915,054	385,687,795	514,650,372	577,931,679	537,094,969	558,315,419	608,053,111
Exempt	(9,157,458)	(9,614,948)	(10,494,903)	(11,108,238)	(13,653,324)	(14,691,821)	(14,741,007)	-	-	-
Unknown	-	-	65,332,242	-	-	-	-	692,500	336,600	305,883
TOTALS	\$6,969,123,668	\$6,897,641,598	\$7,479,463,297	\$8,500,905,274	\$9,030,005,090	\$9,753,911,745	\$10,411,425,077	\$10,984,229,294	\$11,837,934,173	\$12,796,006,766

Source: City of Tracy Annual Comprehensive Financial Reports.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, adopted in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 Fiscal Year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is generally established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

Major Property Taxpayers. The following table shows the principal property taxpayers in the City as determined by their taxable assessed valuations in Fiscal Year 2020-21.

**Table 7
Principal Property Tax Payers**

<u>Taxpayer</u>	<u>Fiscal Year 2020-21</u>		<u>Percentage of Total City Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
Prologis LP	\$437,422,955	1	3.42%
Amazon Com Services Inc	162,933,210	2	1.31
Fedex Ground Package System In	136,915,550	3	1.08
IPT Tracy DC LP	132,891,830	4	0.85
West Valley Realty LLC	102,676,642	5	0.81
Leprino Foods Company Corp	88,926,962	6	0.75
Tracy 300 LP	76,014,490	7	0.57
Lennar Homes of California Inc	75,034,793	8	0.54
Medline Cordes Rach Eat LLC	65,707,561	9	0.54
PAC Corporate Center Tracy ET AL	60,417,885	10	0.50
Top Ten Total	\$1,338,941,878		10.37%

Source: City of Tracy Annual Comprehensive Financial Report; The HdL Company.

Teeter Plan. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency.

Sales and Use Taxes

Sales taxes represent the largest source of tax revenue to the City at approximately 45% in Fiscal Year 2019-20 and 54% in Fiscal Year 2020-21 of total General Fund revenues. The City received approximately \$57 million in Sales Tax revenue for Fiscal Year 2020-21 (54% growth over prior year) and such revenues are projected to increase to approximately \$77 million in Fiscal Year 2021-22 (35% increase over Fiscal Year 2020-21). Part of the increase in Sales Tax revenue reflects increased sales volumes, including growth in online sales, and an increase in the number of sales tax producers in the City. The City also continues to be successful in attracting large distribution centers to its industrial parks which not only increase the City's base tax, but add to the City's half-cent local Sales Tax revenue Measure V, which is described further below.

Additionally, shortly after the adoption of the Fiscal Year 2021-22 budget, the City received the January-March 2021 Sales Tax (Bradley Burns State Sales Tax) disbursement from the State of California Department of Tax Franchise Administration, which significantly exceeded the City's prior estimates. The increase was due to a recent change in tax reporting by a prominent sales tax producer in the City. This reporting change shifted the tax allocation from a statewide allocation through the County sales tax pool, where the tax was distributed pro-rata throughout the State, to a local sales tax allocation based upon the businesses' point-of-sale or fulfillment of the sale. In Fiscal Year 2021-22, the City estimates that General Fund sales tax will be approximately \$25 million above the originally adopted budget. With new e-commerce businesses expected to open in the City in Fiscal Year 2022-23, the City forecasts sales taxes to grow an additional approximately \$12 million in Fiscal Year 2022-23, in addition to general economic growth of approximately 5%. However, the allocation of sales taxes have from time to time been the subject of legislative change and there can be no assurances that the current allocation of sales tax revenues (including but not limited to the allocation of sales tax revenues from online sales) among the relevant tax-recipient agencies will continue in the future.

The City has two revenue streams for Sales Tax; Bradley Burns, the State's Sales Tax and Measure V, the City's local Sales Tax. The City receives a portion of the statewide Sales Tax, 1 cent per dollar transaction. In addition, the Tracy residents approved an additional ½ cent Sales Tax for goods bought or delivered to Tracy. From 2011 through 2016, the City's local measure was known as Measure E. After it expired, the City placed a new measure on the November 2016 ballot with a 20-year term. Approved by the voters, Measure V went into effect in April 2017 and will sunset in March 2037. The local Sales Tax revenue generates sufficient revenues to allow the City to fund a new aquatic center, multi-generational gymnasium, and additional improvements to Legacy Fields Sports Complex. These facilities are expected to have a regional draw, further improving sales tax revenues within the City.

This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State of California.

Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”), as shown below.

Local taxes are included in the statewide sales and use tax rate of 7.25%. Additional local taxes approved by voters (also referred to as district taxes or “transaction taxes”) are applied to purchases where the goods are delivered or placed into use in the City.

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**Table 8
Sales Tax Rates
Fiscal Year 2021-22**

<u>Component</u>	<u>Rate</u>
<u>State and County Sales Tax Rates</u>	
State General Fund	3.94%
County Realignment (Mental Health/Welfare/Public Safety)	1.56
City/County General Fund (Bradley-Burns)	1.00
County Public Safety (Prop 172)	0.50
Countywide Transportation Fund	0.25
Total	7.25%
 <u>District (Local) Sales Tax Rates</u>	
Tracy Transactions & Use Tax (Measure V)	0.50%
San Joaquin Transportation Authority (K) (SJTA)	0.50
Total	1.00%
Total Sales Tax Rate	8.25%

Source: City of Tracy, based on information provided by HdI.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State of California. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State of California where the use will occur within the State of California. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration (CDTFA) website at www.cdtfa.ca.gov. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration ("CDTFA") Retailers engaged in business in California must register with the CDTFA and pay the state's sales tax, which applies to all retail sales of goods and merchandise except those sales specifically exempted by law. The use tax generally applies to the storage, use, or other consumption in California of goods purchased from retailers in transactions not subject to the sales tax. Use tax may also apply to purchases shipped to a California consumer from another state, including purchases made by mail order, telephone, or Internet. The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon CDTFA's quarterly projection. During the last month of each quarter, CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 27% of the 90% distribution, while the third advance represents 46%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up)

is distributed with the third payment. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

CDTFA receives an administrative fee based on the cost of services provided by CDTFA to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City. In addition, the City receives auditing and forecasting services from HdL to ensure that the City receives the proper allocation of sales tax revenue.

Location Agreements.

In December 2015, the City entered into a Location Agreement with a manufacturer and distributor of healthcare products and services (the "**2015 Company**") to make payments to the 2015 Company in return for the 2015 Company establishing, locating and operating a sales office in the City. Under the terms of the agreement, the City has agreed to pay the 2015 Company 50% of the quarterly local sales tax revenues attributable to the 2015 Company's taxable sales for each fiscal quarter, excluding penalty assessments, commencing with the quarter beginning January 1, 2017 and ending on December 31, 2036, unless otherwise extended in accordance with the agreement. The City paid \$3,757,405 to the 2015 Company during the year ended June 30, 2021.

In December 2017, the City entered into a Location Agreement with a manufacturer and distributor of healthcare products and services (the "**2017 Company**") to make payments to the 2017 Company in return for the 2017 Company establishing, locating and operating a sales office in the City. Under the terms of the agreement, the City has agreed to pay the 2017 Company 50% of the quarterly local sales tax revenues attributable to the 2017 Company's taxable sales for each fiscal quarter, excluding penalty assessments, commencing with the quarter beginning January 1, 2017 and ending on December 31, 2036, unless otherwise extended in accordance with the agreement. The City paid \$2,115,565 to the 2017 Company during the year ended June 30, 2021.

In December 2019, the City entered into a Location Agreement with a manufacturer and distributor of general merchandise (the "**2019 Company**") to make payments to the 2019 Company in return for the 2019 Company establishing, locating and operating a sales office in the City. Under the terms of the agreement, the City has agreed to pay the 2019 Company 50% of the quarterly local sales tax revenues attributable to the 2019 Company's taxable sales for each fiscal quarter, excluding penalty assessments, commencing with the quarter beginning January 1, 2020 and ending on December 31, 2040, unless otherwise extended in accordance with the agreement. Taxable sales under the Location Agreement with the 2019 Company have not commenced as of February 1, 2022; consequently, the City has paid \$0 to the 2019 Company as of such date.

Historical Composition of Sales Tax Revenue. A historical summary of sales tax composition by category is shown in the following table. The data presented show the full value of the City's 1.0% share of sales taxes under the Sales Tax Law, and do not reflect the State's "triple-flip" adjustments, administrative fees, or the 5% of the City's revenue allocable to San Joaquin County. The table below is provided by the City's sales tax auditors (HdL) and reflects allocation on a calendar year basis.

Table 9
Taxable Sales by Category
(calendar year basis)
(\$000s)

Category	2016	2017	2018	2019	2020
Apparel stores	\$42,756	\$44,760	\$48,498	\$45,863	\$29,843
General merchandise stores	203,460	210,820	212,792	215,649	211,080
Food and beverage stores	39,953	39,602	41,342	44,890	52,921
Eating and drinking places	155,560	162,261	169,434	176,257	156,555
Building maintenance and garden supplies	140,715	159,799	180,713	190,441	202,652
Auto dealers and auto suppliers	343,861	379,058	369,499	349,716	367,471
Service stations	144,048	159,778	183,856	178,037	131,426
Other retail stores	160,573	155,252	163,611	156,467	150,368
All other outlets	601,684	1,091,917	1,344,089	1,807,673	2,063,972
Total	\$1,832,610	\$2,403,247	\$2,713,834	\$3,164,993	\$3,366,288

Source: City of Tracy, based on information provided by Hdl.

Other Taxes and Revenues

Business License Taxes. Business taxes are paid by individuals and entities for the privilege of conducting business in the City and to help pay for public services that contribute to a favorable business environment. The tax rate depends upon the type and size of the business. Some businesses pay a flat rate. Business tax receipts tend to fluctuate with economic cycles, though to a lesser degree than sales taxes.

Each person transacting and carrying on a business not specifically classified by other sections of the City municipal code is required to pay an annual business tax of \$100, which covers one owner, plus \$20 for each additional employee or owner. Each business tax will be determined annually based upon the average number of employees of the business in the City's preceding year.

Exemptions are provided for the following:

- Nonprofit organizations.
- Disabled veterans.
- Disabled persons.
- Minimal income persons. Any person whose annual gross income from any such business is less than \$2,000.
- Minors.
- Solicitors in interstate commerce.

The City received approximately \$851,000 in Business License tax revenue for Fiscal Year 2019-20 and approximately \$1,016,000 for Fiscal Year 2020-21.

Franchise Taxes. State law provides cities with the authority to grant franchises to privately-owned utility and other companies for their use of the public right-of-way. The City receives franchise fees from the electric and gas utility, the solid waste collection company, and local cable companies. The dominant franchise fees are calculated as a percentage of the

respective franchisee's gross revenues (subject to specified statutory adjustments) earned from services delivered or performed by the franchisee within the City.

Gas and electricity franchise: PG&E franchise fee revenues change because of changes to the cost of natural gas and other resources used to generate electricity, consumer power demands (which are affected by the economy), interstate energy contract pricing, and State and federal regulatory changes. Decreased demand (a factor of weather and price) or significant interstate cost decreases are factors that might negatively affect this revenue. Gas and electric franchise fee revenues were \$756,329 in Fiscal Year 2019-20 and \$828,830 in Fiscal Year 2020-21.

Cable franchise: AB 2987 was signed into California law and became effective January 1, 2007. This legislation transferred the franchising functions to the State and set a fixed franchise fee of 5%. Cable franchise fee revenues were \$812,154 in Fiscal Year 2019-20 and \$827,272 in Fiscal Year 2020-21.

Solid waste collection franchise: Solid waste collection franchise fee revenues were \$2,295,852 in Fiscal Year 2019-20 and \$2,430,932 in Fiscal Year 2020-21.

Transient Occupancy Taxes (TOT). The City's transient occupancy tax rate of 10% is charged on hotel and motel room occupancies of 30 days or less. It is paid by hotel and motel customers in addition to the room rate. Fiscal Year 2020-21 transient occupancy tax revenues were \$1.7 million, an increase of 18% from the prior Fiscal Year level.

Long-Term Obligations

General Fund and Enterprise Obligations. Following is a summary schedule of the City's outstanding debt, including both general fund obligations and enterprise (business-type) obligation.

	<u>Balance June 30, 2021</u>
Governmental Activities	
Lease Revenue Bonds, Series 2020	\$ 17,635,000
Total Governmental Activities	17,635,000
Business-Type Activities	
2004 Wastewater Certificates of Participation	\$ 21,175,000
State of California Public Health Loan	<u>7,554,235</u>
Total Business-Type Activities	28,719,235
Successor Agency	
Tax Allocation Refunding Bonds, Series 2016	\$ <u>27,650,000</u>
Total Successor Agency	<u>27,650,000</u>
Total	<u>\$ 74,004,235</u>

Source: City of Tracy Fiscal Year 2020-21 Annual Comprehensive Financial Report.

The City also anticipates that it may within the next year incur additional lease revenue bonds of approximately \$30 million in principal amount to finance a portion of a planned recreation center. However, there can no assurance as to the timing, the principal amount, or the interest rates that the City may obtain and the City may elect not to issue any such bonded indebtedness.

Special Tax and Assessment Obligations. The City has financed certain infrastructure improvements through the issuance of long-term debt secured by special taxes and assessments. The City has no direct or contingent liability or moral obligation for the payment of this debt from the general fund. The combined outstanding balance of this debt as of June 30, 2021, was \$134,760,000.

Direct and Overlapping Bonded Debt

Set forth following is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective _____, 2022. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage of the assessed valuation of the

overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

[Table to come]

Employee Relations

There are approximately 548 full and part-time employees of the City, represented by formal labor organizations or not represented, as shown in the table below.

Labor Group	Number of Employees	Contract Expiration Date
Elected	6	N/A
Appointed	2	N/A
Department Heads	11	June 30, 2023
Confidential Mid-Managers	24	June 30, 2023
Mid-Managers Bargaining Unit	66	June 30, 2023
Tracy Technical & Support Services Employees Assn	76	June 30, 2023
Teamsters	185	June 30, 2023
Tracy Police Officers Assn	90	June 30, 2023
Tracy Police Managers Assn	9	June 30, 2023
Tracy Fire Fighters Assn	76	June 30, 2023
South County Fire Chiefs Assn	3	June 30, 2023
Total	548	

Risk Management

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The city maintains the Insurance Internal Service Fund to account for and finance its risks of loss.

Coverage. The City participates in the Central San Joaquin Valley Risk Management Authority (“CSJVRMA”), a public entity risk pool currently operating as a common risk management and insurance program for 54 cities. The purpose of CSJVRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. The CSJVRMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City. Audited financial statements are available from the Central San Joaquin Risk Management Authority at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City participates in the following pooled coverages through CSJVRMA:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$54,000,000
Property (\$5,000 to \$10,000)	1,000,000,000
Worker’s Compensation (\$200,000)	Statutory Limits
Boiler and Machinery (\$1,000 to \$10,000)	100,000,000
Automobile (\$500 for vehicles valued above \$25,000)	1,000,000,000

The CSJVRMA maintains separate records for each member for each year of participation. The records track cash paid to the CSJVRMA through deposit premium and assessments, the City’s self-insured retention portion of claims paid, and the City’s allocation of shared risks. Five years after the close of the workers’ compensation coverage year and five years after the close of the general liability coverage year, the CSJVRMA assesses the status of all members for the year, then either makes a refund to a member if it has positive balance (i.e. payout and reserve experience is less than premiums paid) or collects any deficit.

During the Fiscal Year ended June 30, 2021, the City contributed \$5,191,306 for current year coverage. Settled claims have not exceeded insurance coverage in any of the past three Fiscal Years.

Liability for Uninsured Claims. The City provides for the uninsured portion of claims and judgments, including provisions for claims incurred but not reported, in the Insurance Internal Service Fund. Claims and judgments are recorded when a loss is deemed probable of asserting and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. The City has estimated that claims will become due and payable in more than one year.

See Note 11 in the City's Fiscal Year 2020-21 audited financial statements, which are attached to this Official Statement as APPENDIX C, for additional information about the City's risk management practices.

Employee Retirement System

This caption contains certain information relating to California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from the City's Annual Comprehensive Financial Report and information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The Annual Comprehensive financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Purchaser can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Descriptions. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Classic CalPERS members become eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. Benefits are based on years of credited service, equal to one year of full time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit

is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments (“COLA”) for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

A summary of the City’s benefit formulas as of June 30, 2021, is provided below:

Miscellaneous

	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
Hire date	Prior to October 9, 2011	After October 9, 2011	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 63	52-67
Monthly benefits, as of % of eligible compensation	2.0% - 2.5%	1.426% - 2.418%	1.0%-2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	9.838%	9.838%	9.838%
Required UAL contribution-Miscellaneous		\$3,442,778	

Safety-Police

	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
Hire date	Prior to April 8, 2012	After April 8, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as of % of eligible compensation	3.0%	2.4%-3.0%	2.0%-2.7%
Required employee contribution rates	9%	9%	13%
Required employer contribution rates	21.845%	21.8458%	21.845%
Required UAL contribution-Police and Fire		\$3,259,512	

Safety-Fire

	Classic Tier I	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @55	2.7% @57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	50-57
Monthly benefits, as of % of eligible compensation	2.4%-3.0%	2.0%-2.7%
Required employee contribution rates	9%	13%
Required employer contribution rates	21.845%	21.845%

Required UAL contribution-Police and Fire Included in Safety-Police total in the prior table

Beginning in Fiscal Year 2018, CalPERS collects employer contributions for the Plans as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded accrued liability (“UAL”). The dollar amounts are billed on an annual basis. The City’s required contributions for the unfunded liability for Miscellaneous and Safety Plans were \$3,442,778 and \$3,259,512, respectively, in Fiscal Year 2020-21, as shown in the tables above.

Employees Covered. At the June 30, 2020 measurement date, the following employees were covered by the benefit terms for each plan:

	Miscellaneous	Safety
Active employees	331	165
Transferred and terminated employees	277	58
Retired employees and beneficiaries	338	169
Total	946	392

Required Contributions. The City is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortize the unfunded liability. The actuarially determined rates and contribution amounts for each plan for the Fiscal Years ended June 30, 2021, through June 30, 2023, are as follows:

	Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23	
	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
Safety Plan	21.845%	\$3,259,512	21.89%	\$4,122,136	21.73%	\$4,756,422
Miscellaneous Plan	9.838%	\$3,442,778	9.56%	\$4,226,040	9.10%	\$4,577,079

Source: CalPERS Actuarial Reports dated, July 2019, July 2020, and July 2021.

On July 12, 2021, CalPERS announced preliminary investment returns for the 12-month period ended June 30, 2021, of 21.3%. Such returns are higher than CalPERS’ current assumed rate of investment return (6.8%). See “–Recent Actions Taken by CalPERS” below.

The City's total contributions to each plan in Fiscal Years 2018-19, 2019-20, and 2020-21 were as follows:

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2018-19	\$4,749,293
2019-20	5,566,882
2020-21	6,067,472

Safety Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2018-19	\$5,643,974
2019-20	6,437,044
2020-21	7,379,603

Projected Contributions. The table below shows the City's required and projected contributions (before cost sharing) for the next six Fiscal Years, as projected by CalPERS. Projected results reflect the adopted changes to the CalPERS discount rate. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in these projections do not reflect that the normal cost will decline over time as new employees are hired into PEPPRA or other lower cost benefit tiers.

Miscellaneous Plan

	<u>Required Contribution</u>	<u>Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)</u>				
<u>Fiscal Year</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Normal Cost %	9.10%	98.9%	8.7%	8.6%	8.4%	8.2%
UAL Payment	\$4,577,079	\$4,915,000	\$5,083,000	\$4,930,000	\$4,800,000	\$4,912,000

Source: CalPERS Actuarial Report dated July 2021.

Safety Plan

	<u>Required Contribution</u>	<u>Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)</u>				
<u>Fiscal Year</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Normal Cost %	21.73%	21.4%	21.0%	20.5%	20.0%	19.6%
UAL Payment	\$4,756,422	\$5,168,000	\$5,586,000	\$5,833,000	\$5,817,000	\$5,952,000

Source: CalPERS Actuarial Report dated July 2021.

Funded Status. The following table sets forth the schedule of funding progress for the City's Miscellaneous and Safety pension plans as of the three most recent actuarial valuation dates.

Miscellaneous Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2018	\$159,190,541	\$116,812,860	\$42,377,681	73.4%	\$23,490,377
2019	171,530,366	124,601,929	46,928,437	72.6	26,700,001
2020	180,163,889	130,921,832	49,242,057	72.7	27,214,046

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2021.

Safety

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2018	\$188,517,760	\$139,620,656	\$48,897,104	74.1%	\$17,089,085
2019	203,126,661	149,228,175	53,898,486	73.5	18,949,564
2020	216,226,719	157,292,202	58,934,517	72.7	20,190,098

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2021.

In March 2022, in response to increases in projected General Fund revenues, the City Council of the City approved a plan to pre-fund a portion of the unfunded liability of the City's pension plans, in the amount of \$2 million per fiscal year for five fiscal years.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the then-current rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00%. CalPERS further reduced the discount rate to 6.8% in September 2021.

Investment Performance. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or

decrease future contribution rates for plan participants, including the City. CalPERS has preliminarily reported a 21.3% investment return for Fiscal Year 2020-21.

The CalPERS website contains the most recent actuarial valuation reports for the City's Miscellaneous Plan and Safety Plan and other information that concerns benefits and other matters. The Comprehensive Annual financial reports of CalPERS are also available on CalPERS' Internet website at www.calpers.ca.gov. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the Authority, the City, nor the Underwriter guarantee the accuracy of such information.

Other Post-Employment Benefits (“OPEB”)

This caption contains certain information relating to the City's OPEB plan, and is primarily derived from the City's Annual Comprehensive Financial Report.

Plan Description. The City administers a single employer defined benefit (implicit subsidy) healthcare plan. No assets have been accumulated in a trust for the payment of benefits that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. However, the City does not explicitly pay for the cost of retiree health premiums. The medical plans consist of a Kaiser HMO, a Kaiser POS, and a Kaiser PPO, all fully insured. Medical premiums for retirees under age 65 are the same as those charged for active employees.

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank that can be used for medical, dental and vision premiums. Miscellaneous employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least 10 years of employment with the City. Safety employees: Police employees can bank their unused sick leave if they have at least 10 years of employment. Fire employees have a choice to bank their unused sick leave. Fire employees also need at least 10 years of employment to receive this benefit. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees' hourly rate of pay at the time of retirement.

The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until that bank is exhausted.

The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the Fiscal Year ending June 30, 2021, those costs for 86 retirees totaled \$602,580 and the total liability amount in the medical leave bank is \$3,926,836.

After the account is exhausted, the retiree has the option either to terminate coverage or elect to continue paying the medical (but not dental or vision) premiums from personal funds. Spouses and eligible dependent children of retirees may also be covered at the retiree's expense. While the City does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the

retirees, called an “implicit subsidy” under generally accepted accounting principles. The inclusion of the retirees increases the City’s overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The ability to participate in the City’s health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, both their liability and their annual implicit subsidy are both \$0. The Plan does not issue a separate financial report.

Membership of the Plan consisted of the following as of June 30, 2020, the date of the latest actuarial valuation:

Active employees	320
Transferred and terminated employees	--
Retired employees and beneficiaries	18
Total	338

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Additionally, in March 2022, in response to increases in projected General Fund revenues, the City Council of the City approved a plan to pre-fund a portion of the City’s OPEB liability, in the amount of \$2 million per fiscal year for five fiscal years.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation date	June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions	
Discount rate	2.66%
Inflation	2.50%
Projected salary increase	3.00%
Healthcare trend	5.70% initially reduced by decrements to an ultimate of 4.0% in 2076
Mortality	CalPERS 2017 Experience Study

Changes in OPEB Liability of the City. The changes in OPEB liability of the City as of June 30, 2020, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY		Total OPEB Liability
Balance at June 30, 2019		\$6,666,572
Service Cost		443,619
Interest on the total OPEB liability		195,454
Difference between expected and actual experience		(356,446)
Changes of Assumptions		(388,970)
Benefit payments		<u>(209,370)</u>
Net changes		(315,713)
Balance at June 30, 2020 (Measurement Date)		\$6,350,859

Source: City of Tracy Fiscal Year 2020-21 Annual Comprehensive Financial Report.

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for period ended June 30, 2021:

	Discount Rate (1%) 1.66%	Current Discount Rate 2.66%	Discount Rate + 1% 3.66%
Net OPEB Liability	\$6,933,014	\$6,350,859	\$5,818,126

Source: City of Tracy Fiscal Year 2020-21 Annual Comprehensive Financial Report.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future.

See Note 13 in the City's Fiscal Year 2020-21 audited financial statements, which are attached to this Official Statement as APPENDIX C, for additional information about the City's OPEB plan.

Investment Policies and Procedures

The City invests its funds in accordance with the City's Investment Policy (the "**Investment Policy**"), which is subject to annual review and approval by the City Council. The purpose of the Investment Policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to seek the City objectives of safety, liquidity and return on investment through a diversified investment portfolio. The Investment Policy also serves to organize and formalize the City's investment-related activities, while complying with all applicable statutes governing the investment of public funds. The Investment Policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

The City's overall investment program is designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

The City's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between the Investment Policy and the Government Code, the more restrictive parameters will take precedence.

Monthly transaction reports are submitted by the City Treasurer to the City Council within 30 days of the end of the reporting period in accordance with California Government Code Section 53607. In addition, the City Treasurer submits a quarterly investment report to the City Council which provides full disclosure of the City's investment activities within 30 days after the end of the quarter.

As of December 31, 2021, the City has invested funds as set forth in the table below.

Table 10
Investment Portfolio as of December 31, 2021

	Market Value	Percentage of Portfolio
Investments in City Pool:		
Wells Fargo, Sweep	\$60,762,287	13.26%
Wells Fargo, Checking	4,358	0.00
Chandler Asset Management	143,711,118	31.37
J.P. Morgan Securities	71,374,589	15.58
Invesco	56,900,686	12.42
State of California Local Agency Investment Funds (LAIF)	68,586,361	14.97
CAMP	<u>4,038,103</u>	<u>0.88</u>
Total City Pool Investments	405,377,502	88.49
Investments Held by Trustees:		
Money Market Funds	<u>52,733,981</u>	<u>11.51</u>
Total Investments	\$458,111,483	100.00%

Source: City of Tracy.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article

XIIIC define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2022 Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City’s General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local

governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2022 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2022 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2022 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2022 Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations."

Limitations on Taxes and Fees

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIC and Article XIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations

Under the Indenture, the Authority may issue Additional Bonds payable on a parity with the 2022 Bonds, provided that the conditions set forth in the Indenture are met. See "SECURITY FOR THE 2022 BONDS – Additional Bonds."

The City has existing obligations payable from its General Fund. See “CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations.” The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2022 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City’s revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Authority is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a detailed description of available remedies in the case of a default under the Lease Agreement.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2022 Bonds or pay debt service on the 2022 Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation, or title defects which cause a substantial interference with the use and possession of the Leased Property, the City’s obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2022 Bonds as and when due. See “SECURITY FOR THE 2022 BONDS – Abatement” and “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

There will be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments that would otherwise be abated. See “SECURITY FOR THE 2022 BONDS – Abatement.” However, there is no assurance that the Authority will receive proceeds of hazard

insurance or rental interruption insurance in time to make debt service payments on the 2022 Bonds when due.

Although the City is required under the Lease Agreement to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See “SECURITY FOR THE 2022 BONDS – Property Insurance.”

No Debt Service Reserve Fund

The Authority will not fund a debt service reserve fund for the 2022 Bonds. If Revenues are insufficient for the Authority to pay debt service on the 2022 Bonds when due, no debt service reserve will be available under the Indenture for the Authority to make such payments.

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City’s property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City’s ability to pay principal of and interest on the 2022 Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present

market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

Natural Calamities

From time to time, the City could be subject to natural calamities that may adversely affect economic activity in the City, which could have a negative impact on the City’s finances. Additionally, a natural calamity adversely affecting the Leased Property could have a negative impact of the City’s use of such property, which could result in abatement of Lease Payments. See “– Abatement” above.

Seismic. Major earthquake fault zones in the vicinity of the City include the Greenville fault zone to the west and the San Joaquin fault to the south, among others. The City cannot predict how much damage may occur within the City to the Leased Property, specifically, and how much reduction in assessed valuation in the City may result from an earthquake.

Under the Lease Agreement, the City is not required to obtain earthquake insurance on the Leased Property.

Flood. According to Federal Emergency Management Agency maps, the majority of the City is outside the 100-year flood zone. However, the Leased Property is located in Zone AE, which is subject to inundation by a 100-year flood. Most of the area of the Leased Property consists of fields without impervious improvements. Additionally, the permanent structures such as bathrooms and concessions stands have been constructed at an elevation above that of the 100-year floodplain. Nonetheless, in the event of a flood at the Leased Property, the Leased Property (including its permanent structures) may be damaged and such damage may be material.

Fire Hazards. In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not

previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future.

The land within the City is susceptible to wildland fires due to a combination of factors including winds, temperatures, humidity levels, fuel moisture content of vegetation and topography. The risk to the community is increased in some areas because of the combustibility of building materials including roofs, adequacy of access roads, water supply duration, and pressure and maintenance of flammable vegetation surrounding structures.

To quantify this potential hazard, the California Department of Forestry and Fire Protection (“**Cal Fire**”) has developed a fire modeling and mapping process that utilizes three main criteria in order to evaluate and recommend potential fire hazards in wildland areas. The criteria are type of vegetation, fire weather, and topography. The maps developed by Cal Fire identify areas as Fire Hazard Severity Zones and include three severity classifications: moderate, high, and very high.

Fire hazards in the City are usually created as the number of homes adjoining open space increases; therefore, much of the threat of wildland fires is due to open grasslands abutting residential developments. Many neighborhoods within the City are located in remote regions and are surrounded by grasslands. As the City continues to expand, more of these wildland urban interface areas are created. This situation creates extreme fire hazards, and the City is committed to planning development, with the help of fire protection agencies, that minimizes the risk of fire to the greatest extent possible. Because of an extended dry season with low humidity, the City has many days where fire danger is critical.

In the event taxable property within the City were destroyed by wildfires, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could result in a reduction of property tax revenues to the City.

Droughts. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

Public Health Emergencies

General. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City's operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described in this Official Statement. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Collection of Taxes. On March 30, 2020, the Governor issued Executive Order N-40-20, which delayed the deadline for the filing and payment of sales and use taxes by 90 days for all but the largest taxpayers. Under Executive Order N-40-20 and a subsequent notice from the California Department of Tax and Fee Administration, businesses with less than \$5 million in taxable annual sales are authorized to defer up to \$50,000 in sales tax and enter into a 12-month, zero interest payment plan. The Governor has also issued an Executive Order for waivers of late penalties on property taxes. Such efforts to relieve the financial impact of the COVID-19 pandemic on taxpayers have not resulted in significant delays in revenue collection by the City.

On May 6, 2020 in response to the COVID-19 pandemic, the Governor issued Executive Order N-61-20 to allow qualified taxpayers to request relief of penalties on property taxes for owner occupied residential real property and real property owned and operated by a taxpayer that qualifies as a small business under the Small Business Administration's Regulations, Code of Federal Regulations Title 13, section 121.201. To be eligible for penalty relief taxpayers must fall into one of two categories: (i) owner occupied residential real property; or (ii) real property owned and operated by a taxpayer qualified as a small business. For homeowners requesting penalty relief on property taxes for a residential real property that the homeowner occupies, the homeowner may qualify for penalty relief if all of the following are true: (i) taxes on real property were current as of March 4, 2020; (ii) the homeowner was unable to pay on time and that inability was due to a COVID-19 pandemic related impact; (iii) the homeowner was able to submit payment of the original tax amount due with the request for relief; and (iv) the homeowner's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the homeowner satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and must provide documentation to support the request.

To be eligible for penalty relief for real property owned and operated by a taxpayer as a qualified small business, the taxpayer may qualify for penalty relief if all of the following are true: (i) taxes on the real property were current as of March 4, 2020; (ii) the business was unable to pay on time and that inability was due to a COVID-19 related impact; (iii) the taxpayer is able to submit payment of the original tax amount due with the request for relief; and (iv) the taxpayer's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the taxpayer satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and will need to provide documentation to support their request.

The impacts from the COVID-19 pandemic are anticipated to continue in Fiscal Year 2021-22 and future fiscal years and such impacts are unpredictable. See "CITY FINANCIAL INFORMATION."

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2020-21, sales tax revenues were the largest source of revenue to the City. See “CITY FINANCIAL INFORMATION – Major Revenues” and “– Sales and Use Taxes.” Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City’s receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIC and Article XIID.”

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City’s sales tax could also be changed.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” above. Furthermore, any remedies available to the owners of the 2022 Bonds upon the occurrence of an event of default under the Lease Agreement or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease Agreement and the Indenture, the rights and obligations under the 2022 Bonds, the Lease Agreement and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2022 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2022 Bonds will include a qualification that the rights of the owners of the 2022 Bonds and the enforceability of the 2022 Bonds and the Indenture, the Lease Agreement and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL.

Loss of Tax-Exemption

As discussed under the caption “TAX MATTERS,” interest on the 2022 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2022 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Lease Agreement and the Indenture. Should such an event of taxability occur, the 2022 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2022 Bonds or, if a secondary market exists, that any 2022 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the 2022 Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2022 Bond owners.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the “**IRS**”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2022 Bonds might be affected as a result of such an audit of such 2022 Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2022 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 2022 Bond owners from realizing the full current benefit of the tax status of such interest.

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 2022 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.

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 2022 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 2022 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2022 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 2022 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 2022 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 2022 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2022 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2022 Bonds who purchase the 2022 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2022 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2022 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 2022 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2022 Bond (said term being the shorter of the 2022 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 2022 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2022 Bond is amortized each year over the term to maturity of the 2022 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 2022 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 2022 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2022 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 2022 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 2022 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 2022 Bonds, or as to the consequences of owning or receiving interest on the 2022 Bonds, as of any future date. Prospective purchasers of the 2022 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 2022 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2022 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 2022 Bonds, the ownership, sale or disposition of the 2022 Bonds, or the amount, accrual or receipt of interest on the 2022 Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2022 Bonds, the form of which is set forth in APPENDIX D.” Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease Agreement, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease Agreement.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "____" to the 2022 Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2022 Bonds may have an adverse effect on the market price or marketability of the 2022 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2022 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**"), by not later than nine months after the end of the City's fiscal year (presently June 30) and commencing April 1, 2023, with the report for the fiscal year ending June 30, 2022, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City, on its own behalf and on behalf of related entities, has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance

with those undertakings. During the past five years, the City or its related entities have failed to comply with prior undertakings as follows:

- The audited financial statements for Fiscal Year 2015-16 were filed approximately 15 months late;
- Certain operating and financial data for Fiscal Years 2016-17, 2017-18, and 2018-19 were filed up to 80 days late; and
- Certain information was omitted from the operating and financial data filed for Fiscal Years 2016-17 and 2017-18 because it was unavailable at the time the filing was due, but that information was subsequently filed when it became available.

The City has engaged Goodwin Consulting Group, Inc., to serve as its dissemination agent and assist the City in complying with its continuing disclosure undertakings. To further ensure such compliance, the City has adopted policies and procedures related thereto.

UNDERWRITING

The 2022 Bonds are being purchased by Piper Sandler & Co. (the “**Underwriter**”), at a purchase price of \$_____ (which represents the aggregate principal amount of the 2022 Bonds (\$_____), plus an original issue premium/less an original issue discount of \$_____, less an Underwriter's discount of \$_____).

The purchase agreement relating to the 2022 Bonds provides that the Underwriter will purchase all of the 2022 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2022 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Piper Sandler & Co. has entered into a distribution agreement with Charles Schwab & Co., Inc. (“**CS&Co.**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the agreement, CS&Co. will purchase the 2022 Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any 2022 Bonds that CS&Co. sells.

MUNICIPAL ADVISOR

The Authority has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the 2022 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

PROFESSIONAL FEES

In connection with the issuance of the 2022 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2022 Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- Stradling Yocca Carlson & Rauth, P.C., as Underwriter's Counsel;
- A portion of the fees of CSG Advisors Incorporated, as municipal advisor; and
- U.S. Bank Trust Company, National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

TRACY PUBLIC FINANCING AUTHORITY

By: _____
Chair

CITY OF TRACY

By: _____
Finance Director

APPENDIX A

**GENERAL INFORMATION ABOUT THE CITY OF TRACY
AND THE COUNTY OF SAN JOAQUIN**

The following information concerning the City of Tracy (the “City”) and the County of San Joaquin (the “County”) is included only for the purpose of supplying general information regarding the area of the City. The 2022 Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

**CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2017 through 2021 as of January 1**

<u>Calendar Year</u>	<u>City of Tracy</u>	<u>San Joaquin County</u>	<u>State of California</u>
2017	90,488	744,843	39,352,398
2018	92,395	752,958	39,519,535
2019	94,326	752,958	39,605,361
2020	95,861	773,505	39,648,938
2021	98,601	773,505	39,466,855

Source: State Department of Finance estimates.

Employment and Industry

The City is included in the Stockton Metropolitan Statistical Area (“**MSA**”), which includes all of San Joaquin County. The unemployment rate in the County was 6.6% in November 2021, down from a revised 7.3% in October 2021, and below the year-ago estimate of 8.7%. This compares with an unadjusted unemployment rate of 5.4% for the State and 3.9% for the nation during the same period.

Set forth below is data from calendar years 2016 to 2020 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2016 through 2020
(March 2020 Benchmark)**

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	318,300	323,200	324,200	326,500	331,800
Employment	292,400	300,400	304,300	306,900	294,500
Unemployment	25,900	22,800	19,900	19,600	37,400
Unemployment Rate	8.2%	7.0%	6.1%	6.0%	11.3%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	16,700	16,400	15,600	15,400	14,300
Mining and Logging	100	100	100	100	100
Construction	11,100	11,700	12,800	13,100	12,900
Manufacturing	19,800	20,300	20,600	20,600	20,500
Wholesale Trade	10,700	11,100	11,700	11,600	10,500
Retail Trade	26,500	26,800	26,700	26,200	24,600
Transportation, Warehousing and Utilities	23,000	26,200	28,400	31,300	38,300
Information	2,000	1,800	1,800	1,600	1,200
Financial Activities	7,500	7,800	7,800	7,900	7,800
Professional and Business Services	19,600	19,200	19,600	20,200	21,100
Educational and Health Services	36,400	38,200	38,800	39,100	37,100
Leisure and Hospitality	20,400	21,500	22,000	22,600	18,400
Other Services	7,500	7,600	7,600	7,800	6,700
Federal Government	3,000	3,100	3,100	3,200	3,300
State Government	6,400	6,600	6,700	6,800	6,800
Local Government	31,400	32,800	33,700	34,900	33,100
Total All Industries ⁽³⁾	242,000	251,100	256,900	262,400	256,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of January 2022.

SAN JOAQUIN COUNTY Major Employers As of January 2022

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Ashley Lane LP	Stockton	Real Estate
Blue Shield of California	Lodi	Insurance
Dameron Hospital	Stockton	Hospitals
Deuel Vocational Instn Fire	Tracy	Fire Departments
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
St Joseph's Regional Health	Stockton	Hospitals
Stockton Police Dept	Stockton	Police Departments
Stockton Unified School Dist	Stockton	School Districts
Walmart Supercenter	Stockton	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.

The following table lists the twenty principal employers within the City, by number of employees, as of June 30, 2021.

**CITY OF TRACY
Principal Employers
As of June 30, 2021**

<u>Employer Name</u>	<u>Number of Employees</u>
Amazon.com Services LLC	7,325
FedEx Ground Package System, Inc.	925
Taylor Farms Pacific Inc	795
Medline Industries Inc	651
Randstad Inhouse Services LLC	632
DHL Supply Chain	463
Walmart #2025	402
Leprino Foods	349
Costco Wholesale #658	240
Randstad Inhouse Services LP	234
Crate & Barrel	233
Pacific Medical Inc.	214
The Home Depot #5641	211
The Home Depot #1020	211
Ingram Micro Inc.	200
Randstad Inhouse Service LP	194
International Paper	185
Macy's	179
Glassfab Tempering	177
Target Stores T738	173

Source: City of Tracy Comprehensive Financial Report for fiscal year ended June 30, 2021.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first three quarters of calendar year 2021 in the City were \$4,265,018,759, a 108.98% increase over the total taxable sales of \$2,040,914,977 reported during the first three quarters of calendar year 2020.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	1,088	\$1,280,961	1,715	\$1,536,172
2017	1,150	1,371,679	1,803	2,042,411
2018	1,192	1,489,764	1,921	2,319,543
2019	1,224	1,472,148	2,000	2,692,497
2020	1,395	1,459,813	2,284	2,815,807

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of calendar year 2021 in the County were \$16,201,722,121, a 44.88% increase over the total taxable sales of \$11,182,961,549 reported during the first three quarters of calendar year 2020.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	9,480	\$7,380,226	14,682	\$10,922,271
2017	9,506	7,994,473	14,758	12,153,268
2018	9,660	8,855,169	15,457	13,457,721
2019	9,978	9,058,063	16,144	14,311,068
2020	11,188	10,122,979	18,358	15,609,880

Source: State Department of Tax and Fee Administration.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2018 through 2022.

CITY OF TRACY AND SAN JOAQUIN COUNTY Median Household Effective Buying Income 2018 through 2022

	2018	2019	2020	2021	2022
City of Tracy	\$68,295	\$73,172	\$76,142	\$78,492	\$89,938
San Joaquin County	49,883	55,534	58,141	59,914	68,971
California	59,646	62,637	65,870	67,956	77,058
United States	50,735	52,841	55,303	56,790	64,448

Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF TRACY
Building Permit Activity
For Calendar Years 2016 through 2020
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$87,820.2	\$98,767.2	\$214,928.9	\$223,795.2	\$239,658.3
New Multi-family	34,038.7	9,686.4	84,832.3	0.0	0.0
Res. Alterations/Additions	<u>2,281.9</u>	<u>2,982.3</u>	<u>6,058.5</u>	<u>9,178.8</u>	<u>4,504.7</u>
Total Residential	\$124,140.8	\$111,435.9	\$305,819.7	\$232,974.0	\$244,163.0
New Commercial	\$92,124.7	\$184,438.3	\$331,633.7	189,205.1	168,307.4
New Industrial	57,441.7	38,978.1	74,814.4	13,881.6	526,301.0
New Other	11,375.8	4,769.2	8,265.5	7,006.5	4,828.5
Com. Alterations/Additions	<u>138,604.1</u>	<u>93,059.7</u>	<u>60,479.7</u>	<u>60,676.8</u>	<u>62,904.6</u>
Total Nonresidential	\$299,546.3	\$321,245.3	\$475,193.3	\$270,770.0	\$762,341.5
<u>New Dwelling Units</u>					
Single Family	216	236	534	551	692
Multiple Family	<u>432</u>	<u>65</u>	<u>507</u>	<u>0</u>	<u>0</u>
TOTAL	648	301	1,041	551	692

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY
Building Permit Activity
For Calendar Years 2016 through 2020
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$467,494.7	\$652,308.1	\$883,071.1	\$843,700.9	\$870,859.6
New Multi-family	66,794.5	62,635.8	99,601.4	57,271.1	38,411.8
Res. Alterations/Additions	<u>99,049.9</u>	<u>86,516.1</u>	<u>95,073.4</u>	<u>98,681.9</u>	<u>40,144.4</u>
Total Residential	\$633,339.1	\$801,460.0	\$1,077,745.9	\$999,653.9	\$949,415.8
New Commercial	\$205,510.1	\$357,856.9	\$498,359.0	\$380,383.3	\$255,761.2
New Industrial	61,687.0	179,728.4	240,073.7	120,003.8	534,199.5
New Other	42,074.7	27,794.7	31,904.4	61,991.7	33,112.3
Com. Alterations/Additions	<u>298,721.9</u>	<u>269,172.8</u>	<u>249,142.4</u>	<u>363,840.9</u>	<u>135,285.4</u>
Total Nonresidential	\$607,993.7	\$834,552.8	\$1,019,479.5	\$926,219.7	\$958,358.4
<u>New Dwelling Units</u>					
Single Family	1,754	2,078	2,765	2,564	2,843
Multiple Family	<u>550</u>	<u>516</u>	<u>293</u>	<u>461</u>	<u>245</u>
TOTAL	2,304	2,594	3,358	3,025	3,088

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

FISCAL YEAR 2020-21 ANNUAL COMPREHENSIVE FINANCIAL REPORT

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2022

Tracy Public Financing Authority
333 Civic Center Plaza
Tracy, California 95376

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

OPINION: \$_____ Tracy Public Financing Authority Lease Revenue Bonds, Series
2022A (Legacy Fields)

Members of the Board of Directors and City Council:

We have acted as bond counsel to the Tracy Public Financing Authority (the "Authority") and the City of Tracy (the "City") in connection with the issuance by the Authority of the lease revenue bonds captioned above, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, the Indenture of Trust, dated as of May 1, 2022 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on _____, 2022.

Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including lease payments made by the City under a Lease Agreement dated as of May 1, 2022 (the "Lease Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Lease Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and the Lease Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing municipal corporation and general law city with the power to enter into the Lease Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Lease Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds on a parity basis with other bonds (if any) issued or to be issued in accordance with the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with 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 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

8. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, our opinions represent our legal judgment based upon our review of existing law that we

deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Tracy (the “City”) in connection with the issuance by the Tracy Public Financing Authority (the “Authority”) of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of May 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

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

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

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

“*Annual Report Date*” means nine months after the end of the City’s fiscal year (currently April 1, based on the City’s fiscal year-end of June 30).

“*Dissemination Agent*” means, initially, Goodwin Consulting Group, Inc., and any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement dated _____, 2022, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Piper Sandler & Co., the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2023, with the report for the 2021-22 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written general fund with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement, as follows:

(i) the principal amount of Bonds outstanding as of June 30 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture as of June 30 preceding the filing of the Annual Report; and

(iii) updates as of June 30 preceding the filing of the Annual Report of the substance of the information contained in following tables in the Official Statement:

(1) Statement of General Fund Revenues, Expenditures and Changes in Fund Balance, substantially in the form of Table 4 in the Official Statement;

(2) Assessed Value of Taxable Property, substantially in the form of Table 6 in the Official Statement;

(3) Principal Property Tax Payers, substantially in the form of Table 7 in the Official Statement; and

(4) Major Tax Revenues by Source — General Fund, substantially in the form of Table 5 in the Official Statement.

(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 City or related public entities, which are available to the public through the MSRB. The City 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 the MSRB.

Section 5. Reporting of Listed Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.

- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (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 Fiscal Agent or the change of name of the Fiscal Agent, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.

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

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

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental

authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be the City. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative

form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

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

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

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

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

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

*If to the Authority
or the City:*

City of Tracy
333 City Center Plaza
Tracy, California 95376
Attention: Finance Director

Any person may, by written notice to the other persons listed above, designate a different address to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. 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: _____, 2022

CITY OF TRACY

By: _____
Karin Schnaider,
Finance Director

AGREED AND ACCEPTED:
Goodwin Consulting Group, Inc.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

Neither the Authority (the “Issuer”) nor the Trustee (the “Agent”) take any responsibility for the information contained in this Appendix.

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

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

10. 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.

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

12. 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.

INDENTURE OF TRUST

Dated as of May 1, 2022

between

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

and the

TRACY PUBLIC FINANCING AUTHORITY

Authorizing the Issuance of

**[\$Principal Amount]
Tracy Public Financing Authority
Lease Revenue Bonds, Series 2022A
(Legacy Fields)**

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this “**Indenture**”), dated for convenience as of May 1, 2022, is between the TRACY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “**Authority**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “**Trustee**”).

BACKGROUND:

1. The City of Tracy (the “**City**”) wishes to finance the acquisition and construction of public improvements (the “**Project**”) of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City.

2. The City and the Tracy Industrial Development Authority (the “**Industrial Development Authority**”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “**Joint Powers Agreement**”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under the Bond Law (as defined herein).

3. The City has proposed to lease to the Authority certain real property and improvements of the City, as more particularly described in Appendix A to the Site Lease (as defined below) and by this reference incorporated herein (the “**Leased Property**”), under a Site Lease, dated as of the date hereof, by and between the City and the Authority (the “**Site Lease**”) in consideration of the payment by the Authority of an upfront rental payment (the “**Site Lease Payment**”) which is sufficient to provide funds for the acquisition and construction of the Project.

4. The Authority wishes to issue its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields), in the aggregate principal amount of [\$Principal Amount] (the “**2022 Bonds**”) under this Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the 2022 Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated the date hereof (the “**Lease**”), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the 2022 Bonds under an Assignment Agreement, dated the date hereof, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the 2022 Bonds, to establish and declare the terms and conditions upon which the 2022 Bonds are to be issued and to secure the payment of the principal thereof (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption), premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the 2022 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal (including the principal amount of any Term Bond that is subject to mandatory sinking fund redemption) of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2022 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2022 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the 2022 Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine

gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

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

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

ARTICLE II

THE 2022 BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2022 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the 2022 Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of 2022 Bonds in the aggregate principal amount of [\$Principal Amount] under the Bond Law for the purposes of providing funds to pay the Site Lease Payment to the City and thereby provide funds to finance the acquisition and construction of the Project. The 2022 Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The 2022 Bonds are designated the “Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields).”

SECTION 2.02. *Terms of the 2022 Bonds.*

(a) Payment Provisions. The 2022 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The 2022 Bonds shall mature on November 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (November 1)	Principal Amount	Interest Rate
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		

(T): Term Bond

Interest on the 2022 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2022 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a 2022 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any 2022 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) in lawful money of the United States of America by check of the Trustee or by wire upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. Unless otherwise provided in a Supplemental Indenture, the Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption), premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption), interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter in which the Authority will agree to the Depository's operational arrangements. To the

extent required to do so by the Depository, the Trustee shall also execute such representation letter and agree to the Depository's operational arrangements. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, and, upon transfer or exchange, shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe,

register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chair of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee and the Authority is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

SECTION 2.08. *Additional Bonds*. In addition to the 2022 Bonds authorized to be issued pursuant to Section 2.01 of this Indenture, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds secured by a pledge of and payable from Revenues on a parity with the 2022 Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of this Section 2.08 and Section 2.09, and subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds shall have been authorized to finance additional capital improvements for the City, or to refund bonds previously issued to finance such capital improvements, and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City shall be in compliance with all covenants and undertakings set forth in this Indenture and in the Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding hereunder shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture.

(d) Such Additional Bonds shall be equally and ratably secured by the Revenues with all other Bonds herein authorized.

(e) The Authority shall have entered into an amendment to the Lease, in and by which the City obligates itself in the manner provided in the Lease to make Lease Payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest on such Additional Bonds as such principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) and interest become due and to make all other payments in the manner provided in the Lease, and the City shall certify in writing that such Lease Payments, as amended, in any Rental Period shall not exceed the fair rental value of the Leased Property.

(f) If necessary to ensure that the Lease Payments payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Rental Period, the Authority and the City shall have amended the Lease pursuant to Section 3.4 thereof to add additional property to the Leased Property.

(g) In the event that the Additional Bonds are being issued to finance the construction of a to-be-built project, and such project is to be part of the Leased Property prior to its completion, the Supplemental Indenture authorizing the issuance of such Additional Bonds shall require the deposit into a separate account (the "Capitalized Interest Account") in the Interest Account, or a subaccount therein, an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated

completion date of the project, but only if such Additional Bonds are issued prior to the substantial completion of such project and only if the City is unable to make a finding that the fair rental value of the Leased Property prior to the completion of the project is equal to or greater than the aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period.

SECTION 2.09. *Proceedings for the Issuance of Additional Bonds* Whenever the Authority shall have determined to issue Additional Bonds pursuant to Section 2.08, the Authority shall enter into a Supplemental Indenture determining that the issuance of such Additional Bonds is necessary for the purposes specified in Section 2.08, specifying the principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds and the funds to be established for the security and payment thereof. Before such Additional Bonds shall be issued and delivered, the Authority shall file the following documents with the Trustee:

(a) An executed copy of the Supplemental Indenture authorizing such Additional Bonds, together with a certified copy of the resolution of the Authority authorizing the issuance of such Additional Bonds and the execution of such Supplemental Indenture.

(b) An opinion of Bond Counsel stating: (i) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the Authority; (ii) that the issuance of the Additional Bonds is authorized by the Bond Law and this Indenture; (iii) that the Additional Bonds when duly executed and delivered, will be valid and binding obligations of the Authority, payable from Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds; (iv) if the Additional Bonds are to be tax-exempt, that the interest on the Additional Bonds will be excluded from the gross income of the Owners thereof for federal income tax purposes; and (v) that the issuance of such Additional Bonds will not, of itself, cause interest on the 2022 Bonds to become includable in gross income for federal income tax purposes.

(c) A Certificate of the Authority certifying that the requirements set forth in Section 2.08 have been either met or provided for, together with a copy of the amendment to the Lease required by Section 2.08, together with a certified copy of the resolutions of the Authority and the City authorizing the execution of such amendment to the Lease.

(d) A copy of a letter sent by the City to each rating agency then rating the 2022 Bonds to notify each rating agency of the issuance of such Additional Bonds.

SECTION 2.10. *Applicability to Additional Bonds* Unless otherwise specified in the Supplemental Indenture pursuant to which an issue of Additional Bonds is issued, the provisions of Sections 2.03 through 2.09 shall apply to such issue of Additional Bonds.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the 2022 Bonds.* At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the 2022 Bonds to the Original Purchaser.

SECTION 3.02. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the Original Purchaser will pay a purchase price for the 2022 Bonds in the amount of \$_____, which is equal to the original principal amount of the 2022 Bonds (\$_____), plus a net original issue premium of \$_____, less an underwriter's discount of \$_____, and the Trustee shall apply such purchase price on the Closing Date in the following manner:

(a) the Trustee will deposit \$_____ into the Project Fund, and

(b) the Trustee will deposit the remaining amount, equal to \$_____, into the Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate such deposits or transfers. The deposits described in paragraphs (a) and (b) represent the full amount of the Site Lease Payments under Section 3 of the Site Lease.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the 2022 Bonds under Section 3.02(b). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On the 180th day after the Closing Date, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Establishment and Application of Project Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the 2022 Bonds under Section 3.02(a).

The Trustee shall administer such fund as provided in this Section 3.04. Amounts on deposit in the Project Fund shall be used, as provided below, to pay the Project Costs, and to reimburse the City for the same. Pending such use, amounts on deposit in the Project Fund shall be invested only in Permitted Investments, with interest

earnings and other investment income thereon being retained therein. All moneys remaining in the Project Fund upon the completion of the Project (as determined by the City in its sole discretion with written notice to the Trustee) shall be transferred by the Trustee as hereinafter provided.

The Trustee shall, from time to time, disburse money from the Project Fund to pay the Project Costs for the Project, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Certificate in the form attached hereto as Appendix C.

In making such payments, the Trustee may rely upon the representations made in the Written Certificate. If for any reason the City should decide prior to the payment of any item in said Written Certificate not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or due performance of any contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under this Section 3.04.

If, after payment by the Trustee of all Written Certificates theretofore tendered to the Trustee under the provisions of this Section 3.04 and after the City has notified the Trustee of the completion of the Project, there shall remain any balance of money in the Project Fund, all money so remaining (other than a reasonable retainage to pay Project Costs, as determined in the sole discretion of the City with written notice to the Trustee) shall be transferred to the Principal Account and shall be applied to the prepayment of Lease Payments under Section 9.3 of the Lease and the corresponding redemption of the 2022 Bonds under Section 4.01(a).

At such time as no moneys remain in the Project Fund, the Project Fund shall be closed.

SECTION 3.05. *Validity of Bonds.* The recital contained in the 2022 Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption.*

(a) Optional Redemption. The 2022 Bonds maturing on or before November 1, 20__, are not subject to optional redemption prior to their stated maturity. The 2022 Bonds maturing on or after November 1, 20__, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on November 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal

amount of 2022 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Authority must give the Trustee at least 10 days' written notice of its intention to redeem 2022 Bonds under this subsection (a), and the manner of selecting such 2022 Bonds for redemption from among the maturities thereof, in sufficient time for the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2022 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.07, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

(c) Mandatory Sinking Fund Redemption of Term Bonds. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made under Section 5.02(b) at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following tables:

**Term Bonds Maturing
November 1, ____**

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

(Maturity)

**Term Bonds Maturing
November 1, ____**

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

(Maturity)

If some but not all of the Term Bonds have been redeemed under subsection (a) or subsection (b) of this Section, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be

allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

SECTION 4.02. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the 2022 Bonds of a single maturity, the Trustee shall select the 2022 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Whenever less than all of the Outstanding Bonds of more than one series are called for redemption at any one time, the Trustee will select the Outstanding Bonds or portions thereof to be redeemed as directed by the Authority.

SECTION 4.03. *Notice of Redemption; Rescission.* The Trustee shall mail notice of redemption of the 2022 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2022 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the 2022 Bonds (or all 2022 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all 2022 Bonds within a maturity are called for redemption) 2022 Bond numbers of the 2022 Bonds to be redeemed and the maturity or maturities of the 2022 Bonds to be redeemed, and in the case of 2022 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said 2022 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2022 Bonds be then surrendered to the Trustee. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2022 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Redemption notices may be conditional. The Authority has the right to rescind any notice of the redemption of 2022 Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2022 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Owners of the 2022 Bonds or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

SECTION 4.04. *Partial Redemption of 2022 Bonds.* Upon surrender of any 2022 Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new

2022 Bond or 2022 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2022 Bonds surrendered.

SECTION 4.05. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the 2022 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2022 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2022 Bonds so called for redemption shall cease to accrue, said 2022 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said 2022 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All 2022 Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the 2022 Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts held in any fund or account established under this Indenture (except the Project Fund and the Costs of Issuance Fund) are hereby pledged to secure the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under Sections 4.5, 5.10, 7.3 and 8.4 thereof and its rights to give approvals and consents thereunder). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and may, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest on the Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) amount of the Bonds coming due and payable on such Interest Payment Date.

SECTION 5.03. *Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) amount of the Bonds at their respective maturity dates.

SECTION 5.05. *Reserved.*

SECTION 5.06. *Application of Redemption Fund.* The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01(a) or (b); *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale,

when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

SECTION 5.07. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 90 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds under Section 4.01(b). Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem Outstanding Bonds equal in aggregate principal amount to the unpaid Lease Payments allocable to the Leased Property. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section 5.07 and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund under Section 6.2(b) of the Lease and which shall be applied and disbursed by the Trustee as follows:

- (i) If the City has not given written notice to the Trustee, within 90 days following the date on which such Net Proceeds are deposited with

the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under Section 4.01(b).

- (ii) If the City has given written notice to the Trustee, within 90 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section 5.07, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. The Trustee shall have no duty to review or examine such report. Any such determination by the City is final.

Notwithstanding any other provision of this Section 5.07 or the Lease, the Trustee shall pay to the City all moneys in the Insurance and Condemnation Fund upon the Trustee's receipt of Written Request of the City which states that, pursuant to Section 3.2 of the Lease, the City has substituted other real property for the Leased Property that was damaged or destroyed and that there will be no abatement of the Lease Payments as a result of such damage or destruction.

SECTION 5.08. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments which constitute money market funds; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it

hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.08.

Subject to applicable law, the Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager to the investment provider in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account. The Trustee may, from time to time, provide the City and the Authority with a list of investments that are available on the Trustee's investment platform, but the Trustee will not give investment advice to the City or the Authority, and the City or the Authority may direct the Trustee to purchase investments that are not included on the list provided by the Trustee. The Trustee shall be entitled to rely conclusively on the Authority's investment direction as to the suitability and legality of the directed investments.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's Online Trust and Custody service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Under Section 10.5 of the Lease, the City may direct the Authority as to the investment of funds under this Section 5.08, subject to compliance with the provisions of this Article V and Section 6.07.

SECTION 5.09. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) The investments in certain funds or accounts (or portions thereof) may be subject to a yield restriction under applicable provisions of the Tax Code; the Authority shall inform the Trustee in writing which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before July 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.09, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized or generally recognized securities pricing services that may be available to it, including those available through its regular accounting system (including brokers and dealers).

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the 2022 Bonds or any Additional Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and

account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Reserved.*

SECTION 6.07. *Tax Covenants Applicable to the 2022 Bonds.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the 2022 Bonds are not used in a manner which would cause the 2022 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2022 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2022 Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 2022 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption; Record Retention; Compliance with Tax Certificate.

(i) The Authority shall take all actions necessary to assure the exclusion of interest on the 2022 Bonds from the gross income of the Owners of the 2022 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(ii) The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(iii) The Authority will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this subsection will survive payment in full or defeasance of the Bonds.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the 2022 Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made

from amounts paid by the City for that purpose under Section 4.5(d) of the Lease. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the 2022 Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease. Subject to the provisions of Article VIII, the Trustee may enforce, and take all steps, actions and proceedings which are determined to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the 2022 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the 2022 Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within

such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, which period shall end 180 days after the delivery of such default notice.

- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default actually known to the Trustee (other than in the payment of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or

thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) due on such date to the persons entitled thereto, without any discrimination or preference; and

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the

Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture. Notwithstanding anything contained herein or in the Lease to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any federal, state or local environmental law, statute, regulation or ordinance, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action, and such approval cannot be obtained.

Anything in the Indenture or Lease to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Leased Property unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state, or federal environmental laws or regulations of any kind whatsoever or from any circumstances present at the Leased Property relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and

unconditional, to pay the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* U.S. Bank Trust Company, National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. If an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by hereunder, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.
- (b) The Authority may remove the Trustee upon 30 days' prior notice, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (c), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Leased Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any

supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, national banking association, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys), including, without limitations, any liability arising under federal, state or local environmental laws which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights under the Lease to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys (including the proceeds of the Bonds) which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority and/or City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the City whenever a person is to be added or deleted from the listing. If the Authority and/or City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's reasonable understanding of such Instructions shall be deemed controlling. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that

the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) In acting or omitting to act pursuant to the Assignment Agreement, the Lease or the Site Lease, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture, including, but not limited to, this Article VIII. Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(p) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its

respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability, suit, claim, damages, judgment or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, the Assignment Agreement, the Site Lease and the Lease, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease. As security for the performance of the obligations of the Authority under this Section 8.07 and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of

1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the 2022 Bonds remains excluded from gross income under the Tax Code; or
- (v) to provide for the issuance of Additional Bonds pursuant to Section 2.08 hereof.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds*. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond

Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds.* The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02, and except for Section 8.07 hereof, which shall survive. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been

given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by the Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption), interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption), interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be

entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid (without liability for interest) to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues, the Additional Rental Payments and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records

with respect to all such funds and accounts shall at all times be maintained in accordance with corporate industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law and, upon the Authority's request, deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

City of Tracy
333 Civic Center Plaza
Tracy, California 95376
Attention: Finance Director
Fax: _____

If to the Trustee:

U.S. Bank Trust Company, National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination.. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall certify to the Trustee those Bonds disqualified under this Section 11.09, and the Trustee may conclusively rely on such certifications.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest, premium, if any, or principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the TRACY PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Treasurer and attested to by its Secretary, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

TRACY PUBLIC FINANCING AUTHORITY

By _____
Treasurer

Attest:

Secretary

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
*as Trustee***

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Additional Bonds” means Additional Bonds issued in accordance with Section 2.08 and Section 2.09 hereof.

“Additional Rental Payments” means the amounts of additional rental which are payable by the City under Section 4.5 of the Lease or which are otherwise identified as Additional Rental Payments under the Lease.

“Assignment Agreement” means the Assignment Agreement dated as of _____ 1, 2022, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

“Authority” means the Tracy Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice Chair, Executive Director, Treasurer, Auditor or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, City Manager, Finance Director, City Attorney or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code.

“Bond Year” means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including November 1, 20__.

“Bonds” means the 2022 Bonds and any Additional Bonds.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

“City” means the City of Tracy, a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the 2022 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, municipal advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the 2022 Bonds; and any other cost, charge or fee in connection with the original issuance of the 2022 Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the 2022 Bonds at a yield in excess of the yield on the 2022 Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or

each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under Section 5.07.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Date” means each May 1 and November 1, commencing November 1, 2022, so long as any Bonds remain unpaid.

“Lease” means the Lease Agreement dated as of May 1, 2022, between the Authority as lessor and the City as lessee of the Leased Property, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

“Lease Payment Date” means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under Section 4.3(a) of the Lease, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Leased Property” means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Original Purchaser” means Piper Sandler & Co., as original purchaser of the 2022 Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the

Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal (including the principal amount of any Term Bonds that is subject to mandatory sinking fund redemption) and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Interest-bearing deposit accounts (including certificates of deposit placed by a third party pursuant to a separate agreement between the Authority and the Trustee), time deposits, bank deposit products, trust funds, trust accounts, interest bearing deposits, overnight bank deposits or interest bearing money market accounts in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal

Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.

- (e) Commercial paper rated “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which they receive and retain a fee for such services. Money market funds permitted under this paragraph shall not include funds with a floating net asset value.
- (h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Project” means the public capital improvements described in Appendix C attached to the Lease.

“Project Costs” means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Improvements;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Improvements;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Improvements;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Improvements;

(e) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Improvements;

(f) all Costs of Issuance of the Bonds and other financing costs incurred in connection with the acquisition, construction and installation of the Project; and

(g) the interest components of the Lease Payments allocable to the Project or any component thereof, which come due during the period of acquisition, construction and installation of the improvements or such component.

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the 2022 Bonds.

“Revenues” means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in Section 7.5(b)(v) of the Lease, and (ii) any Additional Rental Payments; and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Site Lease” means the Site Lease dated as of May 1, 2022, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

“Site Lease Payment” means the amount of \$_____ which is payable by the Authority to the City on the Closing Date under Section 3 of the Site Lease.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, with reference to the Lease, the time during which the Lease is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on November 1 in each of the years ____ and ____.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“2022 Bonds” means the \$_____ aggregate principal amount of Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) authorized by and at any time Outstanding under this Indenture.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

APPENDIX B
BOND FORM

NO. R- _____

***\$ _____ ***

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

TRACY PUBLIC FINANCING AUTHORITY

LEASE REVENUE BONDS, SERIES 2022A
(LEGACY FIELDS)

INTEREST RATE: _____% MATURITY DATE: November 1, _____
ORIGINAL ISSUE DATE: _____, 2022 CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ ***

The TRACY PUBLIC FINANCING AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before October 15, 2022, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on May 1 and November 1 in each year, commencing November 1, 2022 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the designated corporate trust office of U.S. Bank Trust Company, National Association (the "Trust Office"), as trustee (the

"Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Tracy (the "City"), the County of San Joaquin, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields)" (the "Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of May 1, 2022, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on _____, 2022, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to provide financing for the acquisition and construction of certain public improvements. This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of May 1, 2022, between the Authority as lessor and the City as lessee (the "Lease"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Authority has the authority to issue Additional Bonds under the Indenture that would be secured by and payable from Revenues on a parity basis with the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of

interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before November 1, 20__, are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after November 1, 20__, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on November 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are subject to redemption as a whole, or in part by lot, on any date, to the extent of any net proceeds of hazard or title insurance with respect to the property which has been leased under the Lease (the "Leased Property") or any portion thereof which are not used to repair or replace the Leased Property pursuant to the Lease, or to the extent of any net proceeds arising from the disposition of the Leased Property or any portion thereof in eminent domain proceedings which the City elects to be used for such purpose pursuant to the Lease, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

The Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following tables:

**Term Bonds Maturing
November 1, ____**

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

(Maturity)

**Term Bonds Maturing
November 1, _____**

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

(Maturity)

If some but not all of the Term Bonds have been redeemed under the optional redemption provisions of the Indenture, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption. Notice of any optional redemption of the Bonds may be conditioned upon receipt of funds for the redemption, and may be rescinded under the circumstances set forth in the Indenture, upon notice to the owners of such Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other

name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Ordinance and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Ordinance or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Tracy Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

TRACY PUBLIC FINANCING AUTHORITY

By _____
Chair

Attest:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION

This is one of the 2022 Bonds described in the within-mentioned Indenture.

Dated:

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Trustee**

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX C

FORM OF PROJECT FUND REQUISITION

DISBURSEMENT REQUEST NO.: _____

U.S. Bank Trust Company, National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111

Re: \$ _____ Tracy Public Financing Authority Lease Revenue
Bonds, Series 2022A (Legacy Fields)

Ladies and Gentlemen:

In accordance with the terms of an Indenture of Trust, by and between you and the undersigned, dated as of May 1, 2022 (the "Indenture"), I am an Authorized Representative and you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs relating to the Project (as such terms are defined in the Indenture) pursuant to Section 3.04 of the Indenture.

You are hereby requested to pay from the Project Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the Project Costs described on said Schedule.

The undersigned hereby certifies that (i) the amounts listed on Schedule A constitute Project Costs (as defined in the Indenture), (ii) no part of the amount requested herein has been included in any other request previously filed with you; (iii) to the knowledge of the undersigned, there has not been filed with or served upon the City any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iv) the labor, services and/or materials covered hereby have been performed upon or furnished to the Improvements and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 20____.

CITY OF TRACY

By: _____
Designated Officer

SCHEDULE A

Payee
(include address)

Description
of Costs

Project Costs
Amount

LEASE AGREEMENT

Dated as of May 1, 2022

between the

TRACY PUBLIC FINANCING AUTHORITY,
as lessor

and the

CITY OF TRACY,
as lessee

Relating to

\$ _____
Tracy Public Financing Authority
Lease Revenue Bonds, Series 2022A
(Legacy Fields)

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LEASE AGREEMENT

This LEASE AGREEMENT (this “**Lease**”), dated for convenience as of _May 1, 2022, is between the TRACY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the “**Authority**”), and the CITY OF TRACY, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessee (the “**City**”).

BACKGROUND:

1. The City wishes to finance the acquisition and construction of public improvements (the “**Project**”) of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City.

2. The City and the Tracy Industrial Development Authority (the “Industrial Development Authority”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “**Joint Powers Agreement**”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under the Bond Law (as defined in the Indenture referenced below).

3. The City has proposed to lease to the Authority certain real property and improvements of the City, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the “**Leased Property**”), under a Site Lease, dated the date hereof (the “**Site Lease**”) in consideration of the payment by the Authority of an upfront rental payment (the “**Site Lease Payment**”) which is sufficient to provide funds for the acquisition and construction of the Project. The Site Lease is being recorded concurrently with a memorandum of this Lease.

4. The Authority has authorized the issuance of its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) in the aggregate principal amount of \$_____ (the “**2022 Bonds**”) under an Indenture of Trust dated as of May 1, 2022 (the “**Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with this Site Lease.

5. Under Section 2.08 and Section 2.09 of the Indenture, the Authority is authorized to issue Additional Bonds (as defined in the Indenture) payable from the Lease Payments payable by the City hereunder. Together, the 2022 Bonds and any Additional Bonds are defined as “**Bonds**” under this Lease and the Indenture.

6. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property

back to the City under this Lease under which the City agrees to pay semiannual Lease Payments as the rental for the Leased Property.

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

8. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Lease, when executed by the City and the Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Lease a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Lease have been in all respects duly authorized.

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

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

SECTION 1.2. *Interpretation.*

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

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

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

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

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

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

this Lease, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

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

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

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers agreement and the laws of the State of California; has power to enter into this Lease, the Site Lease, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.
- (b) Due Execution. The representatives of the Authority executing this Lease, the Site Lease, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease, the Site Lease, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of this Lease, the Site Lease, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated

and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.

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

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

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 3.1. *Deposit of Moneys; Acquisition and Construction of the Project* .

(a) Deposit of Bond Proceeds. On the Closing Date, the Authority will cause the proceeds of sale of the 2022 Bonds to be deposited with the Trustee. The Trustee shall deposit such proceeds in accordance with Section 3.02 of the Indenture.

(b) Acquisition and Construction of the Project. The Authority hereby appoints the City as its agent to carry out all phases of the acquisition and construction of the Project under and in accordance with the provisions hereof. The City hereby accepts its appointment as agent of the Authority and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the acquisition and construction of the Project. The City, as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the acquisition and construction of the Project. The City shall requisition the payment of Project Costs from amounts held by the Trustee in the Project Fund, pursuant to and in accordance with Section 3.04 of the Indenture. All contracts for, and all work relating to, the acquisition and construction of the Project are subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the City.

As agent of the Authority, the City hereby agrees to supervise and provide for, or cause to be supervised and provided for, the acquisition and construction of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the City under all applicable requirements of law.

SECTION 3.2. *Substitution of Property.* The City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing, as certified in writing by the City.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the San Joaquin County Recorder sufficient memorialization of an amendment hereof that adds the legal description of the Substitute Property to Appendix A and deletes therefrom the legal description of the Former Property, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject

only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein, as certified in writing by the City.
- (g) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidence stating that the useful life of the Substitute Property at least extends to November 1, 20__, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable hereunder.
- (h) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

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

SECTION 3.3. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease (the "**Released Property**") provided that the City has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing, as certified in writing by the City.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the San Joaquin County Recorder sufficient memorialization of an amendment hereof, the Site Lease and the Assignment Agreement which removes the Released

Property from the Site Lease, the Assignment Agreement and this Lease.

- (c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to this Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to this Lease following such release is at least equal to the Lease Payments thereafter coming due and payable hereunder.
- (d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

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

SECTION 3.4. *Addition of Property.* The City may, at any time it deems it necessary or advisable, amend this Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased hereunder.

If the addition to the Leased Property (the "**Addition**") is being done in connection with the issuance of Additional Bonds, the following requirements shall apply:

(a) The City shall have certified in writing to the Authority and the Trustee that (i) the Addition serves the purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City, (ii) the useful life of the Addition at least extends to November 1, 20__ or such later date specified in Section 4.2, (iii) the estimated value of the Leased Property (including the Addition) is at least equal to the aggregate Outstanding principal amount of the Bonds, and (iv) the fair rental value of the Leased Property (including the Addition) is at least equal to the Lease Payments thereafter coming due and payable hereunder. For the purposes of the certification described in clause (iv), the City may, if necessary to make such certification, assume completion of construction of the Addition if the Addition is being constructed with proceeds of the Additional Bonds as long as capitalized interest has been deposited in accordance with Section 2.08(h) of the Indenture.

(b) The City shall have delivered to the Authority and the Trustee an Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(c) The City shall cause to be recorded in the Office of the San Joaquin County Recorder sufficient memorialization of an amendment hereof that adds the legal description of the Addition to Appendix A, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

(d) The City shall have delivered to the Authority and the Trustee a CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the City's leasehold interest in the Addition to the Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with a certificate of the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

(e) The City shall have delivered to the Authority and the Trustee a copy of a written notice that the City mailed to each rating agency then rating the Bonds notifying the rating agency of the Addition.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon commence as to the Addition, and all references to the Leased Property will apply with full force and effect to the Addition.

SECTION 3.5. *Amendment of Site Lease and Assignment Agreement.* The Authority and the City shall amend the Site Lease and the Assignment Agreement as necessary in order to accomplish any Substitution, Release or Addition of property pursuant to this Article III.

ARTICLE IV

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

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

SECTION 4.2. *Term.* The Term of this Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than November 1, 20__, or if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than November 1, 20__). The provisions of this Section are subject to the provisions of Sections 6.2 and 6.3 relating to the taking in eminent domain, damage and destruction of the Leased Property in whole or in part and interference with completion of construction of the Project.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B (as it may be amended in connection with the issuance of Additional Bonds), and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B (as it may be amended in connection with the issuance of Additional Bonds). Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under Article IX, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.2 or 9.3, the principal components of the remaining Lease Payments will be reduced in integral multiples of \$5,000 among Lease Payment Dates on a basis which corresponds to the principal maturities of the Bonds which are redeemed thereby; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under Section 4.01 of the Indenture.

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

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

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, under the Assignment

Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees to pay to the Trustee at its Office, all payments payable by the City under this Section and all amounts payable by the City under Article IX.

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

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

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

SECTION 4.6. *Quiet Enjoyment.* Throughout the Term of this Lease, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit,

trouble or hindrance from the Authority, except as expressly set forth in this Lease. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

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

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

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

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

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

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

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

SECTION 5.4. *Property Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, property insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at commercially reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance

coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in Section 6.1.

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

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the San Joaquin County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under Section 9.3.

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

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has

no obligation to make any payment with respect to any insured event except from those reserves.

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

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

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

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

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

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a

government threatening to exercise the power of eminent domain, the Term of this Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

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

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds constitute a special fund for the payment of the Lease Payments.

SECTION 6.4. *Abatement Due to Non-Completion of the Project.* The Lease Payments are subject to abatement during any period prior to the issuance of a certificate of occupancy for the Project, if it constitutes all or a portion of the Leased Property, if there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the usable portions of the Leased Property. Such abatement will continue for the period commencing with the substantial interference with the use and occupancy of the Leased Property and ending with the substantial completion of the Project. In the event of any such interference with use and occupancy during construction of the Project, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any substantial interference.

[confirm] The City has determined in its Resolution No. ____, adopted by the City Council on ____, 2022, that the City will have substantial use and occupancy of the Leased Property during construction of the Project.

ARTICLE VII

OTHER COVENANTS OF THE CITY

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

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

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

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,

- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or
- (f) the acceptance and performance of the duties of the Trustee under the Indenture, the Assignment Agreement and under this Lease.

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

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

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

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

- (i) to add to the covenants and agreements of the City contained in this Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;

- (iii) to modify, amend or supplement this Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Sections 3.2 or 3.3;
- (v) in the event of the issuance of Additional Bonds in order to obligate the City to pay additional amounts of Lease Payments such that the scheduled amount of Lease Payments payable after such amendment shall be sufficient to pay the principal of and interest on the 2022 Bonds and such Additional Bonds but only if (A) the City has certified to the Trustee that the estimated value of the Leased Property is at least equal to the aggregate Outstanding principal amount of the Bonds and the fair rental value of the Leased Property is at least equal to the Lease Payments thereafter coming due and payable hereunder (for the purposes of the certification described in this clause (A), the City may, if necessary to make such certification, assume completion of construction of the project being financed by the Additional Bonds if such project is all or a portion of the Leased Property as long as either (1) capitalized interest has been deposited in accordance with Section 2.08(h) of the Indenture or (2) the City has made a finding that the fair rental value of the Leased Property prior to the completion of the project is equal to or greater than the aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period), and (B) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the then-outstanding Bonds; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto. If the Trustee's consent to such modification or amendment is required, the Trustee shall be entitled to the same documents as it would be entitled to under Article IX of the Indenture for such type of modification or amendment.

SECTION 7.6. *Tax Covenants Relating to the 2022 Bonds.*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the 2022 Bonds are not used in a manner which would cause the 2022 Bonds to satisfy

the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2022 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2022 Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 2022 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2022 Bonds from the gross income of the Owners of the 2022 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the 2022 Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

(f) Record-Keeping. The City will retain its records of all accounting and monitoring it carries out with respect to the 2022 Bonds for at least 3 years after the 2022 Bonds mature or are redeemed (whichever is earlier); however, if the 2022 Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the 2022 Bonds.

(g) Compliance with Tax Certificate. The City will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the 2022 Bonds, which are incorporated herein as if fully set forth herein. The covenants of this subsection will survive payment in full or defeasance of the 2022 Bonds.

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, such period of time not to be longer than 180 days after the delivery of such default notice.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

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

may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

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

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

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

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease and the nondefaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party; *provided, however,* that the Trustee shall not be required to expend its own funds for any payment described in this Section.

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

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

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

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

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

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

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

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, from any source of legally available funds, on any date on or after November 1, 20__, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01(a) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. The City shall give 10 days' written notice to the Trustee of its intention to prepay the Lease Payments under this Section.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments allocable to the Leased Property in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property theretofore deposited in the Redemption Fund for that purpose under Article VI hereof and Section 5.07 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, will be credited towards the City's obligations under this Section and applied to the corresponding redemption of Bonds under Section 4.01(b) of the Indenture.

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

ARTICLE X

MISCELLANEOUS

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

*If to the Authority
or the City:*

City of Tracy
333 Civic Center Plaza
Tracy, California 95376
Attention: Finance Director
Fax: _____

If to the Trustee: U.S. Bank Trust Company, National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The City may direct the Authority as to the investment of funds under the Indenture, subject to compliance with the provisions of Article V and Section 6.07 of the Indenture.

SECTION 10.6. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.7. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 10.8. *Execution in Counterparts.* This Lease may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.9. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.10. *Authority and City Representatives.* Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.11. *Captions.* The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease.

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

**TRACY PUBLIC FINANCING AUTHORITY, as
lessor**

By _____
Treasurer

Attest:

Secretary

CITY OF TRACY, as lessee

By _____
Finance Director

Attest:

City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Tracy, County of San Joaquin, which is more particularly described as follows:

[to come]

**APPENDIX B
SCHEDULE OF LEASE PAYMENTS***

Lease Payment Date**	Principal Component	Interest Component	Aggregate Lease Payment
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Totals

* This Appendix B shall be amended in connection with the issuance of any Additional Bonds.

** Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

APPENDIX C
DESCRIPTION OF PROJECT

The Project consists of Phase 1E of the Legacy Fields Sports Complex, and such other improvements that may be identified from time to time by the City.

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

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

SITE LEASE

This SITE LEASE (this “**Site Lease**”), dated for convenience as of May 1, 2022, is between the CITY OF TRACY, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessor (the “**City**”), and the TRACY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the “**Authority**”).

BACKGROUND:

1. The City wishes to finance the acquisition and construction of public improvements (the “**Project**”) of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City.

2. The City and the Tracy Industrial Development Authority (the “**Industrial Development Authority**”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “**Joint Powers Agreement**”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under the Bond Law (as defined in the Indenture referenced below).

3. To that end, the City has proposed to lease to the Authority certain real property and improvements of the City, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the “**Leased Property**”), under this Site Lease, in consideration of the payment by the Authority of an upfront rental payment (the “**Site Lease Payment**”) which is sufficient to provide funds for the acquisition and construction of the Project .

4. The Authority has authorized the issuance of its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) in the aggregate principal amount of \$_____ (the “**2022 Bonds**”) under an Indenture of Trust dated as of May 1, 2022 (the “**Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with this Site Lease.

5. Under Section 2.08 and Section 2.09 of the Indenture, the Authority is authorized to issue Additional Bonds (as defined in the Indenture) payable from the Lease Payments (as defined in the Lease) payable by the City under the Lease. Together, the 2022 Bonds and any Additional Bonds are defined as “**Bonds**” under this Site Lease and the Indenture.

6. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of May 1, 2022 (the “**Lease**”), a memorandum of which has been recorded concurrently herewith, under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of May 1, 2022, between the Authority as assignor and the Trustee as assignee, which has been recorded concurrently herewith.

A G R E E M E N T :

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

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

SECTION 2. *Term; Possession.* The term of this Site Lease commences on the date of recordation of this Site Lease and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than November 1, 20__ or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than November 1, 20__). The provisions of this Section 2 are subject in all respects to any other provisions of this Site Lease relating to the termination hereof.

SECTION 3. *Rental.* The Authority shall pay to the City as and for rental of the Leased Property hereunder, the sum of \$_____ (the “**Site Lease Payment**”). The Site Lease Payment is due and payable upon the issuance of the Bonds and the execution and delivery hereof, and will be paid from the proceeds of the Bonds. The Authority and the City hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased

Property which is conveyed hereunder by the City to the Authority. No other amount of rental is due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

As provided in the Indenture, a portion of the proceeds of the Bonds will be applied to make the Site Lease Payment by depositing the Bond proceeds it receives from the Original Purchaser in the Costs of Issuance Fund and the Project Fund.

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

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

SECTION 6. *Substitution, Release or Addition of Property.* If the City exercises its option under Section 3.2 of the Lease to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.3 of the Lease to release a portion of the Leased Property from the Lease, such substitution shall also operate to release such portion of the Leased Property hereunder. If the City exercises its option under Section 3.4 of the Lease to add additional property as Leased Property under the Lease, such addition shall also operate to add property as Leased Property hereunder. The description of the Leased Property which is leased under the Lease shall conform at all times to the description of the Leased Property which is leased hereunder.

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

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

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

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property,

subject to the provisions of the Lease and subject only to Permitted Encumbrances (as that term is defined in the Lease).

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

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

SECTION 13. *Eminent Domain.* If the whole or any part of the Leased Property or any improvements thereon is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Lease Payments payable under the Lease and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity.* If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices.* Any notice, request, complaint, demand or other communication under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City, the Authority and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

City of Tracy
333 Civic Center Plaza
Tracy, California 95376
Attention: Finance Director
Fax: _____

If to the Trustee:

U.S. Bank Trust Company, National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768

SECTION 16. *Amendment of this Site Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;
- (ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;
- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with Section 9.01 of the Indenture; or
- (iv) for the purpose of effectuating any substitution, release or addition of property under Section 6.

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

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

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

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

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

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

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

CITY OF TRACY, as lessor

By _____
Finance Director

Attest:

City Clerk

TRACY PUBLIC FINANCING AUTHORITY, as lessee

By _____
Treasurer

Attest:

Secretary

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

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

[to come]

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this “**Agreement**”), dated for convenience as of May 1, 2022, is between the TRACY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “**Authority**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “**Trustee**”).

BACKGROUND:

1. The City of Tracy (the “**City**”) wishes to finance the acquisition and construction of public improvements (the “**Project**”) of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City.

2. The City and the Tracy Industrial Development Authority (the “**Industrial Development Authority**”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “**Joint Powers Agreement**”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs, and for any other purposes authorized under the Bond Law (as defined in the Indenture referenced below).

3. The City has proposed to lease to the Authority certain real property and improvements of the City, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the “**Leased Property**”), under a Site Lease, dated as of the date hereof, between the City and the Authority (the “**Site Lease**”) in consideration of the payment by the Authority of an upfront rental payment (the “**Site**

Lease Payment") which is sufficient to provide funds for the acquisition and construction of the Project. The Site Lease is being recorded concurrently herewith.

4. The Authority has authorized the issuance of its Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields) in the aggregate principal amount of \$_____ (the "**2022 Bonds**") under an Indenture of Trust dated as of the date hereof (the "**Indenture**"), between the Authority and the Trustee, for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. Under Section 2.08 and Section 2.09 of the Indenture, the Authority is authorized to issue Additional Bonds (as defined in the Indenture) payable from the Lease Payments (as defined in the Lease) payable by the City under the Lease. Together, the 2022 Bonds and any Additional Bonds are defined as "**Bonds**" under this Assignment Agreement and the Indenture.

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

7. The Authority has requested the Trustee to enter into this Agreement for the purpose of assigning certain of its rights under the Lease to the Trustee for the benefit of the Bond owners.

A G R E E M E N T :

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

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment.* The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds which are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease (excepting only the Authority's rights under Sections 4.5, 5.10, 7.3 and 8.4 of the Lease and its rights to give consents and approvals under the Lease), including but not limited to:

- (a) the right to receive and collect all of the Lease Payments from the City under the Lease;
- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property; and

- (c) the right to exercise such rights and remedies conferred on the Authority under the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.07 of the Indenture, or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease.

The Trustee shall administer all of the rights assigned to it by the Authority under this Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section 2 is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease and Indenture to, and the rights under the Lease and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Conditions.* This Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture, and the Trustee shall have the same rights, protections, immunities and indemnities hereunder as afforded to it under the Indenture.

SECTION 5. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 6. *Binding Effect.* This Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 7. *Governing Law.* This Agreement is governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers as of the day and year first written above.

TRACY PUBLIC FINANCING AUTHORITY

By _____
Treasurer

Attest:

Secretary

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as *Trustee***

By _____
Authorized Representative

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Tracy, County of San Joaquin, which is more particularly described as follows:

[to come]

§ _____
**TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields Phase 1E)**

BOND PURCHASE AGREEMENT

_____, 2022

Tracy Public Financing Authority
c/of City of Tracy
333 Civic Center Plaza
Tracy, California 95376

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

Ladies and Gentlemen:

Piper Sandler & Co., as underwriter (the “**Underwriter**”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Tracy Public Financing Authority (the “**Authority**”) and the City of Tracy, California (the “**City**”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of May 1, 2022 (the “**Indenture**”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the Tracy Public Financing Authority Lease Revenue Bonds, Series 2022A (Legacy Fields Phase 1E) in the aggregate principal amount of \$_____ (the “**Bonds**”). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on May 1 and November 1 in each year, commencing November 1, 2022 and will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A hereto. The purchase price for the Bonds shall be equal to \$_____ (being the aggregate principal amount thereof, [plus/less] [net] original issue [premium/discount] of \$_____, less an underwriter’s discount of \$_____).

Section 2. The Bonds. The Bonds shall be secured by a pledge of Revenues consisting primarily of Lease Payments (“**Lease Payments**”) to be paid by the City pursuant to a Lease Agreement, dated as of May 1, 2022, between the Authority, as lessor, and the City, as lessee (the “**Lease Agreement**”), concerning the leaseback of certain real property and improvements (the

“**Leased Property**”). The Authority’s right to receive the Lease Payments due under the Lease Agreement and to exercise remedies upon default thereunder shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to an Assignment Agreement, dated as of May 1, 2022 (the “**Assignment Agreement**”), by and between the Authority and the Trustee.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City and the Underwriter.

The proceeds of the Bonds shall be used (i) to finance the acquisition and construction of public capital improvements of the City, consisting of Phase 1E of the Legacy Fields Sports Complex and such other improvements that may be identified from time to time by the City; and (ii) to pay the costs of issuance of the Bonds.

The Bonds, this Purchase Agreement, the Indenture, the Lease Agreement, the Site Lease, dated as of May 1, 2022 (the “**Site Lease**”), under which the City will lease the Leased Property to the Authority, the Assignment Agreement and a resolution adopted by the Board of Directors of the Authority on _____, 2022 (the “**Authority Resolution**”) authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “**Authority Documents**.”

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of May 1, 2022 (the “**Continuing Disclosure Certificate**”), executed and delivered by the City, the Lease Agreement, the Site Lease and the resolution adopted by the City Council of the City on _____, 2022 (the “**City Resolution**”) authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the “**City Documents**.”

Section 3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Authority, on one hand, and the Underwriter, on the other; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the City and the Authority; and (v) the City and Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by CSG Advisors Incorporated (the “**Municipal Advisor**”) and any notice or report to be provided to the Authority may be provided to the Municipal Advisor.

(c) Except as otherwise set forth in Exhibit A, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of the Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(d) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to: (1) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it

until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public; and (2) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “**public**” means any person other than an underwriter or a related party;

(ii) “**underwriter**” means: (A) 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 (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) 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);

(iii) a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “**sale date**” means the date of execution of this Purchase Agreement by all parties.

Section 4. The Official Statement. By its acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds dated _____, 2022 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “**Preliminary Official Statement**”) that

authorized officers of the City deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”), except for certain information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriter (the “**Official Statement**”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority and the City with final pricing information on the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the Authority or the City with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:30 a.m., Pacific Standard Time, on May __, 2022, or at such other time or date as the Authority and the Underwriter agree upon (the “**Closing Date**”), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “**Closing**.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “**State**”), including Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**JPA Act**”) and the First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “**JPA Agreement**”), between the City and the Tracy Industrial Development Authority.

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement, will, by execution thereof, duly authorize and approve the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due

performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease Agreement or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) The information in the Official Statement set forth under the caption "INTRODUCTION—The Authority" does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(k) The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the Authority will collect the Lease Payments in accordance with the Lease Agreement.

(l) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter and the Authority that:

(a) The City is duly organized and validly existing as a municipal corporation under the Constitution and laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of

the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and will not contain and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease Agreement or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the City’s knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the “end of the underwriting period” (as hereinafter defined), if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter’s reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term “**end of the underwriting period**” means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the “end of the underwriting period.”

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(l) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(m) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2021 attached as Appendix C to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2021 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events, if material. A description of this undertaking is set forth in Appendix E to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) Except in connection with the issuance of refunding bonds pursuant to the terms of the Indenture or as permitted under the Lease Agreement due to damage, destruction, or substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof, the City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the City will pay the Lease Payments in accordance with the Lease Agreement.

(p) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of Bond Counsel and the Trustee made in any Bonds or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the City of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, Authority Documents, or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the City to pay the Lease Payments.

(d) In recognition of the desire of the Authority, the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or

by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority affecting the federal or State tax status of the Authority or the City, or the interest on or with respect to bonds or notes (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(ix) any rating of the Bonds or the rating of any obligations of the City secured by the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The Authority Resolution relating to the Bonds and authorizing the execution and delivery of the Bonds and the Authority Documents and the Official Statement signed by an authorized official of the Authority;

(ii) The City Resolution relating to the Bonds and authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement signed by an authorized official of the City;

(iii) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix D to the Official Statement, and a reliance letter thereon addressed to the Underwriter;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "THE LEASED PROPERTY," "THE 2022 BONDS," "SECURITY FOR THE 2022 BONDS," and "TAX MATTERS," and in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" and Appendix D—"PROPOSED FORM OF OPINION OF BOND COUNSEL," excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the City Documents, the Authority Documents and Bond Counsel's final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are the valid, legal and binding agreements of the City and the Authority, as applicable, enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein;

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Official Statement, executed on behalf of the Authority and the City, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Bonds are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with, in all material respects, all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (ii) no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Authority is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; (ii) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official

Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) the City is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Lease) or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City’s ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of the City Attorney of the City, as Counsel to the Authority, to the effect that:

(A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;

(B) The Authority Resolution has been duly adopted by the Authority at a regular meeting, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the collection of Lease Payments with respect to the Lease Agreement or the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;

(D) The execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents; and

(xi) an opinion dated the Closing Date and addressed to the Underwriter, of the City Attorney of the City, to the effect that:

(A) The City is a municipal corporation, corporate and politic, duly organized and existing under the Constitution and laws of the State;

(B) The City Resolution has been duly adopted by the City Council, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease Agreement;

(D) The execution and delivery of the City Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents; and

(xii) An opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that, no facts have come to attention of Disclosure Counsel that have caused such counsel to believe that the Preliminary Official Statement, as of its date, or the Official Statement, as of its date and as of the Closing Date (except for the following items, which are expressly excluded from the scope of this sentence: any financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, and information regarding DTC and its book-entry only system, that is contained or incorporated by reference in the Preliminary Official Statement or the Official Statement and the appendices to the Preliminary Official Statement or the Official Statement) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter;

(xvi) The preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the Authority and the City in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;

(xxi) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(xxii) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxiii) A copy of an ALTA or CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter; and

(xxiv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the "end of the underwriting period," whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the "end of the underwriting period" will be the Closing Date.

Section 10. Expenses. The Authority or the City will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to (a) the cost of the preparation and printing or other reproduction of the Authority Documents and the City Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the

Municipal Advisor and any other experts or other consultants retained by the Authority or the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter's out-of-pocket expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter on behalf of the City's employees which are incidental to implementing this Purchase Agreement; and (h) the fees for counsel to the Underwriter. The Underwriter will pay the expenses of the preparation of this Purchase Agreement, including CDIAAC fees, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co., 3626 Fair Oaks Blvd., Suite 100, Sacramento, CA 95864, Attention: Dennis McGuire. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Tracy Public Financing Authority, c/o City of Tracy, 333 Civic Center Plaza, Tracy, California 95376, Attention: Finance Director. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Tracy, 333 Civic Center Plaza, Tracy, California 95376, Attention: Finance Director.

Section 12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

PIPER SANDLER & CO.

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF TRACY

By: _____
Its: Finance Director

Time of Execution: _____ a.m./p.m. Pacific Time

TRACY PUBLIC FINANCING AUTHORITY

By: _____
Its: Treasurer

Time of Execution: _____ a.m./p.m. Pacific Time

EXHIBIT A

\$18,190,000
TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields Phase 1E)

MATURITY SCHEDULE

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
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^C _____
^T Priced to first optional redemption date of _____ 1, 20__ at _____.
Term Bond.

EXHIBIT B

§ _____
TRACY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A
(Legacy Fields Phase 1E)

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Piper Sandler & Co. (the “**PJC**”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “**Bonds**”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) PJC offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “**Initial Offering Prices**”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated _____, 2022, by and among PJC, the Issuer and the City of Tracy, PJC has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “**General Rule Maturities.**”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “**Hold-the-Offering-Price Maturities.**”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the _____, 2022 (the Sale Date), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Tracy Public Financing Authority.

(e) *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.

(f) *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.

(g) *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 _____, 2022.

(h) *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 PJC’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 Tax Certificate 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.

PIPER SANDLER & CO.

By: _____

Name: _____

Dated: May __, 2022

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

CITY OF TRACY

NOTICE OF PUBLIC HEARING
REGARDING FINANCING FOR THE ACQUISITION AND CONSTRUCTION OF
CERTAIN PUBLIC CAPITAL IMPROVEMENTS

NOTICE IS HEREBY GIVEN THAT, at its regular meeting commencing at 7:00 p.m., or as soon thereafter as the matter can be heard, on April 5, 2022, in the Council Chambers at City Hall, 333 Civic Center Plaza, Tracy, California, the City Council of the City of Tracy (the "City") will hold a public hearing at which it will hear and consider information concerning the approval by the City of (i) a lease financing by the City and the Tracy Public Financing Authority (the "Authority") for certain public capital improvements to be used by the City and the substantial public benefits of such financing by the Authority in accordance with the criteria specified in Section 6586 of the California Government Code and (ii) the adoption of a resolution by the City Council of the City approving the execution and delivery of a property lease to be entered into with the Authority in connection with such lease financing.

The proposed lease financing will, among other things, provide funds for Phase 1E of the Legacy Fields Sports Complex. In connection with the lease financing, the City will lease certain real property and improvements to the Authority, and the Authority will lease such property back to the City.

Those wishing to comment on the proposed lease financing may either appear in person at the public hearing or submit written comments which must be received by the City Council prior to the public hearing. Written comments should be sent to the City Clerk, City of Tracy, 333 Civic Center Plaza, Tracy, California 95376.

City Clerk
City of Tracy

Tracy Press

PROOF OF PUBLICATION

Stamp

(2015.5 C.C.P.)

STATE OF CALIFORNIA County of San Joaquin

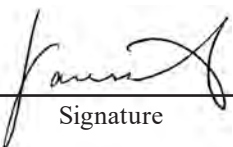
I am a citizen of the United States and a resident of the County aforesaid: I am over the age of eighteen years, and not a part to or interested in the above entitled matter; I am the principal clerk of the printer of the Tracy Press, a newspaper of general circulation, printed and published one time a week on Friday in the City of Tracy, California, County of San Joaquin, and which of newspaper has been adjudged a newspaper of general circulation by the Superior Court, Department 4, of the County of San Joaquin, State of California, under the date of June 30, 1952, Case Number 53686; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit;

March 18

all in the year, 2022

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Dated at Tracy, California, this 22nd
day of March 2022


Signature

PROOF OF PUBLICATION

Public Notice #0132

City of Tracy

Notice of Public Hearing

Tracy Legacy LRBs

#0132
CITY OF TRACY

NOTICE OF PUBLIC HEARING REGARDING FINANCING FOR THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC CAPITAL IMPROVEMENTS

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City Clerk
City of Tracy

Tracy Press: March 18, 2022

AGENDA ITEM 3.F

REQUEST

ADOPT RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS

EXECUTIVE SUMMARY

For the purpose of financing public facilities and public services for development in the Ellis Specific Plan, the City Council previously acted under the Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”) to establish City of Tracy Community Facilities District No. 2021-1 (Hillview) (the “CFD”).

Staff recommends that the City Council adopt the referenced resolution (the “2022 Bond Resolution”) for the purpose of authorizing the issuance of bonds (the “2022 Bonds”) on behalf of the CFD and approving related documents.

DISCUSSION

LOCAL GOALS AND POLICIES

Section 53312.7(a) of the Mello-Roos Act requires the City to consider and adopt local goals and policies concerning the use of the Mello-Roos Act prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district.

The City adopted “Amended Local Goals and Policies for Community Facilities Districts (CFDs)” on February 4, 2014, by Resolution No. 2014-019 (“Goals and Policies”).

The Goals and Policies provide guidance and conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a community facilities district established under the Mello-Roos Act.

CFD FORMATION PROCESS AND APPROVAL OF BONDS

Under the Mello-Roos Act, and pursuant to Resolution No. 2021-159, adopted by the City Council on November 2, 2021 (the “Resolution of Formation”), the City previously took action to establish the CFD; approve the public facilities and public services that may be financed by the CFD; approve an Acquisition Agreement, which details the terms under which the City will use special tax revenues and bond proceeds generated by the CFD to acquire public facilities constructed by the master developer of property in the CFD; and approve the rate and method of apportionment of the special tax for the CFD and an appropriations limit for the CFD.

Pursuant to Resolution No. 2021-160, adopted by the Council on November 2, 2021, the Council declared the necessity to incur bonded indebtedness in the amount of \$12,000,000 and other debt for the CFD.

PROPOSED 2022 BONDS

Staff recommends that the City Council adopt the 2022 Bond Resolution for the following purposes:

- (i) approve the issuance of the 2022 Bonds in a principal amount not to exceed \$10,700,000,
- (ii) approve the sale of the 2022 Bonds to Piper Sandler & Co. (the “Underwriter”)
- (iii) approve the documents related to the 2022 Bonds, and
- (iv) authorize staff to take all actions necessary related to issuance of the 2022 Bonds.

TERMS OF THE 2022 BONDS

Pursuant to the Resolution, the true interest cost of the 2022 Bonds cannot exceed 6.00% and the principal amount of the 2022 Bonds cannot exceed \$10,700,000. Government Code Section 5852.1 requires the City to obtain and disclose a good faith estimate of certain information about the 2022 Bonds, including the true interest cost, the financing costs, the use of proceeds and the total payment amount. This information is included in Appendix A of the 2022 Bond Resolution. Based upon current market conditions, the 2022 Bonds are estimated to be issued in the amount of \$7,790,000 (excluding net original issue premium of an additional \$278,000) and carry a true interest cost of approximately 3.84%.

The Goals and Policies require a minimum value-to-lien ratio for special tax financings of 3:1 (the value-to-lien calculation compares the value of the property to the proposed principal amount of the 2022 Bonds and bonds issued by overlapping community facilities districts and assessment districts).

The current draft of the appraisal (the “Appraisal”) prepared by Integra Realty Resources (the “Appraiser”) was prepared consistent with the Goals and Policies.

The Appraisal reports that the taxable property in the CFD has a total value of \$32,100,000, resulting in an estimated value to lien ratio of approximately 4.12:1 based on the preliminary estimate of the principal amount of the 2022 Bonds of \$7,790,000 (there are no overlapping special tax or assessment bonds).

The 2022 Bonds are a limited obligation of the City, payable only from special taxes levied in the CFD and moneys in the funds and accounts established under the Fiscal Agent Agreement described below.

DOCUMENTS RELATED TO THE 2022 BONDS

The City Council is being asked to approve each of the following:

- Preliminary Official Statement. The Official Statement is the primary disclosure document for investors in the 2022 Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the 2022 Bonds. After the 2022 Bonds have been priced, a Final Official Statement will be circulated to investors; the Final Official Statement should be identical to the Preliminary Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms).

The Preliminary Official Statement describes the special taxes to be levied in the CFD, each of the parcels to be taxed, and, based on information provided by the developers of property in the CFD, the development plans for the parcels within the CFD. The Preliminary Official Statement will also include the Appraisal of the taxable parcels in the CFD.

The Preliminary Official Statement is prepared by Jones Hall, serving the City as Bond Counsel and Disclosure Counsel for this transaction, with the assistance of the remainder of the financing team, including City staff; the property owners in the CFD; CSG Advisors Incorporated, the City's municipal advisor ("Municipal Advisor"); the Underwriter; and Goodwin Consulting, the City's special tax consultant ("Special Tax Consultant").

The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2022 Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the 2022 Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2022 Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The key sections of the Preliminary Official Statement are summarized below:

- “THE 2022 BONDS”: This section summarizes the key terms of the 2022 Bonds, including payment dates and redemption provisions.
- “SECURITY FOR THE 2022 BONDS”: This section summarizes key security terms, including the City’s pledge of special tax revenues, its covenant to levy special taxes according to the CFD Rate and Method, and its covenant to foreclose on parcels that are delinquent in the payment of special taxes. As described above, the 2022 Bonds are a limited obligation of the City, payable only from special taxes levied in the CFD and moneys in the funds and accounts established under the Fiscal Agent Agreement.
- “THE DISTRICT”: This section summarizes certain features of the CFD, including the appraised value of taxable property, overlapping taxes, assessments and debt and anticipated debt service coverage provided by maximum special taxes that may be levied under the RMA.
- “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT”: This section includes information provided by the property owners in the CFD, and describes the proposed development in the CFD and its current status.
- “BOND OWNERS’ RISKS”: This section highlights the primary risks associated with the 2022 Bonds, including failure to complete the proposed development, natural disasters and failure of property owners to pay their special taxes.
- “LEGAL MATTERS - Tax Exemption”: This section describes the tax-exempt nature of interest on the 2022 Bonds.

As described in the Preliminary Official Statement, Lennar Homes of California, LLC, a California limited liability company (“Lennar Homes”) is the developer of approximately 45.1 acres of property that is being subdivided and developed as 214 single-family detached homes in a project known as “Hillview”. The CFD is located in the Tracy Hills Specific Plan Area, east of Corral Hollow Road in the vicinity of Tracy Hills Drive.

Lennar Homes is utilizing a land bank, which owns most of the land in the CFD and Lennar Homes has an option to acquire the lots within the Project over time pursuant to a takedown schedule.

- Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the underwriter of the 2022 Bonds may only purchase the 2022 Bonds if it has determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events.
- Fiscal Agent Agreement. This document governs the 2022 Bonds and the use of special taxes from the CFD to pay debt service on the 2022 Bonds. The special taxes will be levied on the regular County tax roll and collected by the County from each taxable parcel in the CFD. The County will remit these special taxes to the City. The City will remit them to the fiscal agent specified therein (“Fiscal Agent”) as provided for in the Fiscal Agent Agreement. The Fiscal Agent will use

the revenues to (1) pay administrative costs of the CFD and (2) pay principal of and interest on the 2022 Bonds to the bond owners.

- Bond Purchase Agreement. At the time the 2022 Bonds are sold, the City will enter into a Bond Purchase Agreement with the Underwriter, who will agree to underwrite the 2022 Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement. The resolution provides the Underwriter's Discount on the purchase of the 2022 Bonds may not exceed 1.50% of the par amount of the 2022 Bonds.

STRATEGIC PLAN

This agenda item supports Governance Strategic Goal 2: Ensure Short and Long-term fiscal health and Goal 3: Increase Public Awareness around City finances and other civic matters.

FISCAL IMPACT

The fees and expenses of the financing team, including Bond Counsel, Disclosure Counsel, Underwriter, Municipal Advisor, Special Tax Consultant and Appraiser are paid from proceeds of the 2022 Bonds or paid through an existing Cost Recovery Agreement with the developer.

RECOMMENDATION

That Council adopt the 2022 Bond Resolution.

Prepared by: Karin Schnaider, Finance Director
Christopher Lynch, Jones Hall
Scott Smith, CSG Advisors Incorporated

Reviewed by: Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

ATTACHMENTS

- A: Preliminary Official Statement (including Continuing Disclosure Certificate)
- B: Fiscal Agent Agreement
- C: Bond Purchase Agreement

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022**NEW ISSUE – BOOK-ENTRY ONLY****NOT RATED**

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 2022 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption."

\$ _____ *

**CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

Dated: Date of Delivery**Due: September 1, as shown on inside cover.**

Authority for Issuance. The bonds captioned above (the "2022 Bonds") are being issued by the City of Tracy (the "City") for and on behalf of the City of Tracy Community Facilities District No. 2021-1 (Hillview) (the "District") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement dated as of _____, 2022 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent"). See "THE 2022 BONDS – Authority for Issuance."

Security and Sources of Payment. The 2022 Bonds are payable from proceeds of Special Tax Revenues (as defined herein) levied on property within the District according to the rate and method of apportionment of special tax approved by the City Council of the City (the "City Council"), acting as legislative body of the District, and the eligible landowner voters in the District. The 2022 Bonds are secured by a first pledge of the Special Tax Revenues (as defined in the Fiscal Agent Agreement) and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement, on a parity with bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE 2022 BONDS." The 2022 Bonds and any Parity Bonds (as defined herein) are referred to herein as the "Bonds."

Use of Proceeds. The 2022 Bonds are being issued to (i) finance the acquisition and construction of certain authorized improvements, (ii) fund a debt service reserve fund for the 2022 Bonds, (iii) fund capitalized interest through September 1, 2022, and (iv) pay the costs of issuing the 2022 Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the 2022 Bonds is payable on September 1, 2022, and semiannually thereafter on each March 1 and September 1. The 2022 Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The 2022 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2022 Bonds. See "THE 2022 BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

Redemption*. The 2022 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2022 BONDS – Redemption."

The 2022 Bonds are not general obligations of the City, but are limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California (the "State") or any political subdivision thereof is pledged to the payment of the 2022 Bonds.

MATURITY SCHEDULE

(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2022 Bonds involves risks which may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2022 Bonds.

The 2022 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, has served as disclosure counsel to the City. Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter and Holland & Knight LLP, San Francisco, California, is serving as counsel to the Developer. It is anticipated that the 2022 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about _____, 2022.

[Piper Sandler Logo]

The date of this Official Statement is: _____, 2022.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP†: _____)

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

\$ ____ % Term Bond due September 1, 20____, Yield: __%, Price: __%
CUSIP† No. ____

\$ ____ % Term Bond due September 1, 20____, Yield: __%, Price: __%
CUSIP† No. ____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

CITY OF TRACY

CITY COUNCIL

Nancy Young, *Mayor*
Veronica Vargas, *Mayor Pro Tem*
Dan Arriola, *Council Member*
Mateo Bedolla, *Council Member*
Eleassia Davis, *Council Member*

CITY STAFF

Michael Rogers, *City Manager*
Karin Schnaider, *Finance Director*
Adrienne Richardson, *City Clerk*
Nancy Ashjian, *City Attorney*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

SPECIAL TAX CONSULTANT

Goodwin Consulting Group, Inc.
Sacramento, California

APPRAISER

Integra Realty Resources
San Francisco, California

MARKET ABSORPTION CONSULTANT

Empire Economics, Inc.
San Juan Capistrano, California

FISCAL AGENT

U.S. Bank Trust Company, National Association
San Francisco, California

[INSERT REGIONAL MAP]

[INSERT LOCATION MAP]

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2022 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2022 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, any other parties described in this Official Statement, or in the condition of property within the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2022 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2022 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the 2022 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2022 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2022 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. 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," "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 District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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OFFICIAL STATEMENT

\$ _____ *

CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**2022 Bonds**”) to be issued by the City of Tracy (the “**City**”) on behalf of the City of Tracy Community Facilities District No. 2021-1 (Hillview) (the “**District**”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2022 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).

The District. The District is located in the southwestern part of the City. The District was formed and established by the City Council of the City (the “**City Council**”), as legislative body of the District, under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), pursuant to a resolution adopted by the City Council following a public hearing, and the landowners of the property included in the District, by unanimous approval, approved the formation of the District, authorized the City to incur bonded indebtedness with respect to the District, and approved the levy of special taxes within the District. See “THE DISTRICT – Formation and Background.”

Authority for Issuance of the 2022 Bonds. The 2022 Bonds are issued under the Act, a resolution adopted by the City Council on _____, 2022 (the “**Resolution of Issuance**”), and a Fiscal Agent Agreement, dated as of _____ 1, 2022 (the “**Fiscal Agent Agreement**”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). The City Council, as legislative body of the District, has authorized the issuance of the 2022 Bonds in an aggregate principal amount not to exceed \$10,700,000. See “THE 2022 BONDS – Authority for Issuance.”

Purpose of the 2022 Bonds. Proceeds of the 2022 Bonds will be used primarily to finance the acquisition and construction of certain authorized improvements. Proceeds of the 2022 Bonds will also fund a debt service reserve fund for the 2022 Bonds, to fund capitalized interest on the 2022 Bonds through September 1, 2022, and to pay the costs of issuing the 2022 Bonds. See “FINANCING PLAN.”

* Preliminary; subject to change.

Redemption of Bonds before Maturity.* The 2022 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes (as defined below). See “THE 2022 BONDS – Redemption.”

Security and Sources of Payment for the 2022 Bonds. The City Council annually levies special taxes on the property in the District (the “**Special Taxes**”) in accordance with the Rate and Method of Apportionment for the District (the “**Rate and Method**”). As used in this Official Statement, Special Taxes refers only to the Facilities Special Tax levied under the Rate and Method. See “SECURITY FOR THE 2022 BONDS – Rate and Method.” The 2022 Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the “**Special Tax Revenues**”), on a parity with any bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. The 2022 Bonds will be additionally secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See “SECURITY FOR THE 2022 BONDS.”

Debt Service Reserve Fund. In order to further secure the payment of principal of and interest on the 2022 Bonds (and any series of Related Parity Bonds), certain proceeds of the 2022 Bonds will be deposited into the 2022 Reserve Fund in an amount equal to the 2022 Reserve Requirement (as defined herein). See “FINANCING PLAN” and “SECURITY FOR THE 2022 BONDS – 2022 Reserve Fund.”

Covenant to Foreclose. The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2022 BONDS – Covenant to Foreclose.”

Property Ownership and Development Status. The property in the District (herein, the “**Property**”) consists of approximately 45.34 acres being developed into 214 single family homes. The Developer has pulled all 214 building permits and home construction is underway. For additional information about the current development status and proposed development plans for the Property in the District, see “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT.”

The land in the District is part of the larger Tracy Hills Specific Plan, which encompasses approximately 2,732 gross acres, with 1,811 developable acres, and various land uses, including residential estates, low density residential, medium density residential, high density residential, mixed-use business park, general highway commercial, light industrial and conservation corridors. Phase 1A of Tracy Hills, of which the District is not a part, includes 1,203 residential units, of which 973 had been sold and 808 sales closed to homeowners as of February 27, 2022.

Appraised Value of Property in the District. An appraisal of certain property within the District, dated March 9, 2022 (the “**Appraisal**”), was prepared by Integra Realty Resources, San Francisco, California (the “**Appraiser**”) in connection with issuance of the 2022 Bonds. The Appraisal has a date of value of February 1, 2022 and appraised property as of that date consisted of lots under construction. The purpose of the Appraisal was to estimate the market value of the fee simple estate, subject to lien of the Special Taxes and overlapping liens, for all the taxable property within the District as of a February 1, 2022 date of value. Subject to the assumptions contained in the Appraisal, the Appraiser estimated that the taxable property within the District, subject to the lien of the Special Taxes and overlapping liens, had an estimated appraised value of \$32,100,000. See “THE DISTRICT – Value of Property in the District” for further information on the Appraisal. A complete copy of the Appraisal is included in this Official Statement as APPENDIX H.

* Preliminary; subject to change.

Estimated Value-to-Lien Ratios in the District. Based on the appraised value of the taxable property within the District of \$32,100,000 and an estimated par amount of 2022 Bonds of \$7,790,000*, the overall value-to-lien ratio of the taxable property within the District is approximately 4.12* to 1, not including overlapping general obligation bond indebtedness. See “THE DISTRICT – Direct and Overlapping Governmental Obligations.” This is an overall estimate, however, and the value-to-lien ratios of individual parcels varies widely from this ratio.

Risk Factors Associated with Purchasing the 2022 Bonds. Investment in the 2022 Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS' RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2022 Bonds.

* Preliminary; subject to change.

FINANCING PLAN

Authorized Facilities

The net proceeds of the 2022 Bonds will be used to construct and/or acquire various facilities authorized to be financed by the District. For a complete list of the authorized facilities, see “THE DISTRICT – Authorized Facilities.”

Sources and Uses of Funds

The estimated proceeds from the sale of the 2022 Bonds will be used as follows:

<u>SOURCES</u>	
Principal Amount of 2022 Bonds	\$
<i>Plus/Less: Net Original Issue Premium/Discount</i>	
<i>Total Sources</i>	<hr/> \$
 <u>USES</u>	
Deposit into Improvement Fund	\$
Deposit into 2022 Reserve Fund ⁽¹⁾	
Deposit into 2022 Capitalized Interest Account ⁽²⁾	
Costs of Issuance ⁽³⁾	
<i>Total Uses</i>	<hr/> \$

- (1) Equal to the 2022 Reserve Requirement with respect to the 2022 Bonds as of their date of delivery.
- (2) Represents capitalized interest on the 2022 Bonds through September 1, 2022.
- (3) Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, printing the Preliminary and Final Official Statements, the Fiscal Agent, the Municipal Advisor, and the Special Tax Consultant, and Underwriter's discount.

THE 2022 BONDS

This section generally describes the terms of the 2022 Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

The 2022 Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the 2022 Bonds may be issued in a maximum principal amount of \$10,700,000.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The 2022 Bonds will be dated their date of delivery (the “**Closing Date**”) and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2022 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000 in excess thereof.

Calculation of Interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2022 Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2022 (each, an “**Interest Payment Date**”).

Each 2022 Bond will bear interest from the Interest Payment Date next preceding its date of authentication unless:

(i) it is authenticated on an Interest Payment Date, in which event it will 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 (as defined below) preceding such Interest Payment Date, in which event it will 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 will bear interest from the Closing Date;

provided, however, that if at the time of authentication of a 2022 Bond, interest is in default thereon, such 2022 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

“**Record Date**” means the 15th day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2022 Bonds. The 2022 Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payments of Interest and Principal. For so long as DTC is used as depository for the 2022 Bonds, principal of, premium, if any, and interest payments on the 2022 Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the 2022 Bonds, for distribution to the beneficial owners of the 2022 Bonds in accordance with the procedures adopted by DTC.

Interest on the 2022 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first-class mail to the registered Owner thereof at such 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 made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2022 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which will continue in effect until revoked in writing, or until such 2022 Bonds are transferred to a new Owner.

The principal of the 2022 Bonds and any premium on the 2022 Bonds are payable in lawful money of the United States of America upon surrender of the 2022 Bonds at the Principal Office of the Fiscal Agent.

Redemption*

Optional Redemption from any Source other than Prepayments. The 2022 Bonds maturing on or after September 1, 20___, are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20___, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2022 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, ___ through August 31, ___	___%
September 1, ___ through August 31, ___	___
September 1, ___ through August 31, ___	___
September 1, ___ and any date thereafter	___

Mandatory Sinking Fund Redemption. The 2022 Bonds maturing on September 1, 20___ (the "20__ Term Bonds"), are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Payments</u>
	\$

(maturity)

The 2022 Bonds maturing on September 1, 20___ (the "20__ Term Bonds" and, together with the 20__ Term Bonds, the "Term Bonds"), are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

* Preliminary; subject to change.

**Sinking Fund
Redemption Date
(September 1)**

Sinking Payments
\$

(maturity)

However, if some but not all of the Term Bonds of a given maturity have been redeemed through optional redemption or mandatory prepayment redemption, the total amount of all future Sinking Fund Payments relating to such maturity will be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which will be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2022 Reserve Fund under the Fiscal Agent Agreement will be used to redeem 2022 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities of outstanding bonds so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2022 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, ____	____%
September 1, ____ and March 1, ____	____%
September 1, ____ and March 1, ____	____%
September 1, ____ and any Interest Payment Date thereafter	____%

See "BOND OWNERS' RISKS – Potential Early Redemption of Bonds from Prepayments" for a discussion of the potential for the 2022 Bonds to be priced with original issue premium and then be redeemed from Special Tax prepayments prior to maturity or the optional redemption date.

Purchase in Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2022 Bonds upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2022 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2022 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the Original Purchaser, the Securities Depositories, and to the respective registered Owners of any 2022 Bonds designated for redemption, at their addresses appearing on the 2022 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2022 Bonds. In addition, the Fiscal Agent will file each notice of redemption with the MSRB through its EMMA system.

However, while the 2022 Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the 2022 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2022 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.

Conditional Redemption Notice and Rescission of Redemption. The City will have the right to send a conditional optional redemption notice and to rescind any notice of the optional redemption of 2022 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2022 Bonds then called for redemption, and such cancellation will not constitute a default under the Fiscal Agent Agreement.

The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Selection of 2022 Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all the 2022 Bonds of any maturity or any given portion thereof, the Fiscal Agent will select the 2022 Bonds to be redeemed from all 2022 Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2022 Bonds called for redemption have been deposited in the Bond Fund, those 2022 Bonds will 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 will accrue thereon on or after the redemption date specified in the notice of redemption.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the 2022 Bonds apply only during any period in which the 2022 Bonds are not subject to DTC's book-entry system. While the 2022 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC and the Book-Entry Only System."

Registration. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the 2022 Bonds (the "**Bond Register**"), which will show the series number, date, amount, rate of interest and last known owner of each 2022 Bond and will at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Bond Register, the ownership of the 2022 Bonds as provided in the Fiscal Agent Agreement.

The City and the Fiscal Agent will treat the Owner of any 2022 Bond whose name appears on the Bond Register as the absolute Owner of such 2022 Bond for any and all purposes, and the City and the

Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

Registration of Exchange or Transfer. Any 2022 Bond may, in accordance with its terms, be transferred, upon the Bond register by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2022 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

2022 Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of 2022 Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any 2022 Bond or 2022 Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2022 Bond or 2022 Bonds, for a like aggregate principal amount.

No transfers or exchanges of 2022 Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of 2022 Bonds for redemption or (ii) with respect to a 2022 Bond after such 2022 Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

DEBT SERVICE SCHEDULE

Debt Service Schedule. The following table presents the annual debt service on the 2022 Bonds (including mandatory sinking fund redemptions), assuming there are no optional redemptions or special redemptions from Special Tax Prepayments.

Year Ending September 1	2022 Bonds Principal	2022 Bonds Interest	2022 Bonds Total
2022	\$	\$	\$
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
Total:	\$	\$	\$

Special Tax Revenues and Projected Debt Service Coverage

Debt service on the 2022 Bonds is structured so that annual Special Tax Revenues, if levied at the Maximum Special Tax rates in the Rate and Method, assuming all properties are classified as Developed Property, net of Administrative Expenses, will result in an annual debt service coverage ratio of at least 110%.

SECURITY FOR THE 2022 BONDS

This section generally describes the security for the 2022 Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

General

The 2022 Bonds and any Parity Bonds (collectively, the “**Bonds**”) are secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account but excluding the 2022 Capitalized Interest Account), and, until disbursed as provided therein, in the Special Tax Fund.

The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2022 Bonds and all Related Parity Bonds (as defined herein) will be secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2022 Reserve Fund. The moneys in the 2022 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2022 Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2022 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2022 Bonds will be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2022 Capitalized Interest Account.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

“**Special Tax Revenues**” are defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. *However*, Special Tax Revenues do not include any interest in excess of the interest due on the Bonds, or any penalties collected in connection with any such foreclosure.

Limited Obligation

The 2022 Bonds are not general obligations of the City, but are limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State or any political subdivision thereof is pledged to the payment of the 2022 Bonds.

Special Taxes

Covenant to Levy Special Taxes. The Finance Director will fix and levy the amount of Special Taxes within the District required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement:

(i) the principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing calendar year,

(ii) any necessary replenishment or expenditure of the 2022 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year,

(iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year,

(iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and

(v) any Project costs to be paid from Special Taxes to the extent that paying for such costs does not increase the Special Taxes levied on Undeveloped Property.

During the Remainder Taxes Period (as defined herein), the Finance Director will fix and levy the Special Taxes at the Maximum Special Tax rate on Developed Property before considering any Capitalized Interest (as those terms are defined in the Rate and Method). The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation. Fiscal Year 2022-23 is the first fiscal year in which the Special Tax will be levied.

Manner of Collection. Except as set forth in the Ordinance, the Fiscal Agent Agreement provides that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. In addition, under the Fiscal Agent Agreement, the first use of Special Tax Revenues is the payment of Administrative Expenses in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses. Further, under no circumstances will the Special Tax levied against any parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other parcel within the District. Finally, in no event shall Special Taxes be levied after fiscal year 2061-62. See "BOND OWNERS' RISKS – Property Tax Delinquencies."

Rate and Method

General. The Special Taxes will be levied and collected according to the Rate and Method, which provides the means by which the City Council may annually levy the Special Taxes within the District, up to the maximum Special Tax rates, and to determine the amount of the Special Taxes that will need to be collected each fiscal year from the "**Taxable Property**" within the District. *As used in this Official Statement, Special Tax refers only to the Facilities Special Tax levied under the Rate and Method; although a Services Special Tax is also authorized to be levied under the Rate and Method, the Services*

Special Tax is not pledged to repay the 2022 Bonds and will not be levied in the District until after the Facilities Special Tax is no longer levied.

The following is a summary of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. Capitalized terms used but not defined in this section have the meanings as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

Facilities Special Tax Requirement. Annually, at the time of levying the Special Tax, the District administrator (the “**Administrator**”) will determine the Facilities Special Tax Requirement (the “**Facilities Special Tax Requirement**”), which is the amount required in any Fiscal Year for the following purposes:

(i) to pay principal and interest on Bonds when due in the calendar year which begins in such Fiscal Year,

(ii) to create or replenish reserve funds to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year,

(iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year,

(iv) to pay Administrative Expenses, and

(v) to pay the costs of Authorized Facilities, to the extent that paying directly for such costs does not increase the Special Taxes levied on Undeveloped Property.

Annual Determination of Property Categories for Administration of Special Tax. Each Fiscal Year, the Administrator will: (i) assign each parcel of Taxable Property to the appropriate Development Class, (ii) for Developed Property, categorize each Parcel as Single Family Residential Property or Other Property, (iii) determine if a Transition Event occurred in the prior Fiscal Year, (iv) for Other Property, determine the Acreage of each Parcel, and (v) prior to the Transition Year, determine the Facilities Special Tax Requirement. In addition, the Administrator shall, on an ongoing basis, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would change the Expected Maximum Facilities Special Tax Revenues. If the Expected Maximum Facilities Special Tax Revenues will be revised pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in the Rate and Method, as described further below.

In any Fiscal Year, if it is determined that:

(i) a parcel map for a portion of property in the District was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then-current tax roll),

(ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and

(iii) one or more of the newly-created Parcels is in a different Development Class than other parcels created by the subdivision,

the Administrator will calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class,

then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

"Transition Event" means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and (iii) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes.

"Transition Year" means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

Maximum Special Tax. The Maximum Special Tax for Fiscal Year 2022-23 for Taxable Property is set forth in Table 1 below, subject to potential adjustments that may occur pursuant to Section D of the Rate and Method. For additional information, see APPENDIX B.

**Table 1
City of Tracy
Community Facilities District No. 2021-1 (Hillview)
Fiscal Year 2022-23 Maximum Facilities Special Tax Rates**

Special Tax Category	Maximum Facilities Special Tax Before Transition Year (in Fiscal Year 2022-23 \$)⁽¹⁾	Maximum Facilities Special Tax In and After Transition Year
Single-Family Residential Property	\$2,008.38 per Residential Unit	\$0 per Residential Unit
Other Property, Taxable Public Property, Taxable HOA Property, Taxable Welfare Exemption Property, and Undeveloped Property	\$33,748.74 per Acre	\$0 per Acre

(1) On each July 1, the facilities special taxes shown in this table shall be increased by an amount equal to 2.0% of the amount in effect for the prior fiscal year.

Source: Goodwin Consulting Group, Inc.

Method of Special Tax Levy. Under the Rate and Method, each Fiscal Year until the Transition Year, the Administrator will determine the Facilities Special Tax Requirement and levy the Special Tax as follows:

Step 1: In the first 15 Fiscal Years in which a Special Tax is levied within the District, the Maximum Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the 16th Fiscal Year in which a Special Tax is levied within the District and continuing until the Transition Year, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement.

- Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Facilities Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property.
- Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Welfare Exemption Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Welfare Exemption Property.
- Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.
- Step 5:** If additional revenue is needed after Step 4, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

Exemptions. Any Parcel that is or is expected to be Public Property, HOA Property, or Welfare Exemption Property prior to the First Bond Sale shall be exempt from both the Services Special Tax and the Facilities Special Tax. The Administrator will reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemptions that were not expected at the time of formation of the District, and the First Bond Sale shall be sized based on the reduced Expected Maximum Facilities Special Tax Revenues. Any Parcel that becomes Public Property, HOA Property, or Welfare Exemption Property after the First Bond Sale shall be exempt from: (i) the Services Special Tax, and (ii) the Facilities Special Tax provided such Parcel is not Taxable Public Property, Taxable HOA Property, or Taxable Welfare Exemption Property.

Partial Prepayment of Special Tax. A property owner may prepay up to 80% of the Special Tax obligation applicable to a Parcel in the District, subject to certain conditions. The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium and other costs, all as specified in “APPENDIX B – Rate and Method of Apportionment of Special Tax – Section H.”

Services Special Tax. In addition to the Special Tax, taxable property in the District is subject to a special tax for services (the “**Services Special Tax**”), pursuant to the Rate and Method. The Maximum Services Special Tax for Fiscal Year 2022-23 is set forth in Table 2. Table 2 is included for information only. The Services Special Tax does not secure, and is not pledged to the payment of, the 2022 Bonds.

**Table 2
City of Tracy
Community Facilities District No. 2021-1 (Hillview)
Fiscal Year 2022-23 Maximum Services Special Tax Rates**

Special Tax Category	Maximum Services Special Tax Before Transition Year (in Fiscal Year 2022-23 \$)	Maximum Services Special Tax In and After Transition Year (in Fiscal Year 2022-23 \$)⁽¹⁾
Single Family Residential Property	\$0 per Residential Unit	\$401.88 per Residential Unit
Other Property	\$0 per Acre	\$1,149.54 per Acre
Undeveloped Property	\$0 per Acre	\$1,149.54 per Acre

(1) On each July 1, until the Transition Year, the service special taxes shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior fiscal year. On July 1 of the Transition Year and each July 1 thereafter, the services special taxes and the maximum services special tax assigned to each parcel shall be adjusted by the Escalation Factor.
Source: Goodwin Consulting Group, Inc.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that the Special Taxes are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

While judicial foreclosure is not mandatory under the Act, the City will agree in the Fiscal Agent Agreement that on or about June 30 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes previously levied in the District to the amount of Special Tax Revenues received by the City, and if delinquencies have occurred, proceed as follows:

Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination.

Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) the District is then participating in the “Teeter Plan” (as defined and described below), or an equivalent procedure, (2) the amount in the 2022 Reserve Fund is at least equal to the 2022 Reserve Requirement, and (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount. For additional details on the Teeter Plan, see “– *Special Tax Delinquencies; Teeter Plan*” below.

Aggregate Delinquencies. If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies described in the above two paragraphs), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the County, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

Individual Owner Delinquencies. As to any owner of more than one parcel within the District, if the Finance Director determines that the aggregate amount of delinquent Special Taxes for all preceding tax years on all parcels owned by such owner (whether such parcels are owned solely by such owner or jointly by such owner and one or more others) exceeds \$10,000, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if

the delinquency remains uncured) shall commence foreclosure proceedings within 90 days of such determination, regardless of when such delinquencies occurred.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “**FDIC**”). See “**BOND OWNERS’ RISKS – Bankruptcy Delays.**”

Special Tax Delinquencies; Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the “**Teeter Plan**,” is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually the full amount of their shares of property taxes and other levies collected on the secured roll, including delinquent property taxes which have yet to be collected. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

The Board of Supervisors of San Joaquin County adopted the Teeter Plan in Fiscal Year 1994-95. The County has elected to apply its Teeter Plan to the collection of the Special Taxes in the District. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the District, the County’s Teeter Plan may help protect owners of the 2022 Bonds from the risk of delinquencies in the payment of Special Tax. *There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove the District from its Teeter Plan, while the 2022 Bonds are outstanding.*

Special Tax Fund

Deposits. Under the Fiscal Agent Agreement, the Special Tax Fund is established as a separate fund to be held by the Fiscal Agent. The City will promptly deposit any Special Tax Revenues received by it in the Special Tax Fund. Within the Special Tax Fund there is established a separate account to be held by the City, designated the “Administrative Expense Account,” to the credit of which deposits shall be made as required by the Fiscal Agent Agreement.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses will be separately identified by the Finance Director and shall be deposited by the Finance Director in the Administrative Expense Account;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and will be disposed of by the Finance Director first, for transfer to the Fiscal Agent for deposit in the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority, for transfer to the Fiscal Agent for deposit in the 2022 Reserve Fund to the extent needed to increase the amount then on deposit in the 2022 Reserve Fund up to the then 2022 Reserve Requirement and for deposit in the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in “–Disbursements” below; and

(iii) any proceeds of Special Tax Prepayments will be separately identified by the Finance Director and will be disposed of by the Finance Director as follows (with written instructions to the Fiscal Agent): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) will be transferred by the Finance Director to the Fiscal Agent for deposit in the Bond Proceeds Account of the Improvement Fund and (b) the remaining Special Tax Prepayment will be transferred by the City to the Fiscal Agent for deposit in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Disbursements. At least 7 Business Days prior to each Interest Payment Date, the Finance Director will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) for deposit in the Bond Fund, an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2022 Reserve Fund, any reserve account for Parity Bonds that are not Related Parity Bonds, the 2022 Capitalized Interest Account, a capitalized interest account established for any series of Parity Bonds 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 on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement,

(ii) without preference or priority, (a) for deposit in the 2022 Reserve Fund an amount, taking into account amounts then on deposit in the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement, and (b) for deposit in the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts will be applied to the 2022 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) (A) on each October 1, beginning on October 1, 2022 and continuing through the Remainder Taxes Period, all of the moneys remaining in the Special Tax Fund will be transferred to the Remainder Taxes Account and (B) on each subsequent October 1 after the end of the Remainder Taxes Period, all or a portion of the moneys remaining in the Special Tax Fund will be transferred to the Remainder Taxes Account as directed by the Finance Director.

“Remainder Taxes Period” is defined in the Fiscal Agent Agreement as the period through and including the earlier of (i) the end of the 15th Fiscal Year during which Special Taxes have been levied on the property in the District or (ii) the date the City has fully satisfied its reimbursement obligations under the Acquisition Agreement.

Fiscal Year 2022-23 is the first fiscal year in which the Special Tax will be levied.

Within 15 days after the end of each Bond Year after the Remainder Taxes Account is closed pursuant to the Fiscal Agent Agreement, and after the foregoing transfers have been made, the City will transfer all amounts remaining on deposit in the Special Tax Fund to (x) the Administrative Expense Account, to be used as set forth in the Fiscal Agent Agreement, (y) the Special Tax Fund, or (z) the City for any lawful purpose.

Bond Fund

Deposits. The Fiscal Agent will hold the moneys in the Bond Fund for the benefit of the City and the Owners of the Bonds, and will disburse those funds for the payment of the principal of, and interest and any premium on, the Bonds as described below.

There is also created in the Bond Fund separate accounts to be held by the Fiscal Agent, designated the “Special Tax Prepayments Account” and the “2022 Capitalized Interest Account” to the credit of which deposits will be made as provided in the Fiscal Agent Agreement.

Deposits and Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent will notify the Finance Director in writing in the form of an invoice of the following: (i) the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption), (ii) the amount in the Bond Fund (and any accounts therein) that is available to pay the amounts due on such Interest Payment Date, (iii) the amount needed to be transferred by the City to the Fiscal Agent in order for the Fiscal Agent to pay the amount due on such Interest Payment Date and (iv) the amount needed (a) to be deposited in the 2022 Reserve Fund, taking into account amounts then on deposit in the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement, and (b) to be deposited in the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in

the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein.

At least 7 Business Days prior to each Interest Payment Date, the City will transfer to the Fiscal Agent from the Special Tax Fund for deposit in the Bond Fund an amount equal to the lesser of (i) the amount in the Special Tax Fund and (ii) the amount described in clause (iii) of the previous paragraph.

On the fourth Business Day prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency then do the following:

(i) Withdraw from the 2022 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2022 Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2022 Reserve Fund will be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments due and payable on such Interest Payment Date, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments.

Disbursements from the 2022 Capitalized Interest Account. Amounts on deposit in the 2022 Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2022 Bonds. When the amount in the 2022 Capitalized Interest Account is fully expended for the payment of interest, the account will be closed.

Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and will be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance the Fiscal Agent Agreement.

2022 Reserve Fund

General. In order to further secure the payment of principal of and interest on the 2022 Bonds and any Related Parity Bonds, certain proceeds of the 2022 Bonds will be deposited into the 2022 Reserve Fund in an amount equal to the “**2022 Reserve Requirement**” for the 2022 Bonds (as defined below). See “FINANCING PLAN.”

2022 Reserve Requirement. The “2022 Reserve Requirement” is defined in the Fiscal Agent Agreement to mean the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2022 Bonds and Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2022 Bonds and Related Parity Bonds, if any and (c) 10% of the original principal of the 2022 Bonds and Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c) above, the issue price of the 2022 Bonds or any Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2022 Bonds or any Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2022 Bonds or any Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated under the definition of 2022 Reserve Requirement exceed the amount on deposit in the 2022 Reserve Fund on the date of issuance of the 2022 Bonds (if they are the only Bonds covered by the 2022 Reserve Fund) or the most recently issued series of Related Parity Bonds (if any Related Parity Bonds are covered by the 2022 Reserve Fund) except in connection with any increase associated with the issuance of Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2022 Reserve Fund in connection with the issuance of a series of Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

Disbursements. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2022 Reserve Fund will 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 and any premium on, the 2022 Bonds and any Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2022 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2022 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2022 Bonds and any Related Parity Bonds, the Fiscal Agent will provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Qualified Reserve Fund Credit Instruments. The City has the right at any time to direct the Fiscal Agent to release funds from the 2022 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument (as defined in the Fiscal Agent Agreement), and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2022 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2022 Reserve Fund with cash if, at any time that the 2022 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City will reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent will comply with the terms of the Qualified Reserve Account Credit Instrument as will be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

See APPENDIX C for a complete description of the timing, purpose and manner of disbursements from the 2022 Reserve Fund.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. See APPENDIX C for a definition of “Permitted Investments.”

Issuance of Future Parity Bonds for Refunding Only

In addition to the 2022 Bonds, the City may issue one or more additional series of Bonds payable from the Special Tax Revenues on a parity with the 2022 Bonds (collectively, “**Parity Bonds**”), in such principal amount as may be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder. The City may only issue Parity Bonds if they are Refunding Bonds.

“**Refunding Bonds**” is defined in the Fiscal Agent Agreement as bonds issued by the City for the District, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

See APPENDIX C for additional details regarding the conditions for issuing Parity Bonds.

Subordinate Bonds

Nothing in the Fiscal Agent Agreement prohibits the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

THE DISTRICT

Formation and Background

Formation Proceedings. The District was established by the City Council under the Act on November 2, 2021, following a noticed public hearing. On the same date, an election was held in which the qualified electors within the District approved a ballot proposition authorizing the District to incur bonded indebtedness for the District of up to \$12,000,000 to finance the acquisition and construction of the authorized facilities, to levy the Special Taxes within the District, and to establish an appropriations limit for the District. The District is authorized to finance the construction of authorized facilities. See “—Authorized Facilities.”

Description and Location

General. The District is located in the southern part of the City, south of the California Aqueduct and north of Interstate 580, near the existing highway interchange at Corral Hollow Road. See APPENDIX A for demographic and other information regarding the City and the County.

Boundary Map. The map showing the boundaries of the District is set forth on the following page.

[Insert CFD Boundary Map]

Authorized Facilities

General. Under the Resolution of Formation adopted by the City Council, as the legislative body of the District, on November 2, 2021, the District is authorized to finance all or a portion of the costs of acquisition, construction and improvement of facilities permitted under the Act and that are required as conditions of development of property in the District (collectively, the “**Facilities**”). The Facilities include but are not limited to the following:

- Roadway Improvements;
- Wastewater Facilities;
- Water Facilities;
- Reclaimed Water Facilities;
- Drainage Improvements;
- Landscaping;
- Open Space Improvements; and
- Parks and Park Equipment.

Any Facility authorized to be financed by the District may be financed through the construction and acquisition of the Facility or through the payment of fees for such Facility. The Facilities authorized to be financed may be located within or outside the boundaries of the District.

The Facilities to be financed shall include all hard and soft costs associated with the Facilities, including the costs of the acquisition of land and rights-of-way, the costs of design engineering and planning, the costs of any environmental or traffic studies, surveys, or other reports, costs related to landscaping and irrigation, soils testing, permits, plan check, and inspection fees, insurance, legal, and related overhead costs, coordination and supervision, and any other costs or appurtenances related to any of the foregoing, as further defined in one or more acquisition agreements with the developer of the property in the District.

Status of Construction of Facilities. As of March 15, 2022, in-tract improvements remaining to be completed within the District consist primarily of finishing of streets, curbs, gutters, and landscaping. Certain other facilities required as conditions of development within the District are also pending. See “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT – Status of Infrastructure for the District.”

Market Absorption Study

In connection with the issuance of the 2022 Bonds, the City hired the Market Absorption Consultant, Empire Economics, Inc., to prepare the Absorption Study for the homes planned for the District. The Absorption Study sets forth various factors that may impact the development and sale of homes within the District. The Absorption Study also sets forth the forecast of absorption, which are shown in the tables below.

Estimated Absorption Schedule

Year	2022	2023	2024	2025
------	------	------	------	------

Estimated Escrow Closings	30	64	64	56
Cumulative	30	94	158	214

Source: Empire Economics, Inc.

Assumptions used in the Absorption Study include the following:

- Floor plan #1 is expected to have 54 homes that have 1,717 square feet of living area, with base prices of \$682,000, for a value ratio of \$397/square foot, on the average.
- Floor plan #2 is expected to have 54 homes that have 1,906 square feet of living area, with base prices of \$710,000, for a value ratio of \$373/square foot, on the average.
- Floor plan #3 is expected to have 53 homes that have 2,136 square feet of living area, with base prices of \$730,000, for a value ratio of \$342/square foot, on the average.
- Floor plan #4 is expected to have 53 homes that have 2,237 square feet of living area, with base prices of \$737,000, for a value ratio of \$329/square foot, on the average.

The City is not obligated to make, and has not undertaken to make, an independent verification of the information contained in the Absorption Study and assumes no responsibility for the accuracy or completeness of the Absorption Study.

A copy of the Absorption Study is set forth in its entirety as APPENDIX I – Market Absorption Study.

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency’s flood insurance rate maps (Map Panel Number 06077C-0740F, dated October 16, 2009), the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains). Property in the District is not subject to the Central Valley Flood Protection Plan.

Seismic Conditions. According to the Seismic Safety Commission, the District is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the District is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

Wetlands. No wetland mitigation was required for development within the District.

Explosives Testing. The Lawrence Livermore National Laboratory (“LLNL”) Experimental Test Site (“Site 300”) is a restricted-access facility operated for the U.S. Department of Energy National Nuclear Security Administration (“DOE/NNSA”) by Lawrence Livermore National Security, LLC. Site 300 is located approximately 1.33 miles to the west/southwest of the Hillview project. The Site 300 facility is used in the research, development, and testing of non-radioactive explosive materials to support DOE/NNSA stockpile stewardship, counterterrorism and counterproliferation programs. Site 300 has been in operation as an explosive testing and research facility since 1955.

Site 300 conducts explosive testing in both indoor and outdoor facilities. Explosive testing conducted at Site 300 is regulated by the San Joaquin Valley Air Pollution Control District (“SJVAPCD”).

Currently, Site 300 operates under a SJVAPCD air permit that allows detonations of explosives up to 100 pounds per day and 1,000 pounds per year. To minimize noise impacts to surrounding land uses, adjacent neighbors and other sensitive receptors, Site 300 constructed the Contained Firing Facility in 2000. The concrete, 28,000 square foot facility allows Site 300 to conduct explosive tests indoors. Intermittent outdoor explosive tests (otherwise known as open detonations) are also conducted.

In the Fall of 2017, DOE/NNSA submitted a new SJVAPCD permit application and released a Draft Environmental Assessment proposing to increase the weight of explosives from the current limit of 100 lbs./day to 1,000 lbs./day, and from 1,000 lbs./year to 7,500 lbs./year. The proposed increase would allow larger single detonations and would result in more open detonations. The City and the County submitted comment letters expressing concern and questions regarding potential increase in noise impacts. To date, the SJVAPCD has not taken any action on the permit application.

Value of Property in the District

Appraisal. The City ordered preparation of an appraisal report dated March 9, 2022 (the “**Appraisal**”), of the estimated value of the taxable land within the District as of a February 1, 2022 date of value. The Appraisal was prepared by Integra Realty Resources, San Francisco, California (the “**Appraiser**”). The Appraisal is set forth in APPENDIX H hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, conditions and qualifications which are set forth in the Appraisal.

Parcels Appraised. The properties appraised represent various parcels within the District. As of the date of value of the Appraisal, of the 214 assessor’s parcels representing the taxable parcels within the District, no parcels had completed homes. As such, a “not-less than” estimate of market value for each of the applicable floor plans determined appraised and assigned to each respective assessor’s parcel, based on its floor plan.

Value Estimate. The Appraisal provides a market value of the appraised properties, as well as a cumulative, or aggregate, value of properties as of the February 1, 2022 date of value. The aggregate value is not the market value of the appraised properties in bulk.

The appraised valuation excludes the value of all portions of the property in the District designated for public and quasi-public purposes, assumes the proceeds of the 2022 Bonds have been used to reimburse the completion of certain improvements associated with the District, and accounts for the impact of the lien of the Special Tax. The following estimate represents the hypothetical market value of the property to be subject to the Special Tax. The value estimate for the property as of the February 1, 2022 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, is \$32,100,000.

Value Method. Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach, and the income capitalization approach. Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type. The methodology employed in the Appraisal is the sales comparison approach.

Hypothetical Condition. The market value estimated in the Appraisal is based on a hypothetical condition that proceeds of the 2022 Bonds are available to reimburse the completion of certain improvements associated with the District.

Assumptions and Limiting Conditions. In addition to the hypothetical condition described above, the market value of the appraised parcels is subject to a number of other assumptions and conditions which affect the estimates as to value, including, among others, the following:

- The value estimate assumes that the transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming that neither is under undue stress. Additionally, the estimate assumes that the appraised properties within the boundaries of the District are not marketed concurrently, which would suggest a market under duress.
- The valuation analysis did not include review of a current title report of all properties to determine any possible conditions of title affecting the properties appraised. The Appraiser accepts no responsibility for matters pertaining to title.
- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events involving hazardous material reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See “BOND OWNERS’ RISKS – Property Values” and “– Hazardous Substances” below.

See “APPENDIX H – Appraisal Report” hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Limitations of Appraisal Valuation. Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel. No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the 2022 Bonds are outstanding in that the City has no control over the market value of the property within the District or 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. See “BOND OWNERS’ RISKS – Other Possible Claims Upon the Value of Taxable Property” below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “BOND OWNERS’ RISKS” herein. *Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal. See APPENDIX H for the Appraisal Report.*

Value-to-Lien Ratios

The table below shows the approximate value-to-lien ratio for the parcels in the District, based on the appraised values set forth in the Appraisal. The table below is based on the proposed par amount of the 2022 Bonds only. When including the general obligation bond indebtedness shown on the overlapping debt statement, the value-to-lien ratio is 4.06:1*.

No assurance can be given that the amounts shown in these tables will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

Table 3
City of Tracy Community Facilities District No. 2021-1 (Hillview)
Maximum Special Tax Revenue and Summary of Value-to-Lien Ratios
(Development Status as of February 1, 2022)

<u>Development Status and Property Ownership</u> ⁽¹⁾	<u>Residential Units</u>	<u>FY 2022-23 Maximum Special Tax Rate</u>	<u>FY 2022-23 Maximum Special Tax Revenue</u>	<u>Appraised Value</u>	<u>Allocated 2022 Bond Debt</u> ⁽²⁾	<u>Average Value-to-Lien Ratio</u> *
<u>Developed Property</u>						
Lennar Homes of California	16	\$2,008	\$32,134	\$2,400,000	\$582,430	4.12
AG Essential Housing CA 4, LP	198	2,008	397,659	29,700,000	7,207,570	4.12
Total	214		\$429,793	\$32,100,000	\$7,790,000	4.12

* Preliminary; subject to change.

(1) Based on building permits issued as of February 1, 2022. Ownership information per the Appraisal Report.

(2) Allocated based on the Fiscal Year 2022-23 maximum special tax revenue.

Source: *Integra Realty Resources; Goodwin Consulting Group, Inc*

Direct and Overlapping Governmental Obligations

Overlapping Debt Statement. Contained within the boundaries of the District are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting the District as of March 1, 2022 is shown in the table below, a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither makes any representation in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. These long-term obligations are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land 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.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the public agency's assessed valuation represented in column 2.

Table 4
City of Tracy Community Facilities District No. 2021-1 (Hillview)
Direct and Overlapping Governmental Obligations
As of March 1, 2022

2021-22 Assessed Valuation: \$6,634,200 (Land & Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/22</u>
San Joaquin Delta Community College District General Obligation Bonds	0.007%	\$13,136
Tracy Unified School District General Obligation Bonds	0.029	8,991
Jefferson School District General Obligation Bonds	0.206	92,135
City of Tracy Community Facilities District No. 2021-1 ⁽¹⁾	100.000	<u>0</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$114,262

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County General Fund Obligations	0.007%	\$4,411
City of Tracy General Fund Obligations	0.048	<u>8,224</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$12,635

COMBINED TOTAL DEBT \$126,897 ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.72%
Combined Total Debt.....	1.91%

(1) Excludes the 2022 Bonds.

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

Source: *California Municipal Statistics, Inc.*

Estimated Tax Burden on Single-Family Homes

The following table sets forth the estimated total tax burden on a developed single-family unit in the District, based on special tax rates for Fiscal Year 2022-23.

Table 5
City of Tracy Community Facilities District No. 2021-1 (Hillview)
Fiscal Year 2022-23 Illustrative Tax Bill

Assumptions

Base Price ⁽¹⁾	\$715,000
Less: Homeowner's Exemption	(\$7,000)
Net Expected Assessed Value	\$708,000

Ad Valorem Tax Rate⁽²⁾

County General	1.000000%	\$7,080
Jefferson Elem 2010 Meas J 2011A Bond	0.011600	82
Jefferson Elem 2010 Meas J 2013B Bond	0.009600	68
Jefferson Elem 2010 Meas J 2014C Bond	0.003800	27
SJ Delta College 2004 Meas 2015R Bond	0.008800	62
SJ Delta College 2004 Meas 2018D Bond	0.002800	20
SJ Delta College 2004 Meas 2020R Bond	0.001900	13
SJ Delta College 2004 Meas 2021R Bond	0.002800	20
Tracy-Lammersville USD 2006 2014R Bond	0.006400	45
Tracy-Lammersville USD 2006 2015R Bond	0.005900	42
Tracy-Lammersville USD 2006 2020R Bond	0.001400	10
Total Ad Valorem Taxes	1.055000%	\$7,469

Direct Charges⁽³⁾

Tracy Rural Fire	\$134
Water Zone 2	3
SJC Mosquito Abate	2
SJC Mosq & VCTR Contr	9
CSA No 53 Haz Was	4
CFD No. 2021-1 (Hillview) Special Tax ⁽⁴⁾	2,008
CFD No. 2021-2 (Citywide Services)	506
Total Direct Charges	\$2,667

Total Taxes and Direct Charges	\$10,136
Percentage of Base Price	1.42%

(1) Based on the appraisal report.

(2) Based on the Fiscal Year 2021-22 ad valorem tax rates for the tax rate area within the District. Ad valorem tax rates are subject to change in future years.

(3) Based on the Fiscal Year 2021-22 charges identified on the San Joaquin County-issued property tax bills. Charges subject to change in future years. Does not reflect any amounts for PACE liens. Property owners in the District may elect to have PACE assessment liens placed on their property.

(4) Equal to the maximum facilities special tax for Fiscal Year 2022-23.

Source: *Integra Realty Resources; San Joaquin County Tax Collector's Office; Goodwin Consulting Group, Inc.*

Special Tax Collection and Delinquency Rates

Fiscal Year 2022-23 is the first fiscal year in which the Special Tax will be levied. Accordingly, collection and delinquency information is not yet available.

Potential Consequences of Special Tax Delinquencies

General. Delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in the District could result in draws on the 2022 Reserve Fund established for the 2022 Bonds, and perhaps, ultimately, a default in the payment on the 2022 Bonds. See “BOND OWNERS’ RISKS.”

The Board of Supervisors of San Joaquin County adopted the Teeter Plan in Fiscal Year 1994-95. The County has elected to apply its Teeter Plan to the collection of the Special Taxes in the District. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the District, the County’s Teeter Plan may help protect owners of the 2022 Bonds from the risk of delinquencies in the payment of Special Tax. *There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove the District from its Teeter Plan, while the 2022 Bonds are outstanding.* See “SECURITY FOR THE 2022 BONDS – Covenant to Foreclose – *Special Tax Delinquencies; Teeter Plan*” for additional information.

Special Tax Enforcement and Collection Procedures. The City could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See “SECURITY FOR THE 2022 BONDS — Covenant to Foreclose.”

Foreclosure actions would include, among other steps, formal City Council action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property within the District. See “SECURITY FOR THE 2022 BONDS – Rate and Method.” In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2022 Bonds. See “BOND OWNERS’ RISKS.”

OWNERSHIP AND DEVELOPMENT OF THE DISTRICT

The information regarding the development and ownership of the Property contained under this caption, “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT,” has been provided by representatives of Lennar Homes of California, LLC, a California limited liability company (“Lennar

Homes”), and has not been independently confirmed or verified by the Underwriter, the City, or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained under this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the 2022 Bonds nor the Special Taxes securing the 2022 Bonds are personal obligations of Lennar Homes, or any affiliate thereof, or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See “BOND OWNERS’ RISKS” herein.

Lennar Homes

General. On February 1, 2022, Lennar Homes of California, Inc., a California corporation, was converted to a California limited liability company and is now known as Lennar Homes of California, LLC, a California limited liability company (“**Lennar Homes**”). All references in this Official Statement to Lennar Homes prior to February 1, 2022 shall mean Lennar Homes of California, Inc. a California corporation, and all references in this Official Statement to Lennar Homes on and after February 1, 2022 shall mean Lennar Homes of California, LLC, a California limited liability company.

Lennar Homes is based in Irvine, California and has been in the business of developing residential real estate communities in California since 1996. Lennar Homes is wholly-owned by U.S. Home, LLC, a Delaware limited liability company (“**U.S. Home**”). U.S. Home is wholly-owned by Lennar Corporation, which is based in Miami, Florida (“**Lennar Corporation**”). Founded in 1954, Lennar Corporation completed its initial public offering in 1971 and listed its common stock on the New York Stock Exchange in 1972. Lennar Corporation’s Class A and Class B common stock are listed on the New York Stock Exchange under the symbols “LEN” and “LEN.B.” respectively. Lennar Corporation is one of the largest homebuilders in the United States based on home sales revenues and net earnings, and operates under a number of brand names, including Lennar Homes and U.S. Home. Lennar Homes primarily develops residential communities both within the Lennar Corporation family of builders and through consolidated and unconsolidated partnerships in which Lennar Homes maintains an interest.

Lennar Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the “**SEC**”). Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Lennar Corporation and its consolidated subsidiaries, including Lennar Homes, as of such dates.

The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Lennar Corporation. The address of such website is www.sec.gov. All documents filed by Lennar Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

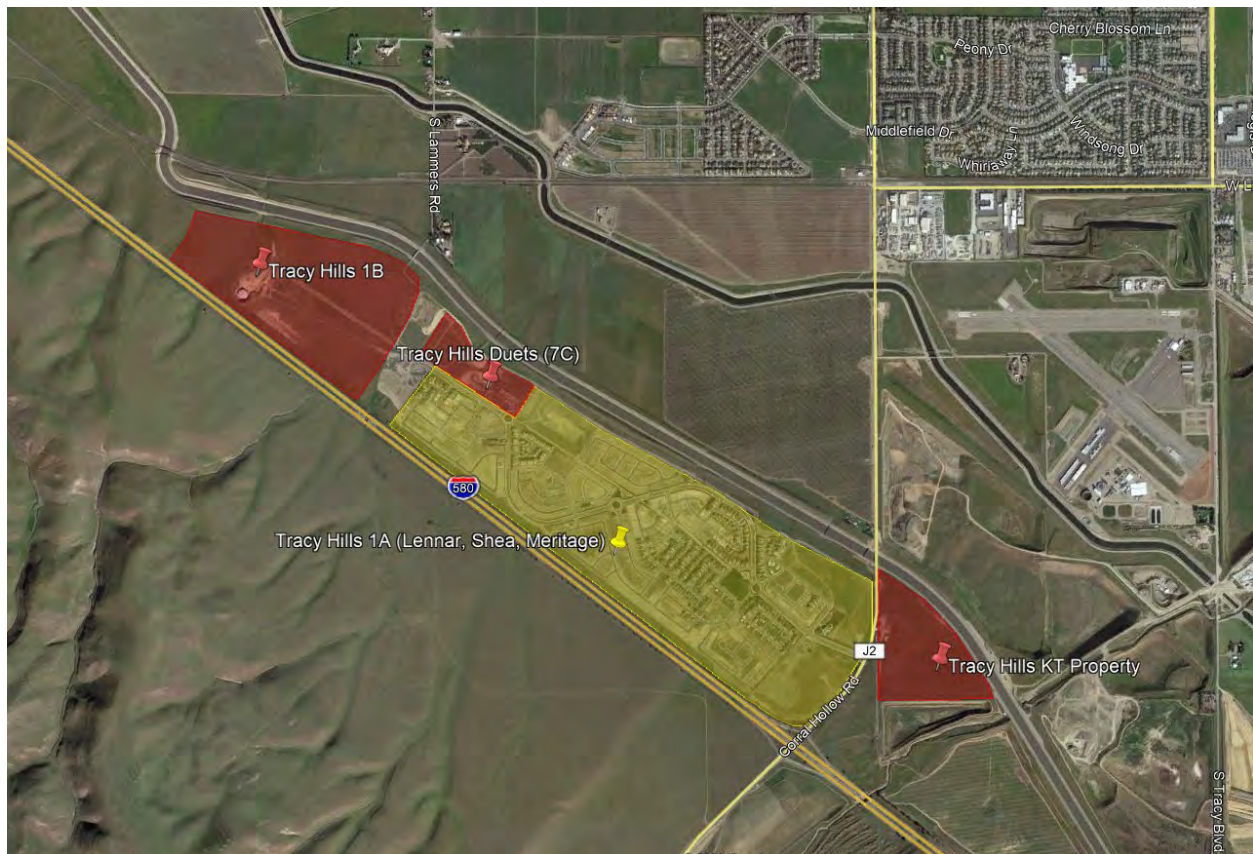
Copies of Lennar Corporation’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation’s website at www.lennar.com.

The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Lennar Corporation and Lennar Homes are not obligated to advance funds for construction or

development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the 2022 Bonds.

Property Ownership in the District

The Project. Lennar Homes is the developer of approximately 45.34 acres of property that is being subdivided and developed as 214 single-family detached homes in a project known as “Hillview” (herein, the “**Project**”). The Project is located in the Tracy Hills Specific Plan Area, east of Corral Hollow Road in the vicinity of Tracy Hills Drive. The Project is also located immediately to the west of the Tracy Hills Project. Phase 1A of Tracy Hills is being developed as 1,203 single-family units, 808 of which have closed escrow to homeowners as of February 27, 2022, with an additional 165 in escrow. See the location map below (on which the Project is referred to as Tracy Hills KT Property):



The Project is subject to Tentative Map 4037 (as discussed further below), which includes 214 single-family residential lots, two commercial parcels, a linear park parcel, a homeowners’ association recreation area parcel, retention basin parcel and numerous other parcels to be owned by the homeowners’ association.

Lennar Homes is utilizing a land bank as discussed below. The Landbank Owner owns most of the land in the Project and Lennar Homes has an option to acquire the lots within the Project over time pursuant to a takedown schedule. A summary of the current ownership of the Project as of March 15, 2022, is set forth below:

**CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
LENNAR HOMES – STATUS OF OWNERSHIP
(As of March 15, 2022)**

<i>Category</i>	<i>Number⁽¹⁾</i>
Completed Homes – Conveyed to Homeowners	0
Model Homes Owned by Lennar Homes	2
Production Homes under Construction – owned by Lennar Homes	26
Production Homes under Construction - owned by the Landbank Owner	0
Vacant lots – Owned by the Landbank Owner	<u>186</u>
Total	214

⁽¹⁾ Of the homes under construction owned by Lennar Homes and the Landbank Owner, none are yet in escrow. Of the vacant lots owned by the Landbank Owner, none are yet in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

The Landbank Structure. Lennar Homes, as buyer, and The KT Project Owner, LLC, as seller, entered into a Purchase and Sale Agreement and Joint Escrow Instructions, dated _____ (“**Lennar PSA**”), for the purchase and sale of the 214 lots located in the District (the “**District Lots**”). Prior to the close of escrow under the Lennar PSA, Lennar Homes assigned the Lennar PSA to AG Essential Housing CA 4, L.P., a Delaware limited partnership (“**AG4**”), pursuant to an Agreement to Assign Purchase and Sale Agreements, dated December 21, 2020, so that AG4 could acquire the District Lots in order to set up a land banking structure.

To facilitate the land banking structure for the District Lots, as well as for an additional 497 lots in several other projects (the “**Non-District Lots**”), Lennar Homes and AG4 entered into that certain Option Agreement, dated February 26, 2021 (the “**Lennar Option Agreement**”) whereby Lennar Homes has the option, but not the obligation, to purchase the 214 District Lots (as well as the 497 Non-District Lots) from AG4 pursuant to a takedown schedule agreed upon between Lennar Homes and AG4.

Lennar Homes and AG4 further memorialized their rights and obligations under the Lennar Option Agreement by recording that certain Memorandum of Option Agreement in the Official Records of San Joaquin County on February 25, 2021 as Instrument No. 2021-036899 (the “**Original Memo of Lennar Option**”).

In addition to the Option Agreement, Lennar Homes and AG4 entered into a Construction Agreement (“**Lennar Construction Agreement**”) granting Lennar Homes the right to enter upon the District Lots (and the Non-District Lots) for the purpose of, among other things, constructing model homes, dwelling units and related subdivision improvements on the District Lots (and Non-District Lots) before Lennar Homes acquires the District Lots (and Non-District Lots) from AG4.

On September 23, 2021, AG4 conveyed the District Lots and the Non-District Lots to AG Essential Housing CA 1, L.P., a Delaware limited partnership (the “**Landbank Owner**”). Further, AG4 assigned, and the Landbank Owner assumed, all of AG4’s obligations under the Lennar Option Agreement and the Lennar Construction Agreement. In connection therewith, Lennar Homes and the Landbank Owner memorialized their rights and obligations under the Lennar Option Agreement by recording that certain Amended and Restated Memorandum of Option Agreement in the Official Records of San Joaquin County on September 24, 2021, as Instrument No. 2021-160747 (the “**Amended Memo of Lennar Option**”).

Lennar Homes' planned development of the District Lots includes the construction of 214 single-family residential homes and the sale of such homes to individual homebuyers. Pursuant to the terms and conditions of the Lennar Option Agreement, Lennar Homes is required to, among other things, cause the completion and satisfaction of the certain on-site and offsite improvements to the District Lots. During the term of the Lennar Option Agreement, Lennar Homes is obligated to pay all taxes on the District Lots (and Non-District Lots), including special taxes.

Under the terms of the Lennar Option Agreement, the Landbank Owner agreed to provide Lennar Homes the exclusive right and option to purchase the District Lots and the Non-District Lots in consideration for (a) an initial option payment, which payment has been made to the Landbank Owner; (b) the covenants of Lennar Homes to timely pay the option payments under the Lennar Option Agreement on a monthly basis in arrears; and (c) upon exercise of the option, the payment of the purchase price for each set of lots acquired.

The District Lots and the Non-District Lots must be purchased in certain groups and in a specified order, although Lennar Homes may acquire more lots than scheduled and at earlier times so long as the identified lots are acquired by the applicable takedown date. In addition, pursuant to the Lennar Option Agreement and the Lennar Construction Agreement and with some limitations, the Landbank Owner has granted Lennar Homes a license to enter upon the property to construct homes before it acquires the lots from the Landbank Owner. It is Lennar Homes' intention to substantially complete all horizontal and vertical development on the lots it acquires prior to the applicable takedown.

The failure to acquire the lots in the specified order will result in the payment of a premium in addition to the purchase price. Under the Lennar Option Agreement, the District Lots must be acquired pursuant to the following schedule, although the Lennar Option Agreement contains provision allowing for one month extensions on acquisition of lots subject to the payment of an extension fee and other conditions:

**Takedown Schedule
Under Lennar Option Agreement
(District Lots Only)**

Acquisition Date	Number of Lots	Cumulative Number of Lots Acquired	Status as of March 15, 2022
11/10/21	4	4	Acquired
12/10/21	6	10	Acquired
1/10/22	6	16	Acquired
2/10/22	6	22	Acquired
3/10/22	6	28	Acquired
4/10/22	6	34	
5/10/22	6	40	
6/10/22	6	46	
7/10/22	6	52	
8/10/22	6	58	
9/10/22	6	64	
10/10/22	6	70	
11/10/22	6	76	
12/10/22	6	82	
1/10/23	6	88	
2/10/23	6	94	
3/10/23	6	100	
4/10/23	6	106	

5/10/23	6	112
6/10/23	6	118
7/10/23	6	124
8/10/23	6	130
9/10/23	6	136
10/10/23	6	142
11/10/23	6	148
12/10/23	6	154
1/10/24	6	160
2/10/24	6	166
3/10/24	6	172
4/10/24	6	178
5/10/24	6	184
6/10/24	<u>30</u>	214
	214	

The option under the Lennar Option Agreement expires on the earlier of (i) the last date permitted for the final takedown specified on the takedown schedule (for both the District Lots and the non-District Lots) and the expiration of any applicable cure period, or (ii) the date Lennar Homes has acquired all of the District Lots and Non-District Lots in accordance with the Lennar Option Agreement. The failure to timely acquire lots could result in the termination of the option and Lennar Homes will no longer have a right to purchase any of the remaining units under the Lennar Option Agreement.

The Lennar Option Agreement covers both the District Lots and the Non-District Lots, and the failure by Lennar Homes to acquire the Non-District Lots in a timely manner could result in a termination of the entirety of the Option Agreement, including the right to acquire the District Lots. In the event that Lennar Homes does not exercise its option on the District Lots or the right to purchase the District Lots expires or is terminated, the Landbank Owner being an investor only and not a homebuilder, would likely attempt to sell such District Lots to another merchant builder.

Under the Lennar Construction Agreement, Lennar Homes has agreed to use commercially reasonable efforts to construct all of the on-site and off-site improvements and obtain the requisite governmental permits and approvals necessary to create finished lots on the District Lots and the Non-District Lots. The Lennar Construction Agreement contains various dates for completion of work in phases.

During the term of the Lennar Option Agreement and the Lennar Construction Agreement, Lennar Homes is obligated to pay all taxes on the District Lots and the Non-District Lots.

Development of the Project. Lennar Homes expects to acquire and develop all 214 of the District Lots and to complete construction by the second quarter of 2024 and convey all such homes to individual homeowners shortly thereafter.

Lennar Homes has pulled all 214 building permits for the District Lots.

The following table sets forth the estimated number of lots, home sizes, and base sales prices for the Project planned within the District (assuming that Lennar Homes exercises its options to acquire all of the District Lots from the Landbank Owner).

**Table 6
City of Tracy
Community Facilities District No. 2021-1 (Hillview)
Lennar Homes – Status of Ownership
(As of March 15, 2022)**

<u>Floor Plan</u>	<u>Approx. Square Footage</u>	<u>Total Number of Planned Units⁽¹⁾</u>	<u>Units Closed to Homeowners</u>	<u>Units Completed but Not Closed⁽²⁾⁽³⁾</u>	<u>Finished Lots⁽³⁾</u>	<u>Units Under Construction⁽³⁾</u>	<u>Est. Base Price⁽⁴⁾</u>
1	1,723	49	0	0	42	7	\$526,880
2	1,878	57	0	0	48	9	\$554,880
3	2,075	51	0	0	44	7	\$574,880
4	2,209	57	0	0	52	5	\$581,880
Totals		214	0	0	186	28	

(1) The number of units in each plan is an estimate and is subject to change as the market dictates.

(2) Includes 2 model units under construction owned by Lennar Homes.

(3) Of the 28 lots owned by Lennar Homes as of March 15, 2022, none were yet under contract to be sold to homeowners; of the 186 lots owned by the Landbank Owner, none were yet under contract to be sold to homeowners.

(4) Base sale prices are estimated as of March 15, 2022. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

No assurance can be given that Lennar Homes will exercise its option under the Lennar Option Agreement to acquire all 214 District Lots or, if acquired, that home construction and sales will be carried out on the schedule and according to the plans outlined herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this statement. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation.

Tract Map Status. On November 30, 2020, a large lot Final Map No. 4013 for the Project was recorded in the recorder’s office of San Joaquin County, creating the legal lots that comprise the Project. On November 17, 2021, Final Map No. 4037 for the Project was recorded in the recorder’s office of San Joaquin County, creating 214 single family lots within the District.

Status of Infrastructure for the District

Infrastructure. All approvals and permits required for Lennar Homes’ development of the Project have been secured for residential construction except for approvals required in the normal course of development. As of March 15, 2022, in-tract improvements remaining to be completed within the Project consist primarily of finishing of streets, curbs, gutters, and landscaping. Lennar Homes expects to complete construction of the remaining in-tract improvements associated with the lots that it owns within the District as home construction on such lots is completed.

Conditions of Approval. Certain facilities required as conditions of developing the Project are further described below:

Services District. Before final inspection of occupancy of the first dwelling unit (except for up to 10 model homes), the Project must be annexed into a services and maintenance community facilities district that covers various things, including maintenance of streets and landscaping, and police and fire services. On November 2, 2021, the City of Tracy Community Facilities District No. 2021-2 (Maintenance and Public Services) was formed, which included the Project, and the Notice of Special Tax Lien was recorded against the property in the Project on December 10, 2021, thus satisfying this condition.

Parks. Before the approval of the first Final Map, an agreement must be recorded against the property that requires the completion by Lennar Homes and acceptance by the City of a linear park in the Project. The agreement was recorded on _____, 202___. Improvement plans for the linear park are currently being prepared.

Sanitary Sewer Pump Station. Before the final inspection of any residential building or certificate of occupancy for commercial building will be issued (except for model homes), Lennar Homes must design and construct the Sanitary Sewer Pump Station and such facility must be completed and functional as determined by the City Engineer. The Sanitary Sewer Pump Station is under construction.

Corral Hollow Road Improvements. Prior to issuance of final inspection or occupancy of Model Homes and residential units, Lennar Homes shall complete the following Corral Hollow Road Improvements to provide adequate and safe traffic conditions on Corral Hollow Road to the satisfaction of the City Engineer:

- Corral Hollow Road/Tracy Hills Drive/Street D. Status: Under construction.
- Corral Hollow Road/Street A (RIRO Driveway). Status: Under construction.

SIA. Prior to approval of the first Final Map, Lennar Homes and the City must enter into and record a subdivision improvement agreement (SIA). This has been completed.

Growth Management Ordinance

On June 16, 1987, the City Council of the City adopted by ordinance a Residential Growth Management Plan, as subsequently amended (the "**Growth Management Ordinance**"). It provides for eligibility requirements and procedures for residential building permits for projects in the City. Under the Growth Management Ordinance, builders must obtain a residential growth allotment ("**RGA**") in order to secure a residential building permit.

Currently, the Growth Management Ordinance allows RGAs to be issued for 600 to 750 building permits per year. The number of RGAs allowed in each year is based on the average of units absorbed since the year 2000. The allocation of the RGAs is governed by the Council-approved Growth Management Ordinance guidelines (the "**GMO Guidelines**"), which were last modified in 2014.

RGAs can ordinarily be perfected through either a full building permit or a foundation-only permit.

The Project received (i) an allocation of 80 RGAs for 2020, all of which were perfected by obtaining 80 building permits, and (ii) an allocation of 134 RGAs for 2021, all of which were perfected in 2021 by the obtaining the remaining 134 building permits for the Project.

Pursuant to the KT Property II (Tract 4037) Impact Fee Payment and RGA Agreement, dated December 22, 2021, as amended by the Supplemental KT Property II (Tract 4037) Impact Fee Payment and RGA Agreement, dated December 29, 2021, Lennar Homes and the City agreed that the City would issue building permits and confirm Lennar Homes' entitlement to RGAs under the Growth Management Ordinance and the GMO Guidelines prior to Lennar Homes' payment of the development impact fee obligations ("DIF Obligations") so long as Lennar Homes (i) paid the DIF Obligations not later than August 1, 2022, (ii) provided to City security for such payment in the form of a letter of credit equal in value to the amount of the DIF Obligations by January 7, 2022, and (iii) paid all fees due at building permit other than the DIF Obligations. Lennar Homes has posted the letter of credit prior to the January 7, 2022 deadline and paid the other fees to the City. Consequently, Lennar Homes must pay the DIF Obligations prior to August 1, 2022. Lennar Homes anticipates paying the DIF Obligations no later than August 1, 2022 per the Impact Fee Payment and RGA Agreement.

The Financing Plan in the District

Lennar Homes has provided the following table showing the estimated sources and uses for Lennar Homes related to the development and sale of the 214 homes planned for the District.

Table 7
City of Tracy
Community Facilities District No. 2021-1 (Hillview)
Lennar Homes – Sources and Uses of Funds
(As of March 15, 2022)⁽¹⁾

	Total Budget	% Complete	Through March 15, 2022	Remainder to be Completed
Sources of Funds				
Sales of Homes	\$119,931,320	--	\$0	\$119,931,320
CFD - Estimated Proceeds ⁽²⁾	6,900,000	--	0	6,900,000
Credits/Reimbursements	<u>15,619,104</u>	--	<u>15,619,104</u>	<u>15,619,104</u>
Equity	\$142,450,424	--	\$15,619,104	\$142,450,424
Total Sources of Funds				
Uses of Funds				
Land	\$42,305,874	9.82%	\$4,157,507	\$38,148,367
On-site Construction (In-tracts)	17,575,007	60.00	10,546,081	7,028,926
Direct Construction	48,105,138	1.81	871,705	47,233,433
Selling & Marketing	<u>5,867,022</u>	0.74	<u>43,811</u>	<u>5,823,211</u>
Total Uses of Funds				
	\$113,853,041		\$15,619,104	\$98,233,937

NET CASH FLOW

(1) Estimated as of March 15, 2022; actual amounts may differ.

(2) Estimate for proceeds of 2022 Bonds.

Source: Lennar Homes.

To date, Lennar Homes has financed its land acquisition and various site development and homebuilding costs related to its property in the District through internally generated funds. As of March 15, 2022, Lennar Homes has expended approximately \$15.6 million on land acquisition and development and homebuilding costs in the District. Lennar Homes expects to incur approximately \$98.2 million on remaining land acquisition, development, homebuilding, marketing, and sales costs for the Project in the District. Lennar Homes expects to use home sales revenues and internal funding to complete its development within the District, and believes that it will have sufficient funds available to complete its planned development as described in this Official Statement.

Although Lennar Homes expects to have sufficient funds available to complete its development in the District as described in this Official Statement, there can be no assurance that amounts necessary to finance the development costs will be available from Lennar Homes, Lennar Corporation or any other source when needed. Neither Lennar Corporation, nor any of its subsidiaries or related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on its property in the District. Any contributions by Lennar Homes or Lennar Corporation to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Lennar Homes within the District and other financing is not put into place, there could be a shortfall in the funds required to complete the planned development by Lennar Homes in the District.

Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, Lennar Homes has no actual knowledge of any impediment to construction or obtaining land use entitlements which could be reasonably expected to have a material adverse effect on its ability to complete the planned development of its property within the District as described in the Official Statement. *Although the information in this Official Statement reflects the current development expectations of Lennar Homes, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth herein will not change after the date of this Official Statement. Lennar Homes reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “BOND OWNERS’ RISKS – Concentration of Property Ownership.”*

COVID-19 Impact

Lennar Homes has not experienced any material increases in costs, or any development or home sale delays resulting from decisions to reduce financing for the projects in the District, inability to obtain financing, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or the ability to obtain necessary inspections and approvals, which Lennar Homes attributes to the COVID-19 pandemic. To date, Lennar Homes has continued to fund and implement its projects as described in this Official Statement and intends to do so to complete such projects. However, the development of Lennar Homes’ projects within the District is subject to delays caused by the COVID-19 pandemic. As the impacts caused by the outbreak evolve, there could be an adverse impact on the timing and costs of Lennar Homes’ development within the District. Lennar Homes cannot predict the ultimate effects of the COVID-19 outbreak or whether any such effects would have a material adverse effect on the ability to develop its projects as planned.

See the caption “BOND OWNERS’ RISKS – Public Health Emergencies” for certain risks associated with the outbreak of the COVID-19 Pandemic.

BOND OWNERS’ RISKS

The purchase of the 2022 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2022 Bonds.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the 2022 Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the 2022 Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the 2022 Bonds.

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the 2022 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District.

Limitation on Maximum Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual 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 2022 Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax formula set forth in 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 parcels of Taxable 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 Taxable Property and their proportionate share of debt service on the 2022 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 parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity 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. See “– Exempt Properties” below.

Property Tax Delinquencies. Failure of the owners of Taxable Property 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 or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See “– Property Tax Delinquencies” below.

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE 2022 BONDS – Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2022 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the 2022 Reserve Fund is depleted. See “SECURITY FOR THE 2022 BONDS – Covenant to Foreclose.”

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which a federal governmental agency has or obtains an interest. See “– FDIC/Federal Government Interests in Properties” below.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment, and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Concentration of Ownership

All of the taxable property within the District is currently owned by Lennar Homes or the Landbank Owner. As of February 1, 2022, and assuming no further home closings after such date, the property owned by Lennar Homes or the Landbank Owner is estimated to be responsible for approximately 100% of the Fiscal Year 2022-23 Special Tax levy. See “THE DISTRICT – Value-to-Lien Ratios” and “OWNERSHIP AND DEVELOPMENT OF The District.”

The owners of property in the District are not personally obligated to pay the Special Tax attributable to their property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the 2022 Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of Lennar Homes, the Landbank Owner, or any future merchant builder or future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the 2022 Reserve Funds prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax for the City to pay debt service with respect to the 2022 Bonds.

Potential Early Redemption of Bonds from Prepayments

Property owners within the District, including Lennar Homes and the Landbank Owner, are permitted to prepay up to 80% of the Facilities Special Tax obligation applicable to their parcel, subject to certain notice and other provisions of the Rate and Method. Such prepayments will result in a redemption of the 2022 Bonds on the interest payment date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of 2022 Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 2022 Bonds.

Property Tax Delinquencies

General. Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner.

Numerous future delinquencies by the owners of Taxable Property in the District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay debt service on the 2022 Bonds, which could in turn result in the depletion of the 2022 Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the 2022 Bonds. See “SECURITY FOR THE 2022 BONDS – 2022 Reserve Fund,” and “THE DISTRICT – Potential Consequences of Special Tax Delinquencies.”

Measures to Mitigate Consequences of Continuing Delinquencies. The City intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain

circumstances (see “SECURITY FOR THE 2022 BONDS – Covenant to Foreclose”); and increasing the levy of Special Taxes against non-delinquent property owners in the District to the extent permitted under the Rate and Method and the Act, and to the extent the Special Taxes are not already being levied at the maximum Special Tax rate. See “THE DISTRICT – Potential Consequences of Special Tax Delinquencies.”

Limitations on Increases in Special Tax Levy. If property owners are delinquent in the payment of the Special Tax, the City may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the maximum annual Special Tax rates specified in the Rate and Method.

In addition, the City’s ability to increase Special Tax levies on residential property to make up for delinquencies for prior Fiscal Years is limited by Section 53321(d) of the Act, which provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2022 Bonds.

Risks Related to Homeowners with High Loan to Value Ratios

Any future decline in home values in the District could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the City to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

Payment of Special Tax is Not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the City, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the City has no recourse against the owner.

Appraised Values

The Appraisal summarized in APPENDIX H estimates the market value of the property that is currently Taxable Property within the District. This market value is merely the opinion of the Appraiser as of the date of value set forth in the Appraisal, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought an updated opinion of value by the Appraiser subsequent to the date of value of the Appraisal, or an opinion of the value of the Taxable Property by any other appraiser. A different opinion of value might be rendered by a different appraiser.

The opinion of value assumes a sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion

is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion of value is made as of the date of value set forth in the Appraisal, based upon facts and circumstances existing as of the date of value. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the facts and circumstances at the time the Appraisal was prepared.

No assurance can be given that any of the Taxable Property in the District could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

Property Values

The value of Taxable Property within the District is a critical factor in determining the investment quality of the 2022 Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in the District.

Natural Disasters. The value of the Taxable Property 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 Taxable Property and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes and landslides. Other natural disasters could include, without limitation, floods, wildfires, droughts or tornadoes. 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 Property may well depreciate or disappear. See "THE DISTRICT – Environmental Matters" for additional details on certain environmental matters.

Drought. With respect to droughts specifically, California has a history of suffering drought conditions periodically. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). On January 4, 2022, the State Water Resources Control Board adopted regulations that prohibit overwatering yards, washing cars without a shutoff nozzle, and watering grass within 48 hours after rainfall. There can be no assurance that drought conditions will not continue in 2022 and future years or, subside only to return in the future, or that

subsequent State declarations will not impose stricter water use restrictions, potentially impacting the development of property in the District, the value of Taxable Property within the District, or economic activity within the District.

Wildfire. In recent years, drought conditions in the State (see “– Drought above”) have led to increased risk of wildfire. In particular, certain electrical operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives. Although the land in the District is not in a high-risk area (or a special fire hazard severity zone) for wildfires, landslides, floods, or tornadoes, natural disasters such as these are unpredictable and may occur anywhere throughout the State, with devastating consequences, including resulting in significant delinquencies in the payment of Special Taxes, and reduction in the value of the parcels. No assurance can be given that wildfires will not erupt in the developments being undertaken in the District and negatively impact development of property in the District in the future.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel 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 “Superfund 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. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The tables in the sections entitled “THE DISTRICT – Direct and Overlapping Governmental Obligations” and “– Estimated Tax Burden on Single Family Homes,” show the presently outstanding amount of governmental obligations, the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2022 Bonds. Property owners can also voluntarily add Property Assessed Clean Energy (PACE) assessment liens on their property to finance energy efficiency improvements.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the 2022 Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy Delays” below.

Exempt Properties

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. See “SECURITY FOR THE 2022 BONDS – Rate and Method.”

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.

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Federal National Mortgage Association, the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2022 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the

Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the 2022 Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2022 Bonds.

Depletion of 2022 Reserve Fund

The 2022 Reserve Fund is to be maintained at an amount equal to the Reserve Requirement for the 2022 Bonds. See "SECURITY FOR THE 2022 BONDS – 2022 Reserve Fund." The 2022 Reserve Fund will be used to pay principal of and interest on the 2022 Bonds (and any Related Parity Bonds) if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the District. If the 2022 Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the 2022 Bonds (and any Related Parity Bonds) under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the 2022 Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Bankruptcy Delays

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2022 BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2022 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2022 Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2022 Bonds and the possibility of delinquent Special Taxes not being paid in full.

The chances are increased that the 2022 Reserve Fund established for the 2022 Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result,

sufficient moneys would not be available in the 2022 Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2022 Bonds on a timely basis.

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the District, or the administration of the 2022 Bonds. The City is also reliant on other entities and service providers in connection with the administration of the 2022 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 City, the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Disclosure to Future Purchasers

The City has recorded a notice of the Special Tax lien in the Office of the County Recorder. 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 parcel of land or a home in the District or the lending of money secured by property in the District. The Act requires the subdivider of a subdivision (or its agent or representative) 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 these 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 Provisions

The 2022 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2022 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondholder is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. See "APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement." So long as the 2022 Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bond holders.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Exemption," interest on the 2022 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2022 Bonds were issued as a result of future acts or omissions of the City 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 2022 Bonds were to become includable in gross income for purposes of federal income taxation, the 2022 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or

mandatory redemption or redemption upon prepayment of the Special Taxes. See “THE 2022 BONDS – Redemption.”

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the “**IRS**”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2022 Bonds might be affected as a result of such an audit of such 2022 Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2022 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 Bondowners from realizing the full current benefit of the tax status of such interest.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2022 Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the 2022 Bonds were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the 2022 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the City and its obligations can be determined. Certain provisions

of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels city-wide pursuant to a city charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the city on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither “qualified electors” of the city for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District was formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the City

The City cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2022 Bonds.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in negative impacts to the homebuilding operations and sales of homes within the District. In addition, no assurance can be given that the property tax payment dates will not be deferred in the future, which may cause a delay in the receipt of Special Taxes.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the additional actions that may be taken by federal, State and local governmental authorities to contain or mitigate the effects of the outbreak. Such actions may affect the ability of Lennar Homes to complete its planned developments in the time periods and within the cost estimates described in this Official Statement. Negative impacts on the collection of Special Taxes could occur because Special Tax payments are deferred, or some taxpayers may be unable to make their property and special tax payments. See “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT – COVID-19 Impact.”

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2022 Bonds or, if a secondary market exists, that any 2022 Bonds can be sold for any particular price. Prices of bond 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.

No assurance can be given that the market price for the 2022 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2022 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2022 Bonds or obligations that present similar tax issues as the 2022 Bonds.

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2022 Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX G.

Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Disclosure Counsel to the District. Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California, is serving as counsel to the Underwriter.

Tax Exemption

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 2022 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.

The opinions set forth in the preceding paragraph are subject to the condition that the City 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 2022 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City 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 2022 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2022 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 2022 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 2022 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 2022 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2022 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2022 Bonds who purchase the 2022 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2022 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2022 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 2022 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2022 Bond (said term being the shorter of the 2022 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 2022 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2022 Bond is amortized each year over the term to maturity of the 2022 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 2022 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 2022 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2022 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 2022 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 2022 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 2022 Bonds, or as to the consequences of owning or receiving interest on the 2022 Bonds, as of any future date. Prospective purchasers of the 2022 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 2022 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2022 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 2022 Bonds, the ownership, sale or disposition of the 2022 Bonds, or the amount, accrual or receipt of interest on the 2022 Bonds.

Litigation

At the time of delivery of the 2022 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, which:

- in any way questions the powers of the City Council, City or District, or

- in any way questions the validity of any proceeding taken by the City Council in connection with the issuance of the 2022 Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the 2022 Bonds, or
- which, in any way, could adversely affect the validity or enforceability of the resolutions of the City Council adopted in connection with the formation of the District or the issuance of the 2022 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the 2022 Bonds, or
- to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the 2022 Bonds for federal income tax purposes, or
- in any other way questions the status of the 2022 Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

City Continuing Disclosure. The City will covenant for the benefit of owners of the 2022 Bonds to provide certain financial information and operating data relating to the District and the 2022 Bonds by not later than nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30) (the “**Annual Report**”) and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E.

The City, on its own behalf and on behalf of related entities, has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City or its related entities have failed to comply with prior undertakings as follows:

- The audited financial statements for Fiscal Year 2015-16 were filed approximately 15 months late;
- Certain operating and financial data for Fiscal Years 2016-17, 2017-18, and 2018-19 were filed up to 80 days late; and
- Certain information was omitted from the operating and financial data filed for Fiscal Years 2016-17 and 2017-18 because it was unavailable at the time the filing was due, but that information was subsequently filed when it became available.

The City has engaged Goodwin Consulting Group to serve as its dissemination agent and assist the City in complying with its continuing disclosure undertakings. To further ensure such compliance, the City has adopted policies and procedures related thereto.

Lennar Homes Continuing Disclosure. Lennar Homes will also covenant in a Continuing Disclosure Certificate, the form of which is set forth in APPENDIX F (the “**Lennar Homes Continuing**”).

Disclosure Certificate”), for the benefit of the holders and beneficial owners of the 2022 Bonds, to provide semi-annual reports containing updates of certain development information within the Official Statement regarding its property in the District and notices of certain significant events. The specific nature of the information to be contained in the semi-annual reports or notices of significant events and certain other terms of the continuing disclosure obligations of Lennar Homes is contained in APPENDIX F. The obligations of Lennar Homes under the Lennar Homes Continuing Disclosure Certificate will terminate when Lennar Homes owns, or has the option to purchase, less than 45 residential lots (or property that will be subdivided into less than 45 residential lots) in the District.

To the actual knowledge of Lennar Homes, other than as disclosed in this Official Statement, in the last five years, Lennar Homes has not failed to comply in any material respects with its previous continuing disclosure undertakings, specifically regarding its requirement to provide developer periodic reports or to provide notice of occurrence of enumerated events. However, (i) in connection with a continuing disclosure obligation entered into with respect to the \$12,850,000 County of El Dorado District No. 2014-1 (Carson Creek) Special Tax Bonds Series 2016, Lennar Homes was late in filing the periodic reports due on April 1, 2017 and October 1, 2017; the oversight was discovered in late January, 2018, and Lennar Homes promptly filed a curative report on February 1, 2018; and (ii) in connection with the \$16,780,000 California Municipal Finance Authority Special Tax Revenue Bonds BOLD Program Series 2020B, Lennar Homes inadvertently failed to file the initial semi-annual report by the due date of May 1, 2021, but filed a curative report on May 21, 2021.

NO RATING

The City has not obtained a credit rating on the 2022 Bonds. Nothing should be assumed from any credit rating that the City may obtain for other purposes. Prospective purchasers of the 2022 Bonds are required to make independent determinations as to the credit quality of the 2022 Bonds and their appropriateness as an investment.

UNDERWRITING

The 2022 Bonds are being purchased by Piper Sandler & Co. (the “**Underwriter**”), at a purchase price of \$_____ (which represents the aggregate principal amount of the 2022 Bonds (\$_____), plus an original issue premium/less an original issue discount of \$_____, less an Underwriter's discount of \$_____).

The purchase agreement relating to the 2022 Bonds provides that the Underwriter will purchase all of the 2022 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2022 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The City has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the 2022 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

PROFESSIONAL FEES

In connection with the issuance of the 2022 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2022 Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- Stradling Yocca Carlson & Rauth, A Professional Corporation, as Underwriter's Counsel;
- A portion of the fees of CSG Advisors Incorporated, as municipal advisor;
- A portion of the fees of Goodwin Consulting Group, Inc., as special tax consultant; and
- U.S. Bank Trust Company, National Association, as Fiscal Agent.

EXECUTION

The execution and delivery of the Official Statement has been duly authorized by the City Council, acting as the legislative body of the District.

CITY OF TRACY

By: _____
Finance Director

APPENDIX A

**GENERAL INFORMATION ABOUT THE CITY OF TRACY
AND SAN JOAQUIN COUNTY**

The following information concerning the City of Tracy (the "City") and San Joaquin County (the "County") are included only for the purpose of supplying general information regarding the community. The 2022 Bonds are not a debt of the City, the County, the State of California (the "State") or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

**CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2017 through 2021 as of January 1**

<u>Calendar Year</u>	<u>City of Tracy</u>	<u>San Joaquin County</u>	<u>State of California</u>
2017	90,488	744,843	39,352,398
2018	92,395	752,958	39,519,535
2019	94,326	752,958	39,605,361
2020	95,861	773,505	39,648,938
2021	98,601	773,505	39,466,855

Source: State Department of Finance estimates.

Employment and Industry

The City is included in the Stockton Metropolitan Statistical Area (“**MSA**”), which includes all of San Joaquin County. The unemployment rate in the County was 6.6% in November 2021, down from a revised 7.3% in October 2021, and below the year-ago estimate of 8.7%. This compares with an unadjusted unemployment rate of 5.4% for the State and 3.9% for the nation during the same period.

Set forth below is data from calendar years 2016 to 2020 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2016 through 2020
(March 2020 Benchmark)**

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	318,300	323,200	324,200	326,500	331,800
Employment	292,400	300,400	304,300	306,900	294,500
Unemployment	25,900	22,800	19,900	19,600	37,400
Unemployment Rate	8.2%	7.0%	6.1%	6.0%	11.3%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	16,700	16,400	15,600	15,400	14,300
Mining and Logging	100	100	100	100	100
Construction	11,100	11,700	12,800	13,100	12,900
Manufacturing	19,800	20,300	20,600	20,600	20,500
Wholesale Trade	10,700	11,100	11,700	11,600	10,500
Retail Trade	26,500	26,800	26,700	26,200	24,600
Transportation, Warehousing and Utilities	23,000	26,200	28,400	31,300	38,300
Information	2,000	1,800	1,800	1,600	1,200
Financial Activities	7,500	7,800	7,800	7,900	7,800
Professional and Business Services	19,600	19,200	19,600	20,200	21,100
Educational and Health Services	36,400	38,200	38,800	39,100	37,100
Leisure and Hospitality	20,400	21,500	22,000	22,600	18,400
Other Services	7,500	7,600	7,600	7,800	6,700
Federal Government	3,000	3,100	3,100	3,200	3,300
State Government	6,400	6,600	6,700	6,800	6,800
Local Government	31,400	32,800	33,700	34,900	33,100
Total All Industries ⁽³⁾	242,000	251,100	256,900	262,400	256,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of January 2022.

SAN JOAQUIN COUNTY Major Employers As of January 2022

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Ashley Lane LP	Stockton	Real Estate
Blue Shield of California	Lodi	Insurance
Dameron Hospital	Stockton	Hospitals
Deuel Vocational Instn Fire	Tracy	Fire Departments
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
St Joseph's Regional Health	Stockton	Hospitals
Stockton Police Dept	Stockton	Police Departments
Stockton Unified School Dist	Stockton	School Districts
Walmart Supercenter	Stockton	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.

The following table lists the twenty principal employers within the City, by number of employees, as of June 30, 2021.

**CITY OF TRACY
Principal Employers
As of June 30, 2021**

<u>Employer Name</u>	<u>Number of Employees</u>
Amazon.com Services LLC	7,325
FedEx Ground Package System, Inc.	925
Taylor Farms Pacific Inc	795
Medline Industries Inc	651
Randstad Inhouse Services LLC	632
DHL Supply Chain	463
Walmart #2025	402
Leprino Foods	349
Costco Wholesale #658	240
Randstad Inhouse Services LP	234
Crate & Barrel	233
Pacific Medical Inc.	214
The Home Depot #5641	211
The Home Depot #1020	211
Ingram Micro Inc.	200
Randstad Inhouse Service LP	194
International Paper	185
Macy's	179
Glassfab Tempering	177
Target Stores T738	173

Source: City of Tracy Comprehensive Financial Report for fiscal year ended June 30, 2021.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first three quarters of calendar year 2021 in the City were \$4,265,018,759, a 108.98% increase over the total taxable sales of \$2,040,914,977 reported during the first three quarters of calendar year 2020.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	1,088	\$1,280,961	1,715	\$1,536,172
2017	1,150	1,371,679	1,803	2,042,411
2018	1,192	1,489,764	1,921	2,319,543
2019	1,224	1,472,148	2,000	2,692,497
2020	1,395	1,459,813	2,284	2,815,807

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of calendar year 2021 in the County were \$16,201,722,121, a 44.88% increase over the total taxable sales of \$11,182,961,549 reported during the first three quarters of calendar year 2020.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	9,480	\$7,380,226	14,682	\$10,922,271
2017	9,506	7,994,473	14,758	12,153,268
2018	9,660	8,855,169	15,457	13,457,721
2019	9,978	9,058,063	16,144	14,311,068
2020	11,188	10,122,979	18,358	15,609,880

Source: State Department of Tax and Fee Administration.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2018 through 2022.

CITY OF TRACY AND SAN JOAQUIN COUNTY Median Household Effective Buying Income 2018 through 2022

	2018	2019	2020	2021	2022
City of Tracy	\$68,295	\$73,172	\$76,142	\$78,492	\$89,938
San Joaquin County	49,883	55,534	58,141	59,914	68,971
California	59,646	62,637	65,870	67,956	77,058
United States	50,735	52,841	55,303	56,790	64,448

Source: *The Nielsen Company (US), Inc* for 2018; *Claritas, LLC* for 2019 through 2022.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF TRACY
Building Permit Activity
For Calendar Years 2016 through 2020
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$87,820.2	\$98,767.2	\$214,928.9	\$223,795.2	\$239,658.3
New Multi-family	34,038.7	9,686.4	84,832.3	0.0	0.0
Res. Alterations/Additions	<u>2,281.9</u>	<u>2,982.3</u>	<u>6,058.5</u>	<u>9,178.8</u>	<u>4,504.7</u>
Total Residential	\$124,140.8	\$111,435.9	\$305,819.7	\$232,974.0	\$244,163.0
New Commercial	\$92,124.7	\$184,438.3	\$331,633.7	189,205.1	168,307.4
New Industrial	57,441.7	38,978.1	74,814.4	13,881.6	526,301.0
New Other	11,375.8	4,769.2	8,265.5	7,006.5	4,828.5
Com. Alterations/Additions	<u>138,604.1</u>	<u>93,059.7</u>	<u>60,479.7</u>	<u>60,676.8</u>	<u>62,904.6</u>
Total Nonresidential	\$299,546.3	\$321,245.3	\$475,193.3	\$270,770.0	\$762,341.5
<u>New Dwelling Units</u>					
Single Family	216	236	534	551	692
Multiple Family	<u>432</u>	<u>65</u>	<u>507</u>	<u>0</u>	<u>0</u>
TOTAL	648	301	1,041	551	692

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY
Building Permit Activity
For Calendar Years 2016 through 2020
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$467,494.7	\$652,308.1	\$883,071.1	\$843,700.9	\$870,859.6
New Multi-family	66,794.5	62,635.8	99,601.4	57,271.1	38,411.8
Res. Alterations/Additions	<u>99,049.9</u>	<u>86,516.1</u>	<u>95,073.4</u>	<u>98,681.9</u>	<u>40,144.4</u>
Total Residential	\$633,339.1	\$801,460.0	\$1,077,745.9	\$999,653.9	\$949,415.8
New Commercial	\$205,510.1	\$357,856.9	\$498,359.0	\$380,383.3	\$255,761.2
New Industrial	61,687.0	179,728.4	240,073.7	120,003.8	534,199.5
New Other	42,074.7	27,794.7	31,904.4	61,991.7	33,112.3
Com. Alterations/Additions	<u>298,721.9</u>	<u>269,172.8</u>	<u>249,142.4</u>	<u>363,840.9</u>	<u>135,285.4</u>
Total Nonresidential	\$607,993.7	\$834,552.8	\$1,019,479.5	\$926,219.7	\$958,358.4
<u>New Dwelling Units</u>					
Single Family	1,754	2,078	2,765	2,564	2,843
Multiple Family	<u>550</u>	<u>516</u>	<u>293</u>	<u>461</u>	<u>245</u>
TOTAL	2,304	2,594	3,358	3,025	3,088

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF TRACY COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the 2022 Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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 this Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

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

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

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Tracy (the “City”) in connection with the issuance of the bonds captioned above (the “2022 Bonds”). The 2022 Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of _____ 1, 2022 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2022 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, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*District*” means the City of Tracy Community Facilities District No. 2021-1 (Hillview).

“*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.

“*Official Statement*” means the final official statement dated _____, 2022, executed by the District in connection with the issuance of the 2022 Bonds.

“*Participating Underwriter*” means Piper Sandler & Co., the original underwriter of the 2022 Bonds required to comply with the Rule in connection with offering of the 2022 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) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2023, with the report for the 2021-22 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, the report for Fiscal Year 2021-22 shall consist solely of the Official Statement related to the 2022 Bonds. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The City's audited financial statements 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, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY, OTHER THAN SPECIAL TAX REVENUES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2022 BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2022 BONDS.

If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements, the following information:

(i) Total assessed value (per the San Joaquin County Assessor's records) of all parcels currently subject to the Special Tax within the District, showing the total secured assessed valuation for all property subject to the Special Tax.

(ii) Tables showing the owners of property in the District and value-to-lien ratios based on the San Joaquin County Assessor's last equalized tax roll available to the City based on the most recent special tax levy, substantially in the form of the Table 3 in the Official Statement, excluding information regarding maximum special taxes at buildout.

(iii) The amount of prepayments of the Special Tax for the prior Fiscal Year.

(iv) A table showing a history of special tax collections and delinquencies within the District for the prior Fiscal Year.

(v) Any change to the County's Teeter Plan affecting the District.

(vi) The principal amount of the 2022 Bonds outstanding and the balance in the 2022 Reserve Fund (along with a statement of the 2022 Reserve Requirement) as of the September 30 next preceding the Annual Report Date, including the issuance date and principal amount of any additional bonds or obligations issued under the Fiscal Agent Agreement on a parity with the 2022 Bonds.

(vii) Any changes to the Rate and Method of Apportionment of Special Tax for the District.

(c) In addition to any of the information expressly required to be provided under paragraph (b) above, the City 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.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2022 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 2022 Bonds, or other material events affecting the tax status of the 2022 Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (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 Fiscal Agent or the change of name of the Fiscal Agent, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.

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

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material"

and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2022 Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2022 Bonds. If such termination occurs prior to the final maturity of the 2022 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Goodwin Consulting Group, Inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2022 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2022 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2022 Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2022 Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles 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 City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2022 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Fiscal Agent, the 2022 Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2022 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2022 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: _____, 2022

CITY OF TRACY

By: _____
Karin Schnaider,
Finance Director

AGREED AND ACCEPTED:
Goodwin Consulting Group, Inc.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX F

FORM OF LENNAR HOMES CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(Lennar Homes)

\$ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

Dated: _____, 2022

This Continuing Disclosure Certificate (Lennar Homes) (this “Disclosure Certificate”) is executed and delivered by Lennar Homes of California, LLC, a California limited liability company (“Property Developer”), in connection with the issuance by the City of Tracy (the “City”) of the bonds captioned above (the “2022 Bonds”). The 2022 Bonds are being issued under a Fiscal Agent Agreement dated as of _____ 1, 2022 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). The Property Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Developer for the benefit of the holders and beneficial owners of the 2022 Bonds.

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

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Developer, and about whom information could be material to potential investors in their investment decision regarding the 2022 Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Developer’s ability to pay the Special Taxes levied on the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of a Major Owner, for the benefit of the holders and beneficial owners of the 2022 Bonds, containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the District owned by such Major Owner and agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

“*Dissemination Agent*” means a Person designated in writing by the Property Developer, with the written consent of the City, and which has filed with the Property Developer and the City a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate. The initial Dissemination Agent is the Property Developer.

“*District*” means the City of Tracy Community Facilities District No. 2021-1 (Hillview).

“*Landbank Owner*” means AG Essential Housing CA 1, L.P., a Delaware limited partnership, the landbank for the Property Developer pursuant to the Option Agreement.

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

“*Major Owner*” means, as of any Report Date, a Person that, together with the Person’s Affiliates, owns or has the option to purchase ___ or more residential lots (or property intended to be subdivided into ___ or more residential lots) in the District.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information.

“*Official Statement*” means the final Official Statement dated _____, 2022, executed by the City in connection with the issuance of the 2022 Bonds.

“*Option Agreement*” means the Option Agreement dated February 26, 2021, between the Property Developer and the Landbank Owner (as the assignee of the original party).

“*Participating Underwriter*” means Piper Sandler & Co., the original underwriter of the 2022 Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means (i) the property owned by the Property Developer in the District as of the date for which information is provided in the Semi-Annual Report, (ii) during the term of the Option Agreement, the property owned by the Landbank Owner in the District as of the date for which information is provided in the Semi-Annual Report, and (iii) the property in the District that the Property Developer sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 7(b) that is owned by such Major Owner.

“*Report Date*” means (a) September 30 of each year, and (b) March 31 of each year.

“*Semi-Annual Report*” means any Semi-Annual Report provided by the Property Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Special Taxes*” means the special taxes for facilities levied by the City on the Property.

Section 3. Provision of Semi-Annual Reports.

(a) The Property Developer shall, or upon written direction of the Property Developer the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2023, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Developer shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Developer). The Property Developer shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Developer),

Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Developer and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Developer that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Developer does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and;

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Developer (if the Dissemination Agent is other than the Property Developer), the City and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Semi-Annual Reports. Each Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Developer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Property Developer shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, each Semi-Annual Report shall include 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 Significant Events.

(a) So long as the Property Developer's obligations under this Disclosure Certificate have not been terminated pursuant to Section 7 herein, the Property Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Developer;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Developer upon discovery thereof;

(iii) filing of a lawsuit against the Property Developer or, if known, an Affiliate of the Property Developer, seeking damages which, if successful, could have a material and adverse impact on the Property Developer's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) material default by the Property Developer under the Option Agreement to which the Property Developer has been provided a notice of default; and

(vi) any payment default or other material default by the Property Developer that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Developer obtains knowledge of the occurrence of a Listed Event, the Property Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

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

Section 7. Duration of Reporting Obligation.

(a) All of the Property Developer's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the 2022 Bonds, or

(ii) when the sum of Property owned by the Property Developer and Property that the Property Developer has an option to purchase, is fewer than 45 residential lots (or property that will be subdivided into fewer than 45 residential lots), or

(iii) the date on which the Property Developer prepays in full all of the Special Taxes attributable to the Property.

The Property Developer shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be a Major Owner, the obligations of the Property Developer hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner and the Property Developer's obligations hereunder with respect to the property conveyed will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement in form and substance equivalent to this Disclosure Certificate or as otherwise satisfactory to the City and the Participating Underwriter. However, a Major Owner shall not be required to enter into an Assumption Agreement if such Major Owner is already a party to a continuing disclosure certificate in form and substance similar to this Disclosure Certificate with respect to the 2022 Bonds, and under which the property conveyed to such Major Owner will become subject to future Semi-Annual Reports.

Section 8. Dissemination Agent. The Property Developer may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Developer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the City and the Property Developer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the 2022 Bonds in the manner provided in the Fiscal Agent Agreement 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 2022 Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Developer 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Developer chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriter and any holder or beneficial owner of the 2022 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Developer 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 Fiscal Agent Agreement, and the sole remedy under this

Disclosure Certificate in the event of any failure of the Property Developer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding (i) losses, expenses and liabilities due to the Dissemination Agent's, and its officers, directors, employees, and agents' negligence or willful misconduct, or failure to perform its duties hereunder, and (ii) losses, expenses and liabilities due to the failure of the City to pay the fees and expenses of the Dissemination Agent. The Dissemination Agent (other than the Developer) shall be paid compensation for its services provided hereunder from the Administrative Expense Fund established under the Fiscal Agent Agreement in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Developer, the Fiscal Agent, the 2022 Bond owners, or any other party. The obligations of the Property Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2022 Bonds, but shall be assumed by a Major Owner from and after the date of such assumption when property is sold to a Major Owner and such Major Owner enters into an assumption agreement.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by electronic, overnight, or regular mail as follows:

To the Issuer:	City of Tracy 333 Civic Plaza Tracy, CA 95376 Email: financedept@cityoftracy.org
To the Participating Underwriter:	Piper Sandler & Co. 3626 Fair Oaks Boulevard Sacramento, California 95864 Email: dennis.j.mcguire@pjc.com
To the Property Developer:	Lennar Homes of California, LLC 2603 Camino Ramon, Suite 525 San Ramon, California 94583 Attn: Bridgit Koller Email: bridgit.koller@lennar.com

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Developer (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2022 Bonds, and shall create no rights in any other person or entity. All obligations of the Property Developer hereunder shall be assumed

by any legal successor to the obligations of the Property Developer as a result of a sale, merger, consolidation or other reorganization.

Section 15. 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.

LENNAR HOMES OF CALIFORNIA, LLC,
A California limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT A

SEMI-ANNUAL REPORT

[MARCH 31, ____ / SEPTEMBER 30, ____]

\$_____

CITY OF TRACY

**COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (Lennar Homes) (the "Disclosure Certificate") dated as of _____, 2022, executed by the undersigned (the "Property Developer") in connection with the issuance by the City of Tracy (the "City") of the bonds captioned above (the "2022 Bonds") for the City of Tracy Community Facilities District No. 2021-1 (Hillview) (the "District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Description of the Property currently owned by the Property Developer, or for which the Property Developer has an option to purchase under the Option Agreement, in the District (the "Property"), in substance and form similar to such information in the Official Statement for the 2022 Bonds:

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the 2022 Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

C. Status of building permits and any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the 2022 Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Property Developer under the Option Agreement or sales of land to other property owners (other than individual homeowners).

II. Legal and Financial Status of Property Developer

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Developer or the financial condition and financing plan of the Property Developer that would materially and adversely interfere with its ability to complete the development plan with respect to the Property described in the Official Statement. To the extent that the ownership of the Property Developer has changed, describe all material terms of the new ownership structure.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan for the Property described in the Official Statement or in a previous Semi-Annual Report.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Developer or the Property contained in the Official Statement under the heading "OWNERSHIP AND DEVELOPMENT OF THE DISTRICT" that would materially and adversely interfere with the Property Developer's ability to acquire, develop, and sell the Property as described in the Official Statement.

V. Status of Tax Payments

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Developer and its Affiliates.

VI. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, with respect to the Property and the Property Developer as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

The undersigned, on behalf of the Property Developer, based on actual knowledge after reasonable inquiry of employees of Property Developer and its affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Developer under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE 2022 BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY DEVELOPER. THE PROPERTY DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY DEVELOPER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

LENNAR HOMES OF CALIFORNIA, LLC,
A California limited liability company

By: _____

Name: _____

Title: _____

APPENDIX G

[INSERT FORM OF OPINION OF BOND COUNSEL]

APPENDIX H
APPRAISAL REPORT

APPENDIX I
MARKET ABSORPTION STUDY

FISCAL AGENT AGREEMENT

by and between the

CITY OF TRACY

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of _____, 2022

Relating to:

**\$ _____
City of Tracy
Community Facilities District No. 2021-1
(Hillview)
Special Tax Bonds, Series 2022**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made, entered into and dated as of _____, 2022, by and between the CITY OF TRACY, a municipal corporation and general law city organized and existing under the laws of the State of California (the "City") for and on behalf of the "City of Tracy Community Facilities District No. 2021-1 (Hillview)" (the "CFD"), and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in San Francisco, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the City Council of the City has formed the CFD, under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 *et seq.* of the California Government Code) (the "Act"); and

WHEREAS, the City Council, as the legislative body with respect to the CFD, is authorized under the Act to levy special taxes to pay for the costs of facilities and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, on _____, 2022, the City Council adopted Resolution No. _____ (the "Resolution") authorizing the issuance of special tax bonds (the "2022 Bonds") on behalf of the CFD; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance the acquisition and construction of facilities for the City and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the 2022 Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the 2022 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 is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall 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 this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

“Acquisition Agreement” means that certain Acquisition Agreement Relating to: City of Tracy Community Facilities District No. 2021 (Hillview), dated as of _____, 2022, by and between the City and Lennar Homes of California, LLC.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Special Tax; the actual costs incurred by the City to comply with arbitrage rebate requirements; any amounts required to be rebated to the federal government; the actual costs incurred by the City in connection with a Qualified Reserve Account Credit Instrument; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Account” means the account of that name in the Special Tax Fund established and administered under Section 4.05.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, City Manager, Assistant City Manager, Finance Director, City Clerk or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond” or “Bonds” means the 2022 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund designated the “City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Bond Fund” established and administered under Section 4.04.

“Bond Proceeds Account” means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent under Section 4.07.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2022.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

“CFD” means the "City of Tracy Community Facilities District No. 2021-1 (Hillview)" formed under the Resolution of Formation.

“City” means the City of Tracy, and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel.

“City Council” means the City Council of the City, in its capacity as the legislative body of the CFD.

“Closing Date” means the date upon which there is a physical delivery of the 2022 Bonds in exchange for the amount representing the purchase price of the 2022 Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the 2022 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “City of Tracy Community Facilities District No. 2021 (Hillview) Special Tax Bonds, Costs of Issuance Fund” established and administered under Section 4.02.

“County” means the County of San Joaquin, California.

“Dated Date” means _____, 2022, the dated date of the 2022 Bonds, which is the Closing Date.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2022 Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

“Developers” means Lennar Homes of California, LLC, a California limited liability company, and its successors and assigns.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction

(determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the official of the City, or such official's designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

“Fiscal Agent” means U.S. Bank Trust Company, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund designated “City of Tracy Community Facilities District No. 2021-1 (Hillview), Special Tax Bonds, Improvement Fund,” established under Section 4.07.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom:

(i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Act;

(ii) is in fact independent and not under the domination of the City;

(iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the CFD, or any real property in the CFD; and

(iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with September 1, 2022.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“MSRB” means the Municipal Securities Rulemaking Board, through its EMMA system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City Council of the City levying the Special Taxes, including but not limited to Ordinance No. 1320 introduced by the City Council on November 2, 2021, and adopted by the City Council on November 16, 2021.

“Original Purchaser” means Piper Sandler & Co., the first purchaser of the 2022 Bonds from the City.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under Section 3.06.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or

the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, 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 portion of the 2022 Reserve Requirement with respect to which funds are proposed 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 2022 Bonds and any Related Parity Bonds.

“Rate and Method” means the Rate and Method of Apportionment of Special Tax for the CFD set forth in the Resolution of Formation.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the CFD, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2022 Reserve Fund so that the balance therein is equal to the 2022 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2022 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

“Remainder Taxes” means the Special Taxes available for disbursement pursuant to Section 4.05(B)(iii).

“Remainder Taxes Account” means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent under Section 4.07.

“Remainder Taxes Period” means the period through and including the date that is the earlier of (i) the end of the 15th Fiscal Year during which Special Taxes have been levied on the property in the CFD or (ii) the date the City has fully satisfied its reimbursement obligations under the Acquisition Agreement.

“Resolution” or “Resolution of Issuance” has the meaning given that term in the recitals hereof.

“Resolution of Formation” means Resolution No. 2021-159, adopted by the City Council on November 2, 2021, forming the CFD.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the special fund designated City of Tracy Community Facilities District No. 2021-1 (Hillview), Special Tax Fund” established and administered under Section 4.05.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund under Section 4.04(A).

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds, or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the Facilities Special Tax levied by the City Council within the CFD under the Act, the Rate and Method, the Ordinance and this Agreement.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

“Term Bonds” means the (i) 2022 Bonds maturing on September 1, 20__, (ii) the 2022 Bonds maturing on September 1, 20__ and (iii) such other Bonds designated as term bonds in a Supplemental Agreement.

“2022 Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

“2022 Capitalized Interest Account” means the account by that name held by the Fiscal Agent and established and administered under section 4.04(A).

“2022 Reserve Fund” means the fund designated the “City of Tracy Community Facilities District No. 2021-1 (Hillview), Special Tax Bonds, Reserve Fund” established and administered under Section 4.03.

“2022 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2022 Bonds and Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2022 Bonds and Related Parity Bonds, if any and (c) 10% of the outstanding principal of the 2022 Bonds and Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2022 Bonds or any Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2022 Bonds or any Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2022 Bonds or any Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the 2022 Reserve Fund on the date of issuance of the 2022 Bonds (if they are the only Bonds covered by the 2022 Reserve Fund) or the most recently issued series of Related Parity Bonds (if any Related Parity Bonds are covered by the 2022 Reserve Fund) except in connection with any increase associated with the issuance of Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2022 Reserve Fund in connection with the issuance of a series of Related Parity Bonds exceed

the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. Bonds in the aggregate principal amount of \$_____ are hereby authorized to be issued by the City for the CFD under and subject to the terms of the Act, the Resolution, this Agreement and other applicable laws of the State of California. This paragraph shall not limit the principal amount of any Refunding Bonds.

The 2022 Bonds shall be designated as the “City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022,” and shall be in the initial principal amount of \$_____.

Section 2.02. Terms of the 2022 Bonds.

(A) Form; Denominations. The 2022 Bonds shall be issued as fully registered Bonds without coupons. The 2022 Bonds shall be lettered and numbered in a customary manner as determined by the City. The 2022 Bonds shall be issued in the denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

(B) Date of 2022 Bonds. The 2022 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. “CUSIP” identification numbers may, at the election of the Original Purchaser of the Bonds, be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the 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 Bonds. In addition, failure on the part of the City 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 City’s contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities; Interest Rates. The 2022 Bonds shall mature and become payable on each September 1, and shall bear interest at the rates per annum indicated in the below table.

Maturity (September 1)	Principal Amount	Interest Rate
	\$	%

* Term Bond

(E) Interest. The 2022 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 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 on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such 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 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such 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 to an account located in 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 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. So long as the registered Owner of the Bonds are Cede & Co., payment of principal and redemption shall be made without presentment. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) Redemption Provisions.

(i) **Optional Redemption.** The 2022 Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2022 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20__ through August 31, 20__	10_ %
September 1, 20__ through August 31, 202__	10_
September 1, 20__ through August 31, 20__	10_
September 1, 20__ and any date thereafter	100

(ii) **Mandatory Sinking Fund Redemption.** The Term Bond maturing on September 1, 20__, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, plus interest accrued on the Term Bond to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Fund Payments</u>
20__	\$ _____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

The Term Bond maturing on September 1, 20__, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, plus interest accrued on the Term Bond to the redemption date without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Fund Payments</u>
20__	\$ _____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed under subsection (i) above or subsection (iii) below, the total amount of

all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which shall be given by the City to the Fiscal Agent, and the notice shall include a revised sinking fund schedule.

(iii) **Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the 2022 Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2022 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among maturities of outstanding bonds so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2022 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, 20__	10_ %
September 1, 20__ and March 1, 20__	10_
September 1, 20__ and March 1, 20__	10_
September 1, 20__ and any Interest Payment Date thereafter	100

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(iii) not less than 45 days prior to the applicable redemption date or such lesser number of days as shall be acceptable to the Fiscal Agent.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2022 Bonds upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2022 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2022 Bonds were to be redeemed in accordance with this Agreement.

(D) Redemption Procedure by Fiscal Agent.

(i) **Notices.** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or posted, at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its EMMA system.

(ii) **Contents of Notices.** Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be

redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

The City has the right to send a conditional optional redemption notice and to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under this Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

(iii) **Selection of Bonds for Redemption.** Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of any maturity or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

(iv) **New Bonds.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

(E) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this 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 the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 2.04. Form of Bonds. The 2022 Bonds, the Fiscal Agent's certificate of authentication and the 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 Agreement, the Resolution and the Act.

Section 2.05. Execution and Authentication of Bonds.

(A) Execution. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Finance Director and its City Clerk who are in office on the date of execution of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

(B) Authentication. Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond Register required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (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.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds (the "Bond Register"), which shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Bond Register, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by

the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent and the City. The City may require payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

(C) Additional Stock. If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

Section 2.10. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of 2022 Bonds. At any time after the execution of this Agreement, the City may issue the 2022 Bonds for the CFD in the aggregate principal amount set forth in Section 2.01 and deliver the 2022 Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2022 Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2022 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2022 Bonds to the Original Purchaser. The Fiscal Agent is hereby authorized and directed to authenticate the 2022 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2022 Bonds.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2022 Bonds and all Related Parity Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2022 Reserve Fund. The moneys in the 2022 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2022 Bonds and all Related Parity Bonds as provided herein and in the Act until all of the 2022 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2022 Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all of the moneys deposited in the 2022 Capitalized Interest Account.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Account and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

Section 3.03. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

Section 3.06. Parity Bonds. In addition to the 2022 Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The City may only issue Parity Bonds if they are Refunding Bonds and subject to the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the bonded indebtedness limit of the CFD.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for either of the following:

(i) a deposit to the 2022 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2022 Reserve Requirement following issuance of the Parity Bonds or

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2022 Reserve Fund and that the Owners of the Bonds covered by the 2022 Reserve Fund will have no interest in or claim to such other reserve account.

(D) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B) and (C) of this Section 3.06 have been satisfied.

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of 2022 Bond Proceeds. The Proceeds of the 2022 Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the initial principal amount of the 2022 Bonds, [*plus* an original issue premium of \$_____], *less* an underwriter's discount in the amount of \$_____) shall be paid to the Fiscal Agent, which shall transfer or deposit the Proceeds on the Closing Date as follows:

- (i) deposit \$_____ into the Costs of Issuance Fund;
- (ii) deposit \$_____ into the 2022 Reserve Fund equaling the initial 2022 Reserve Requirement;
- (iii) deposit \$_____ into the Bond Proceeds Account of the Improvement Fund; and
- (iv) \$_____ into the 2022A Capitalized Interest Account.

Concurrently with the deposits described above, the City will transfer \$_____ of Special Taxes to the Fiscal Agent for deposit into the Remainder Taxes Account of the Improvement Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing transfers or deposits. Any remaining proceeds after the transfers listed above shall be transferred into the Bond Proceeds Account of the Improvement Fund.

Section 4.02. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition substantially in the form of Exhibit C hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall transfer any moneys remaining therein, including any investment earnings thereon, to the Bond Fund and used to pay debt service on the Bonds.

Section 4.03. 2022 Reserve Fund.

(A) Establishment of Fund. The 2022 Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial 2022 Reserve Requirement with respect to the 2022 Bonds, and deposits shall be made as provided in Sections 3.06(C) and 4.05(A) and (B). Moneys in the 2022 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2022 Bonds and any Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2022 Bonds and any Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2022 Bonds and any Related Parity Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the 2022 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 and any premium on, the 2022 Bonds and any Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2022 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2022 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2022 Bonds and any Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

(C) Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2022 Reserve Fund exceeds the 2022 Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2022 Reserve Fund to the Bond Fund, to be used to pay interest on the 2022 Bonds and any Related Parity Bonds on the next Interest Payment Date.

(D) Transfer for Rebate Purposes. Amounts in the 2022 Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 5.11, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however,* that no amounts in the 2022 Reserve Fund shall be used for rebate unless the amount in the 2022 Reserve Fund following such withdrawal equals the 2022 Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2022 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2022 Bonds and all Outstanding Related Parity

Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2022 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03 and the provisions of the Supplemental Agreement related to the Related Parity Bonds, as applicable, of all of the Outstanding 2022 Bonds and Outstanding Related Parity Bonds. In the event that the amount so transferred from the 2022 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2022 Bonds and Outstanding Related Parity Bonds, the balance in the 2022 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the 2022 Reserve Fund under this Section 4.03(E) until after: (i) the calculation of any amounts due to the federal government under Section 5.11 and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2022 Bonds or any Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any Related Parity Bonds, any resulting reduction in the 2022 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2022 Bonds pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the 2022 Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

(H) Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2022 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2022 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2022 Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2022 Reserve Fund to the Bond Proceeds Account of the Improvement Fund to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account

Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2022 Reserve Requirement, to be derived from the first available Special Tax Revenues. If the 2022 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2022 Bonds and any Related Parity Bonds. If the 2022 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2022 Bonds and any Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2022 Reserve Fund may be established for such series, and the calculation of the 2022 Reserve Requirement with respect to any Related Parity Bonds shall exclude the debt service on such issue of Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2022 Reserve Fund with cash if, at any time that the 2022 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account Credit Instrument or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under this Section.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.01 (if any), Section 4.07 and Section 4.03 and as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is hereby established a separate account designated as the "2022 Capitalized Interest Account" to be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds into which shall be deposited the amount specified in Section 4.01 (if any). Amounts on

deposit in the 2022 Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2022 Bonds. When the amount in the 2022 Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Within the Bond Fund there is hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

(B) Deposits and Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing in the form of an invoice of the following: (i) the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption), (ii) the amount in the Bond Fund (and any accounts therein) that is available to pay the amounts due on such Interest Payment Date, (iii) the amount needed to be transferred by the City to the Fiscal Agent in order for the Fiscal Agent to pay the amount due on such Interest Payment Date and (iv) the amount needed (a) to be deposited in the 2022 Reserve Fund, taking into account amounts then on deposit in the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement, and (b) to be deposited in the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein.

At least 7 Business Days prior to each Interest Payment Date, the City shall transfer to the Fiscal Agent from the Special Tax Fund for deposit in the Bond Fund an amount equal to the lesser of (i) the amount in the Special Tax Fund and (ii) the amount described in clause (iii) of the previous paragraph.

On the fourth Business Day prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency then do the following:

(i) Withdraw from the 2022 Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2022 Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2022 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to

such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments due and payable on such Interest Payment Date, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

(C) Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(D) Investment. Moneys in the Bond Fund, the 2022 Capitalized Interest Account, any capitalized interest account created for a series of Parity Bonds and the Special Tax Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

(F) Excess. Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1 (not including moneys in the 2022 Capitalized Interest Account or a similar account established for a series of Parity Bonds), shall be accounted for by the Fiscal Agent when it invoices the City for the next Interest Payment Date.

Section 4.05. Special Tax Fund.

(A) Establishment of Special Tax Fund. The Special Tax Fund is hereby established as a separate fund to be held by the City. The City shall promptly deposit any Special Tax Revenues received by it in the Special Tax Fund.

Within the Special Tax Fund there is hereby created a separate account to be held by the City, designated the "Administrative Expense Account," to the credit of which deposits shall be made as required by Section 4.01 and this Section 4.05(A).

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Finance Director in the Administrative Expense Account;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Finance Director first, for transfer to the Fiscal Agent for deposit in the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the Fiscal Agent for deposit in the 2022 Reserve Fund to the extent needed to increase the amount then on deposit in the 2022 Reserve Fund up to the then 2022 Reserve Requirement and for deposit in the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in Section 4.05(B) below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be disposed of by the Finance Director as follows (with written instructions to the Fiscal Agent): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be transferred by the Finance Director to the Fiscal Agent for deposit in the Bond Proceeds Account of the Improvement Fund and (b) the remaining Special Tax Prepayment shall be transferred by the City to the Fiscal Agent for deposit in the Special Tax Prepayments Account established pursuant to Section 4.04(A).

(B) Disbursements. At least 7 Business Days prior to each Interest Payment Date, the Finance Director shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent the following amounts in the following order of priority:

(i) as set forth in Section 4.04(B), for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2022 Reserve Fund, any reserve account for Parity Bonds that are not Related Parity Bonds, the 2022 Capitalized Interest Account, a capitalized interest account established for any series of Parity Bonds 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 on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) of the second paragraph of Section 4.05(A),

(ii) without preference or priority (a) for deposit in the 2022 Reserve Fund an amount, taking into account amounts then on deposit in

the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement, and (b) for deposit in the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2022 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) (A) on each October 1, beginning on October 1, 2022 and continuing through the Remainder Taxes Period, all of the moneys remaining in the Special Tax Fund shall be transferred to the Remainder Taxes Account and (B) on each subsequent October 1 after the end of the Remainder Taxes Period, all or a portion of the moneys remaining in the Special Tax Fund shall be transferred to the Remainder Taxes Account as directed by the Finance Director

Within 15 days after the end of each Bond Year after the Remainder Taxes Account is closed pursuant to Section 4.07, and after the foregoing transfers have been made, the City shall transfer all amounts remaining on deposit in the Special Tax Fund to (x) the Administrative Expense Account, to be used as set forth in Subsection (D) below, (y) the Special Tax Fund or (z) the City for any lawful purposes.

(C) Investment. Moneys in the Special Tax Fund shall be invested and deposited by the City under Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

(D) Administrative Expense Account.

(i) Disbursement. Amounts in the Administrative Expense Account (a) shall be used by the Finance Director from time to time to pay an Administrative Expense or a Cost of Issuance or, in the discretion of the Finance Director, may be transferred to the Special Tax Fund.

Proceeds of the 2022 Bonds (if any) deposited into the Administrative Expense Account shall be spent before any other moneys in the Administrative Expense Fund.

(ii) Investment. Moneys in the Administrative Expense Account shall be invested by the City under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the City in the Administrative Expense Account to be used for the purposes of such fund.

Section 4.07. Improvement Fund.

(A) Establishment of Improvement Fund. The Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent and to the

credit of which fund deposits shall be made as required by Sections 4.01, 4.02(D) and 4.05(A). The Remainder Taxes Account and the Bond Proceeds Account are hereby established as separate accounts within the Improvement Fund to be held by the Fiscal Agent.

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this Section, for the payment or reimbursement of costs of the Project.

(B) Procedure for Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Disbursements for the payment or reimbursement of costs of the Project shall be made from the Bond Proceeds Account and the Remainder Taxes Account in the following order:

First: payments or reimbursements shall be made from the Bond Proceeds Account so long as there are moneys available therein and such costs can be paid from Bond proceeds without violating the covenants set forth in Sections 5.09-5.14 and

Second: payments or reimbursements shall be made from the Remainder Taxes Account (1) even if Bond proceeds remain in the Bond Proceeds Account, if such payment or reimbursement would violate the covenants set forth in Sections 5.09-5.14 and (2) when no Bond proceeds remain in the Bond Proceeds Account.

At the direction of the Finance Director, and so long as such amounts have not been previously approved for payment of a Project cost, the Fiscal Agent shall transfer amounts from the Remainder Taxes Account to (1) the Bond Fund to pay Debt Service on the Bonds, (2) to the City for deposit in the Administrative Expense Account to pay Administrative Expenses and (3) the 2022 Reserve Fund to increase the amount therein to the 2022 Reserve Requirement or any debt service reserve account for Parity Bonds to increase the amount therein to its required amount.

(C) Investment. Moneys in the Improvement Fund shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the Improvement Fund to be used for the purpose of such fund.

(D) Closing of Fund. When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account shall be closed. Moneys transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

ARTICLE V
COVENANTS

Section 5.01. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

(A) Processing. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund (including the 2022 Capitalized Interest Account and the capitalized interest account for any Parity Bonds), the 2022 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2022 Reserve Fund is less than the 2022 Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2022 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(B) Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(C) Computation. The Finance Director shall fix and levy the amount of Special Taxes within the CFD required to pay the following amounts, taking into account the balances in the applicable funds established under this Agreement: (i) the principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2022 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Special Taxes to the extent that paying for such costs does not increase the Special Taxes levied on Undeveloped Property (as defined in the Rate and Method). During the Remainder Taxes Period,

the Finance Director shall fix and levy the Special Taxes at the Maximum Special Tax rate on Developed Property before considering any Capitalized Interest (as those terms are defined in the Rate and Method). The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

(D) Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Section 5.02. Covenant to Foreclose. Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

(A) Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) the CFD is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2022 Reserve Fund is at least equal to the 2022 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount.

(B) Aggregate Delinquencies. If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the County, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

(C) Individual Owner Delinquencies. As to any owner of more than one parcel within the CFD, if the Finance Director determines that the aggregate amount of delinquent Special Taxes for all preceding tax years on all parcels owned by such owner (whether such parcels are owned solely by such owner or jointly by such owner and one or more others) exceeds \$10,000, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 90 days of such determination, regardless of when such delinquencies occurred.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.05. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.06. Books and Records.

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues and the funds held by the City hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the

Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.07. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Private Activity Bond Limitations. The City shall assure that the proceeds of the 2022 Bonds are not so used as to cause the 2022 Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2022 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

Section 5.11. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2022 Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2022 Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.11, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Account to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.11, the City may use:

- (A) Amounts in the 2022 Reserve Fund if the amount on deposit in the 2022 Reserve Fund, following the proposed transfer, is at least equal to the 2022 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Amounts on deposit in the Administrative Expense Account; and

- (C) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2022 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2022 Bonds would have caused the 2022 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Section 5.13. Yield of the 2022 Bonds. In determining the yield of the 2022 Bonds to comply with Sections 5.11 and 5.12, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2022 Bonds, without regard to whether or not prepayments are received or 2022 Bonds redeemed.

Section 5.14. Maintenance of Tax-Exemption; Record Retention; Compliance with Tax Certificates. The City shall take all actions necessary to assure the exclusion of interest on the 2022 Bonds from the gross income of the Owners of the 2022 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2022 Bonds.

The City will retain its records of all accounting and monitoring it carries out with respect to the 2022 Bonds for at least 3 years after the 2022 Bonds mature or are redeemed (whichever is earlier); however, if the 2022 Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the 2022 Bonds.

The City will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the 2022 Bonds. The covenants of this paragraph will survive payment in full or defeasance of the 2022 Bonds.

Section 5.15. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the 2022 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in the CFD as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2022 Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

Section 5.16. Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to

the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

Section 5.17. City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the City and that the Special Taxes levied on the property are payable while the City owns the property.

Section 5.18. Amendment of Rate and Method.

(A) General. The City shall 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 is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City 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.

(B) Exception. Notwithstanding clause (A) of this section, the City may initiate proceedings to reduce the maximum Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then-existing Taxable Property (as such term is defined in the Rate and Method) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant will compute the Administrative Expenses for the current Fiscal Year and escalate such amounts by 2% in each subsequent Fiscal Year.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) Moneys Held by the Fiscal Agent. Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with Section 5.11.

(B) Moneys Held by the City. Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) Actions of Officials. The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

(D) Valuation of Investments. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the 2022 Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

(E) Commingled Money. Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at

all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) Confirmations Waiver. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Fiscal Agent hereunder.

(G) Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility or liability in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(C) No General Liability. No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Owner of Bonds. The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) Appointment. The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) Merger. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

(C) Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(D) Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

(E) No Successor. If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its

Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City or the CFD herein or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Reserved.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended

by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, and shall be entitled to rely on advice of counsel concerning all matters of its duty hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for such actions other than as a result of its negligence or willful misconduct.

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Account.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to Section 3.06.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. The City may pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2022 Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2022 Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Tracy
333 Civic Center Plaza
Tracy, CA 95376
Fax: (209) 835-1113
Attention: Finance Director

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attn: Global Corporate Trust Services

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with 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 Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this 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 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.15, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2022 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall cause the information required by California Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds due to insufficiency of funds on deposit in the Bond Fund, or if funds are withdrawn from the 2022 Reserve Fund to pay principal and interest on the Bonds so as to reduce the amount in the 2022 Reserve Fund to less than the 2022 Reserve Requirement, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Finance Director shall file a report with the City no later than January 1, 2023, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the CFD, (ii) the amount of Bond proceeds collected and expended with respect to the CFD, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Compliance with Section 53343.2. The City shall comply with the provisions of California Government Code Section 53343.2, which require the City, within seven months after the last day of each fiscal year of the CFD, to display prominently on its Internet Web site all of the following information:

(a) A copy of an annual report for that fiscal year if requested pursuant to Section 53343.1.

(b) A copy of the report provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5.

(c) A copy of the report provided to the Controller's office pursuant to Section 12463.2.

(E) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code and (iii) with respect to subparagraph (D) above, to reflect any amendments to Section 53343.2. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.10.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

* * * * *

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY OF TRACY,
for and on behalf of
CITY OF TRACY COMMUNITY FACILITIES
DISTRICT NO. 2021-1 (HILLVIEW)

By: _____
Finance Director

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF 2022 BOND

No. ____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN JOAQUIN

CITY OF TRACY
Community Facilities District No. 2021-1
(Hillview)
Special Tax Bond, Series 2022

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	September 1, _____	_____, 2022	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: *****DOLLARS

The City of Tracy (the "City") for and on behalf of the "City of Tracy Community Facilities District No. 2021-1 (Hillview)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax Revenues (as defined in the hereinafter defined Agreement) to be collected in the CFD or 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 (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before 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 unless this Bond is authenticated on or prior to August 15, 2022, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2022 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such 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 made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable

Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by a resolution of the City Council of the City on _____, 2022 (the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the City, and is one of the series of bonds designated "City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of _____, 2022 (the "Agreement"), between the City and U.S. Bank Trust Company, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20__ through August 31, 20__	10_ %
September 1, 20__ through August 31, 20__	10_
September 1, 20__ through August 31, 20__	10_
September 1, 20__ and any date thereafter	100

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, 20__, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
20__	\$ _____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

The Term Bond maturing on September 1, 20__, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
20__	\$ _____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed as a result of an optional redemption or a redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which determination shall be given by the City to the Fiscal Agent.

Redemption From Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2022 Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, 20__	10_ %
September 1, 20__ and March 1, 20__	10_
September 1, 20__ and March 1, 20__	10_
September 1, 20__ and any Interest Payment Date thereafter	100

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 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, interest hereon and any redemption premium 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 or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City 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, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, City of Tracy has caused this Bond to be to be signed by the facsimile signature of its Finance Director and countersigned by the facsimile signature of the Clerk.

Clerk

Finance Director

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 2022.

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor.

NOTICE: Signature guarantee shall be made
by a guarantor institution participating in the
Securities Transfer Agents Medallion
Program or in such other guarantee program
acceptable to the Fiscal Agent

EXHIBIT B

**CITY OF TRACY
Community Facilities District No. 2021-1
(Hillview)
Special Tax Bonds, Series 2022**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM IMPROVEMENT
FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Tracy, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of _____, 2022 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Bond Proceeds Account established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Remainder Taxes Account established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(v) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to transfer \$_____ from the Remainder Taxes Account established under the Fiscal Agent Agreement to [the Bond Fund] [the City for deposit in the Administrative Expense Account] [the 2022 Reserve Fund];

(vi) the disbursements described on the attached Schedule A are properly chargeable to the Improvement Fund; and

(vii) no portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Dated: _____

CITY OF TRACY

By: _____
Finance Director

SCHEDULE A

Payee Name and Address	Purpose of Obligation	Amount	Account from which Amounts should be paid

EXHIBIT C

**CITY OF TRACY
Community Facilities District No. 2021-1
(Hillview)
Special Tax Bonds, Series 2022**

**OFFICER’S CERTIFICATE REQUESTING DISBURSEMENT
FROM COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Tracy, a general law city duly organized and existing under the laws of the State of California (the “City”) and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of _____ 1, 2022 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) under Section 4.02(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the Costs of Issuance Fund.

Dated: _____

CITY OF TRACY

By: _____
Finance Director

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

§ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

BOND PURCHASE AGREEMENT

_____, 2022

City of Tracy
 333 Civic Center Plaza
 Tracy, California 95376

Ladies and Gentlemen:

Piper Sandler & Co., as underwriter (the “**Underwriter**”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the City of Tracy (the “**City**”), which upon acceptance will be binding upon the Underwriter and the City. This offer is made subject to the City’s acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Fiscal Agent Agreement, dated as of _____ 1, 2022 (the “**Fiscal Agent Agreement**”), by and between the City and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”).

1. Purchase, Sale and Delivery of the Bonds.

A. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City and the City hereby agrees to sell to the Underwriter all (but not less than all) of the \$ _____ aggregate principal amount of the City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the “**Bonds**”), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$ _____ (being 100% of the aggregate principal amount thereof [plus/less] an original issue [premium/discount] of \$ _____ and less an Underwriter’s discount of \$ _____).

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Special Tax Revenues, as provided in the Fiscal Agent Agreement, the Preliminary Official Statement (as hereinafter defined), and the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the Government Code of the State of California (the “**Act**”). The issuance of the Bonds has been duly authorized by the City pursuant to a resolution adopted on _____, 2022 (the “**Approving Resolution**”).

The net proceeds of the Bonds will be used, as indicated in the Fiscal Agent Agreement, for the following purposes: (i) finance the acquisition and construction of certain public improvements, (ii) fund a debt service reserve fund for the Bonds, (iii) fund capitalized interest through September 1, 2022, and (iv) pay the costs of issuing the Bonds.

Prior to the acceptance of this Purchase Agreement by the City, the City shall have caused to be delivered to the Underwriter (i) a Letter of Representations duly executed by Lennar Homes of California, LLC, a California limited liability company (the “**Developer**”) in substantially the form set forth in Exhibit B hereto, with only such changes thereto as shall have been accepted by the Underwriter.

B. The City acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations and agreements made by the City herein, and the City shall take all action necessary to enforce its rights hereunder for the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation or agreement made by the City herein is incorrect in any material respect.

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); and (iv) the City has consulted its own legal, financial and other advisors to the extent that the City has deemed appropriate.

C. Pursuant to the authorization of the City, the Underwriter has distributed copies of the Preliminary Official Statement dated ____, 2022, relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the “**Preliminary Official Statement.**” By its acceptance of this Purchase Agreement, the City hereby ratifies the use by the Underwriter of the Preliminary Official Statement and the preparation and distribution of the final Official Statement (together with any supplements thereto, the “**Official Statement**”) consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Jones Hall, A Professional Law Corporation, the City’s Bond Counsel (“**Bond Counsel**”) and Disclosure Counsel (“**Disclosure Counsel**”) and the Underwriter. The City agrees to execute the Official Statement and to provide a copy thereof to the Underwriter as set forth in Section 4.E.1 hereof. The City hereby authorizes and requires the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The City further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Fiscal Agent Agreement, this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the City to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

D. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”), the City will undertake pursuant to the Continuing Disclosure Certificate, in the form attached to the Official Statement as Appendix E (the “**Continuing Disclosure Certificate**”), to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

E. Except as the Underwriter and the City may otherwise agree, the City will deliver to the Underwriter, at the offices of Bond Counsel in San Francisco, California, or at such other location as may be mutually agreed upon by the Underwriter and the City, the documents hereinafter mentioned; and the City will deliver to the Underwriter through the facilities of The Depository Trust Company (“**DTC**”) in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the City and authenticated by the Fiscal Agent in the manner provided for in the Fiscal Agent Agreement and the Act at 8:00 a.m. California time, on _____, 2022 (the “**Closing Date**”), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (A) of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the “**Closing**”). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

2. **Public Offering and Establishment of Issue Price.**

A. The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial offering prices

B. The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit F, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by CSG Advisors Incorporated (the “**Municipal Advisor**”) and any notice or report to be provided to the City may be provided to the Municipal Advisor.

C. Except as otherwise set forth in Exhibit A, the City will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of the Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue,

whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

D. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or
2. the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

E. The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to: (1) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public; and (2) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

F. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

1. “**public**” means any person other than an underwriter or a related party;

2. “**underwriter**” means: (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) 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);

3. a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “**sale date**” means the date of execution of this Purchase Agreement by all parties.

3. **Representations and Covenants of the City.** The City represents and covenants to the Underwriter that:

A. The City is duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of California, and has duly authorized the formation of the City of Tracy Community Facilities District No. 2021-1 (Hillview) (the “**Community Facilities District**”) pursuant to resolutions and an ordinance duly adopted by the City Council (collectively, the “**Community Facilities District Formation Resolution**” and, together with the Approving Resolution authorizing the issuance of the Bonds, the “**City Resolutions**”) and the Act. The City Council, as the legislative body of the City and the Community Facilities District, (i) has duly adopted the City Resolutions, (ii) has duly adopted Ordinance No. _____ of the City on _____, levying special taxes within the Community Facilities District (the “**Ordinance**”), and (iii) has caused to be recorded in the real property records of San Joaquin County a notice of special tax lien (the “**Notice of Special Tax Lien**”) (the Community Facilities District Formation Resolution, the Ordinance, the rate and method of apportionment of special taxes approved by the City Council and the qualified electors within the Community Facilities District (the “**Rate and Method**”) and the Notice of Special Tax Lien are collectively referred to herein as the “**Formation Documents**”). Each of the Formation Documents remains in full force and effect as of the date hereof and has not been amended, except to the extent set forth therein. The Community Facilities District is duly organized and validly existing as a Community Facilities District under the laws of the State of California. The City has, and at the Closing Date will have, as the case may be, full legal right, power and authority: (i) to execute, deliver and perform its obligations under the Fiscal Agent

Agreement and this Purchase Agreement, and to carry out all transactions contemplated by each of such agreements; (ii) to issue, sell and deliver its Bonds to the Underwriter; (iii) to enter into the Continuing Disclosure Certificate; and (iv) to carry out, give effect to and consummate the transactions contemplated by the Formation Documents, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, this Purchase Agreement, the Bonds and the Official Statement.

This Purchase Agreement, the Fiscal Agent Agreement, the Bonds and the Continuing Disclosure Certificate are collectively referred to herein as the “**City Documents.**”

B. The City has complied, and will at the Closing Date be in compliance in all material respects, with the Formation Documents and the City Documents, and any immaterial noncompliance by the City, if any, will not impair the ability of the City to carry out, give effect to or consummate the transactions contemplated by the foregoing. From and after the date of issuance of the Bonds, the City will continue to comply with the covenants of the City contained in the City Documents.

C. Except as described in the Preliminary Official Statement, the City is not, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, and the execution and delivery and the performance of its obligations under the City Documents and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed by the City pursuant to the City Documents, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the City of its obligations under the City Documents or the performance of the conditions precedent to be performed by the City pursuant to the City Documents.

D. Except as may be required under the “blue sky” or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the City Documents, have been or will be obtained at the Closing Date and are or will be in full force and effect at the Closing Date.

E. The City Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement.

F. The Bonds are payable from the Special Tax Revenues generated by the levy of special taxes in the District (the “**Special Taxes**”), as set forth in the Fiscal Agent Agreement. The levy of the Special Taxes has been duly and validly authorized pursuant to the Act and, subject to the maximum rate of Special Taxes in the Rate and Method and the application of the Special Tax Revenues as set forth in the Fiscal Agent Agreement, the levy of the Special Taxes within the District

will be fixed and levied in an amount which, together with other available funds, is required for the payment of the principal of, and interest on, the Bonds when due and payable, all as provided in the Fiscal Agent Agreement. The City has covenanted in the Fiscal Agent Agreement to cause the Special Taxes to be levied and collected at the same time and in the same manner as ordinary *ad valorem* property taxes.

G. The Fiscal Agent Agreement creates a valid pledge of, first lien upon and security interest in, the Special Tax Revenues, and in the moneys in the Special Tax Fund established pursuant to the Fiscal Agent Agreement, on the terms and conditions set forth in the Fiscal Agent Agreement.

H. Except as disclosed in the Preliminary Official Statement, or will be disclosed in the Official Statement, there are, to the best of the City's knowledge, no entities with outstanding assessment liens against any of the properties within the District or which are senior to or on a parity with the Special Taxes referred to in paragraph (G) hereof.

I. The information contained in the Preliminary Official Statement and in the Official Statement (other than statements therein pertaining to DTC and its book-entry system and under the caption "OWNERSHIP AND DEVELOPMENT OF THE DISTRICT," as to which no view is expressed) does not and shall not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (J) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

J. Up to and including 25 days after the End of the Underwriting Period, the City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term "**End of the Underwriting Period**" means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be a written notice delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

K. At the time of acceptance hereof there is and as of the Closing there will be no action pending (notice of which has been served on the City) or to the best knowledge of the City threatened, in which any such action: (i) in any way questions the existence of the Community Facilities District or the titles of the officers of the City to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of the Bonds or the payment or collection of Special Tax Revenues or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the City Documents or the consummation of the transactions on the part of the City contemplated thereby; (iii) contests the

exemption of interest on the Bonds from federal or State income taxation or contests the powers of the City or the Community Facilities District which may result in any material adverse change relating to the financial condition of the Community Facilities District; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and as of the time of acceptance hereof there is and, as of the Closing Date, there will be no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

L. Any certificate signed on behalf of the City by any officer or employee of the City authorized to do so shall be deemed a representation by the City to the Underwriter as to the statements made therein.

M. At or prior to the Closing, the City will have duly authorized, executed and delivered the Continuing Disclosure Certificate in substantially the form attached as Appendix E to the Official Statement. Except as disclosed in the Preliminary Official Statement, the City has not failed to comply in all respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events in the last five years.

N. The City will apply the proceeds of its Bonds in accordance with the Fiscal Agent Agreement.

O. Between the date of the Purchase Agreement and the date of Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money payable or secured by Special Taxes, except as previously disclosed to the Underwriter.

The execution and delivery of this Purchase Agreement by the City shall constitute a representation to the Underwriter that the representations contained in this Section 3 are true as of the date hereof.

4. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations on the part of the City contained herein, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and, to the following additional conditions:

A. At the Closing Date, the City Resolutions, the Formation Documents, and the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds, and with the transactions contemplated thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

B. At the Closing Date, except as was described in the Official Statement, the City shall not be, in any respect material to the transactions referred to herein or contemplated

hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, and the execution and delivery and the performance by the City of its obligations under the City Documents, the City Resolutions and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the City of its obligations under the City Documents or the City Resolutions.

C. The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

D. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the inside cover page of the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement are not exempt from qualification under or other requirements of the Fiscal Agent Agreement Act of 1939,

as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

3. A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

4. The introduction, proposal or enactment of any amendment to the Federal or California Constitutions or any action by any Federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income, securities (or interest thereon), or the validity or enforceability of Special Taxes as contemplated by the Official Statement;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred any material outbreak or escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it impracticable, in the judgment of the Underwriter, following consultation with the City, to sell the Bonds;

8. The filing or threat of an Action described Section 3.K hereof; or

9. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City.

E. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the City by its Finance Director or other authorized officer;

2. The City Documents, duly executed and delivered by all parties thereto;

3. The City Resolutions, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the City Resolutions are true, correct and complete copies of the City Resolutions duly adopted by the City Council;

4. The Formation Documents, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the Formation Documents are true, correct and complete copies of the Formation Documents duly adopted by the City Council;

5. An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the City, of Bond Counsel, in substantially the form included as Appendix G to the Official Statement;

6. A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, in substantially the form attached hereto as Exhibit C;

7. A letter of Disclosure Counsel addressed to the Underwriter, to the effect that, no facts have come to attention of Disclosure Counsel that have caused such counsel to believe that the Preliminary Official Statement, as of its date, or the Official Statement, as of its date and as of the Closing Date (except for the following items, which are expressly excluded from the scope of this sentence: any financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, the appraisal and information regarding DTC and its book-entry only system, that is contained or incorporated by reference in the Official Statement and the appendices to the Official Statement) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

8. A certificate dated the Closing Date and signed by an authorized representative of the City or an authorized designee, on behalf of the City to the effect that: (i) the representations made by the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, provided that any references as to the Preliminary Official Statement shall be deemed to be to the Official Statement; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be satisfied under the City Documents prior to the Closing Date;

9. An opinion of the City Attorney of the City, dated the date of Closing and addressed to the Underwriter and the City, to the effect that:

a. The City is a municipal corporation, corporate and politic, duly organized and existing under the Constitution and laws of the State of California;

b. The City Resolutions and the Formation Documents have been duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolutions and the Formation Documents are in full force and effect and have not been modified, amended, rescinded or repealed since the date of their adoption;

c. The City Documents and the Official Statement have been duly authorized, executed and delivered by the City and the City Documents constitute the legal,

valid and binding obligations of the City enforceable against the City in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

d. To the best knowledge of such counsel, the execution and delivery of the City Documents and the Official Statement and compliance with the provisions thereof under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the City a violation, breach of or default under any court order or consent decree to which the City is subject;

e. Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City) or, to such counsel's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the Community Facilities District, or the titles of its members and officers to their respective offices; or (b) affect the validity of the City Documents, the City Resolutions or the Formation Documents, or restrain or enjoin the repayment of the Bonds or in any way contest or affect the validity of the City Documents, the City Resolutions or the Formation Documents, or contest the authority of the City to enter into or perform its obligations under any of the City Documents, the City Resolutions or the Formation Documents, or under which a determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City or the Community Facilities District, questions the right of the City to use Special Tax Revenues for the repayment of the Bonds or affects in any manner the right or ability of the City to collect or pledge the Special Taxes levied within the District for the repayment of the Bonds;

10. A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds, including certified copies of the Fiscal Agent Agreement and all resolutions of the City relating thereto;

11. A certificate dated the Closing Date from Goodwin Consulting Group, Inc. addressed to the City and the Underwriter to the effect that: (i) the Special Taxes (after payment of estimated Administrative Expenses) if collected in the maximum amounts permitted pursuant to the Rate and Method as of the Closing Date would generate at least 110% of the annual debt service on the Bonds in each year, based on such assumptions and qualifications as shall be acceptable to the Underwriter; and (ii) the statements in the Official Statement provided by Goodwin Consulting Group, Inc. concerning the Special Taxes and the Rate and Method and all information supplied by it for use in the Official Statement as of the date of the Official Statement and as of the Closing Date did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

12. Certified copies of the general resolution of the Fiscal Agent authorizing the execution and delivery of certain documents by certain officers of the Fiscal Agent, which resolution authorizes the execution of the Fiscal Agent Agreement and the authentication of the Bonds;

13. A certificate of the Fiscal Agent, addressed to the Underwriter and the City dated the Closing Date, to the effect that: (i) the Fiscal Agent is authorized to carry out corporate trust powers, and have full power and authority to perform its duties under the Fiscal Agent Agreement; (ii) the Fiscal Agent is duly authorized to execute and deliver the Fiscal Agent Agreement, to accept the obligations created by the Fiscal Agent Agreement and to authenticate the Bonds pursuant to the terms of the Fiscal Agent Agreement; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Fiscal Agent that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Fiscal Agent of the other transactions contemplated to be performed by the Fiscal Agent in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Fiscal Agent Agreement; and (iv) to the best of its knowledge, compliance with the terms of the Fiscal Agent Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, trust agreement, bond, note, resolution or any other agreement or instrument to which the Fiscal Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Fiscal Agent or any of its activities or properties;

14. An opinion of counsel to the Fiscal Agent, dated the Closing Date, addressed to the Underwriter and the City to the effect that the Fiscal Agent is a national banking association duly organized and validly existing under the laws of the United States having full power and being qualified to enter into, accept and agree to the provisions of the Fiscal Agent Agreement, and that the Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and, assuming due execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Fiscal Agent enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

15. A certificate of the City dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

16. An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter (“**Underwriter’s Counsel**”), dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the Underwriter;

17. A closing certificate of the Developer dated the Closing Date, substantially in the form attached as Appendix I to Exhibit B attached hereto;

18. A Continuing Disclosure Certificate (Lennar Homes) (the “**Developer Continuing Disclosure Certificate**”) executed by the Developer in substantially the form set forth in Appendix F to the Preliminary Official Statement, with such additional changes as may be agreed to by the Underwriter;

19. A letter or letters from counsel to the Developer, in form and substance acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, regarding: (i) negative assurance with respect to the Preliminary Official Statement and Official Statement; and (ii) the validity and enforceability of the Developer Continuing Disclosure Certificate;

20. An executed copy of the Acquisition Agreement relating to: City of Tracy Community Facilities District No. 2021 (Hillview), dated as of _____, ____, by and between the City and the Developer;

21. A certificate of Integra Realty Resources, San Francisco, California (the “**Appraiser**”), dated the Closing Date, in substantially the form of Exhibit D attached hereto;

22. A certificate of Empire Economics, Inc. (the “**Market Consultant**”), dated the Closing Date, in substantially the form of Exhibit E attached hereto; and

23. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations of the City contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Fiscal Agent Agreement and the Official Statement.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the City nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter and the City set forth in Section 6 hereof shall continue in full force and effect.

5. **Conditions to the Obligations of the City.** The obligations of the City shall be subject to the satisfaction of the conditions contained in Section 4 of this Purchase Agreement.

6. **Expenses.** Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the City shall pay only from the proceeds of the Bonds or any other legally available funds of the City or the Community Facilities District, but only as the City and such other party providing such services may agree, all expenses and costs of the City incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriter, including, without limitation, printing costs, initial fees of the Fiscal Agent, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, Disclosure Counsel and other professional advisors employed by the City, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriter on behalf of the City’s employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation and lodging of those employees. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including fees of its counsel.

7. **Notices.** Any notice of other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of Tracy, 333 Civic

Center Plaza, Tracy, California 95376, Attention: Finance Director; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co, 3626 Fair Oaks Blvd., Suite 100, Sacramento, California 95864, Attention: Dennis McGuire.

8. **Parties In Interest.** This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

9. **Survival of Representations.** The representations of the City under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of delivery of and payment for the Bonds.

10. **Execution in Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

11. **Effective.** This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

12. **No Prior Agreements.** This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the City.

13. **Governing Law.** This Purchase Agreement shall be governed by the laws of the State of California.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

14. **Effective Date.** This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

PIPER SANDLER & CO.

By: _____
Its: Authorized Officer

Time of Execution: _____

CITY OF TRACY

By: _____
Karin Schnaider, Finance Director

EXHIBIT A

\$ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

**Schedule of Bond Maturities, Principal Amounts, Interest Rates, Yields
and Initial Offering Prices**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Price Offering Rule Used</i>
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^C Priced to the optional redemption date of September 1, 20__ at __%.

^T Term Bond.

Optional Redemption. The Bonds maturing on or after September 1, 20__, are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at the redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u> %
September 1, 20__ through August 31, 20__	
September 1, 20__ through August 31, 20__	
September 1, 20__ through August 31, 20__	
September 1, 20__ and any date thereafter	

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__, are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
	\$

(maturity)

The Bonds maturing on September 1, 20__, are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
	\$

(maturity)

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund under the Fiscal Agent Agreement will be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, 20__	__%
September 1, 20__ and March 1, 20__	_____
September 1, 20__ and March 1, 20__	_____
September 1, 20__ and any Interest Payment Date thereafter	_____

EXHIBIT B

**CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

LETTER OF REPRESENTATIONS OF LENNAR HOMES OF CALIFORNIA, LLC

_____, 2022

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

Piper Sandler & Co.
3626 Fair Oaks Blvd., Suite 100
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the “**Bonds**”) and to the Bond Purchase Agreement (the “**Purchase Agreement**”), by and between the City of Tracy (the “**City**”) and Piper Sandler & Co. (the “**Underwriter**”), to be entered into in connection therewith. This Letter of Representations of Lennar Homes of California, LLC (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms that are used herein and not otherwise defined have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that the undersigned is familiar with the facts herein and is authorized and qualified to certify the same as an authorized officer or representative of Lennar Homes of California, LLC, a California limited liability company (the “**Developer**”), and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is duly organized and validly existing under the laws of the State of Delaware, and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations and (ii) to complete the development on its property in City of Tracy Community Facilities District No. 2021-1 (Hillview) (the “**Community Facilities District**”) as described in the Preliminary Official Statement.

2. The Developer agrees to execute at Closing a Continuing Disclosure Certificate (Lennar Homes) (the “**Developer Continuing Disclosure Certificate**”) in substantially the form set forth in Appendix F to the Preliminary Official Statement, with such additional changes as may be agreed to by the Underwriter.

3. As set forth in the Preliminary Official Statement, title to a certain portion of the property within the Community Facilities District is held in the name of the Developer (the “**Property**”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property. Except as otherwise described in the Preliminary Official Statement, the

Developer is, and the Developer's current expectations are that the Developer shall remain, the party responsible for the development of the Property. The Developer has not entered into an agreement for development or management of the Property by any other entity, except for such subcontracts, consultant agreements and similar agreements for land development activities associated with the Developer's development plan as are entered into in the ordinary course of business.

4. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned¹, is pending against any current Affiliate² (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate: (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the 2022 Reserve Fund established under the Fiscal Agent Agreement); (b) to restrain or enjoin the development of the Property as described in the Preliminary Official Statement; (c) in any way contesting or affecting the validity of the Special Taxes; or (d) which is reasonably likely to materially and adversely affect the Developer's ability to complete the development and sale of the Property as described in the Preliminary Official Statement or to pay the Special Taxes due with respect to the Property.

¹ **“Actual Knowledge of the Undersigned”** means the knowledge that the individual signing on behalf of the Developer currently has as of the date of this Letter of Representations or has obtained through: (i) interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters that are set forth in this Letter of Representations; and/or (ii) review of documents that were reasonably available to the undersigned and which the undersigned has reasonably deemed necessary in order for the undersigned to obtain knowledge of the matters that are set forth in this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations.

² **“Affiliate”** means, with respect to the Developer, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Developer; and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Community Facilities District and investment decision regarding the Bonds (i.e., information relevant to: (a) the Developer's development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency; or (b) such Person's assets or funds that would materially affect the Developer's ability to develop the Property as described in the Preliminary Official Statement or to pay its Special Taxes on the Property prior to delinquency). **“Person”** means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term **“control”** (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

5. As of the date of the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the information that is contained therein solely with respect to the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the captions of the Preliminary Official Statement entitled "OWNERSHIP AND DEVELOPMENT OF THE DISTRICT" and "CONTINUING DISCLOSURE" (excluding therefrom in all cases (i) information about the Developer or its property ownership or development in the Community Facilities District; (ii) information regarding market value and annual special tax rates and ratios; and (iii) information which is identified as having been provided by a source other than the Developer), is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

6. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the Developer has actual knowledge which would cause the information under the captions of the Preliminary Official Statement that are described in Paragraph 5 (and subject to the limitations and exclusions contained in Paragraph 5) hereof to contain an untrue statement of a material fact or to omit to state a material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Developer shall notify the City and the Underwriter. If in the reasonable opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance that is reasonably satisfactory to counsel to the City and to the Underwriter.

7. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Appendix 1.

The undersigned has executed this Letter of Representations solely in the undersigned's capacity as an authorized officer or representative of the Developer and the undersigned will have no personal liability arising from or relating to this Letter of Representations.

LENNAR HOMES OF CALIFORNIA, LLC,
a California limited liability company

By: _____
_____,

APPENDIX 1 to EXHIBIT B

**CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

CLOSING CERTIFICATE OF LENNAR HOMES OF CALIFORNIA, LLC

_____, 2022

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

Piper Sandler & Co.
3626 Fair Oaks Blvd., Suite 100
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the “**Bonds**”) and to the Bond Purchase Agreement, dated _____, 2022 (the “**Purchase Agreement**”), by and between the City of Tracy and Piper Sandler & Co., entered into in connection therewith. This Closing Certificate of Lennar Homes of California, LLC (the “**Closing Certificate**”) is delivered by Lennar Homes of California, LLC, a California limited liability company (the “**Developer**”), pursuant to the Purchase Agreement. Capitalized terms that are used herein and not otherwise defined have the meanings ascribed to them in the Letter of Representations of Lennar Homes of California, LLC, dated _____, 2022 (the “**Letter of Representations**”), delivered by the Developer.

The undersigned certifies that the undersigned is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer. The undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds dated _____, 2022 (the “**Final Official Statement**”). To the Actual Knowledge of the Undersigned, each statement, representation and warranty that was made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Final Official Statement.

2. The Developer has duly authorized, executed and delivered the Developer Continuing Disclosure Certificate.

3. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement which affects the statements and information that are described in Paragraph 5 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 5 of the Letter of Representations) relating to the Developer, its ownership of the

Property, the Developer's development plan, the Developer's financing plan and contractual arrangements of the Developer which should be disclosed in the Final Official Statement for the purposes for which it is to be used in order to make such statements and information that are contained in the Final Official Statement not misleading in any material respect.

4. For the period through 25 days after the "**end of the underwriting period**" (as such term is defined in the Purchase Agreement), if any event that relates to or affects the Developer, its ownership of the Property, the Developer's development plan, the Developer's financing plan and contractual arrangements of the Developer shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Final Official Statement in order to make the information under the captions of the Final Official Statement that are described in Paragraph 5 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 5 of the Letter of Representations) not misleading, in the light of the circumstances under which they were made, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the information described in the captions of the Final Official Statement that are described in Paragraph 5 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 5 of the Letter of Representations). Such amendment or supplement shall be in form and substance satisfactory to the Underwriter and counsel to the Community Facilities District and shall amend or supplement the Final Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact that is necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The undersigned has executed this Closing Certificate solely in the undersigned's capacity as an authorized officer or representative of the Developer and the undersigned will have no personal liability arising from or relating to this Closing Certificate.

LENNAR HOMES OF CALIFORNIA, LLC,
a California limited liability company

By: _____
_____,

EXHIBIT C

SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of Issuance]

Piper Sandler & Co.
3626 Fair Oaks Blvd., Suite 100
Sacramento, California 95864

\$ _____
City of Tracy

Community Facilities District No. 2021-1 (Hillview)
Special Tax Bonds, Series 2022

(Supplemental Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Tracy (the “**City**”) of the above-referenced bonds (the “**Bonds**”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “**Law**”), Resolution No. _____, adopted on _____, 2022 (the “**Resolution**”) and a Fiscal Agent Agreement (the “**Fiscal Agent Agreement**”), dated as of _____ 1, 2022, by and between the City, for and on behalf of the City of Tracy Community Facilities District No. 2021-1 (Hillview) (the “**District**”), and U.S. Bank National Association, as fiscal agent. Capitalized terms used herein but not defined have the meaning given them in the Bond Purchase Agreement, dated _____, 2022 (the “**Purchase Agreement**”), by and between Piper Sandler & Co., as underwriter (the “**Underwriter**”), and the City, acting for and on behalf of the District.

We have examined the Fiscal Agent Agreement, the Purchase Agreement, and the Continuing Disclosure Certificate, dated _____, 2022 (the “**Continuing Disclosure Certificate**”), executed and delivered by the City and agreed and accepted by Goodwin Consulting Group, Inc., as dissemination agent, (collectively, the “**City Documents**”), the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

This letter is being delivered in our capacity as bond counsel to the City and not as counsel to the Underwriter.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution, the Fiscal Agent Agreement and the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

(i) the Purchase Agreement has been duly authorized, executed and delivered by the City, and, assuming the Purchase Agreement constitutes the valid and binding obligation of the

Underwriter, constitutes the legally valid and binding obligation of the City enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and general principles of equity (regardless of whether such enforceability is considered in equity or at law);

(ii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(iii) the information contained in the Official Statement on the cover and under the captions "INTRODUCTION," "THE 2022 BONDS," "SECURITY FOR THE 2022 BONDS," "LEGAL MATTERS" and Appendices C and G thereof (except that no opinion or belief is expressed as to any financial or statistical data contained therein), insofar as it purports to summarize certain provisions of the Act, the Bonds, the Fiscal Agent Agreement and the exclusion from gross income for federal income tax purposes and exemption from State personal income taxes of interest on the Bonds, presents a fair and accurate summary of such provisions.

The preceding paragraph is not an opinion but constitutes negative observations based on certain limited activities performed by specific lawyers in our firm in our role as special disclosure counsel to the City. The scope of the activities we performed for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws. In addition, in performing those activities, we relied on third party representations, warranties, certifications and opinions, including and primarily, representations, warranties and certifications made by the City. The preceding paragraph is otherwise subject to the conditions set forth herein.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Very truly yours,

JONES HALL, a Professional Law Corporation

EXHIBIT D

**§ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

CERTIFICATE OF APPRAISER

_____, 2022

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

Piper Sandler & Co.
3626 Fair Oaks Blvd., Suite 100
Sacramento, California 95864

The undersigned hereby states and certifies:

1. That he is an authorized principal of Integra Realty Resources (the “**Appraiser**”) and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Appraiser has prepared an appraisal report, dated March 9, 2022 (the “**Appraisal Report**”), on behalf of the City of Tracy (the “**City**”) in connection with the Preliminary Official Statement, dated _____, 2022 (the “**Preliminary Official Statement**”) and the Official Statement dated _____, 2022 (“**Official Statement**”), for the City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the “**Bonds**”).

3. That the Appraiser hereby consents to the reproduction and use of the Appraisal Report appended to the Preliminary Official Statement and the Official Statement. The Appraiser also consents to the references to the Appraiser and the Appraisal Report made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Appraiser the assumptions made in the Appraisal Report are reasonable. Since the date of value of the Appraisal Report, the Appraiser is not aware of any facts that would cause its opinion of value of the taxable property in the City of Tracy Community Facilities District No. 2021-2 (Hillview) (the “**Community Facilities District**”) to be lower than the value in the Appraisal.

5. Each of the parcels appraised by the Appraiser is encompassed within the Community Facilities District as set forth in the boundary map of the Community Facilities District.

6. That, as of the date of the Official Statement and as of the date hereof, the Appraisal Report appended to the Official Statement, to the best of my knowledge and belief, and subject to all

of the Assumptions and Limiting Conditions set forth in the Appraisal Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values stated in the Appraisal Report. However, we have not performed any procedures since the date of the Appraisal Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

7. The City and the Underwriter, Piper Sandler & Co., are entitled to rely on this Certificate.

INTEGRA REALTY RESOURCES

By: _____
Authorized Representative

EXHIBIT E

**§ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022**

CERTIFICATE OF MARKET ABSORPTION CONSULTANT

_____, 2022

City of Tracy
333 Civic Center Plaza
Tracy, California 95376

Piper Sandler & Co.
3626 Fair Oaks Boulevard, Suite 100
Sacramento, California 95864

The undersigned hereby states and certifies:

1. That he is an authorized principal of Empire Economics, Inc. (the “**Market Absorption Consultant**”) and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Market Absorption Consultant has prepared an Absorption Study, dated _____, 2022 (the “**Market Report**”), on behalf of the City of Tracy (the “**City**”) in connection with the Preliminary Official Statement, _____, 2022 (the “**Preliminary Official Statement**”) and the Official Statement dated _____, 2022 (“**Official Statement**”), for the City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the “**Bonds**”).

3. That the Market Absorption Consultant hereby consents to the reproduction and use of the Market Report appended to the Preliminary Official Statement and the Official Statement. The Market Absorption Consultant also consents to the references to the Market Absorption Consultant and the Market Report made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Market Absorption Consultant the assumptions made in the Market Report are reasonable. Since the date of the Market Report, the Market Absorption Consultant is not aware of any facts that would cause its opinion as to the timing of home sales in City of Tracy Community Facilities District No. 2021-1 (Hillview) to be different than the Market Report.

5. That, as of the date of the Official Statement and as of the date hereof, the Market Report appended to the Official Statement, to the best of my knowledge and belief, and subject to all of the limiting conditions and major assumptions set forth in the Market Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not

misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated timing of home sales stated in the Market Report. However, we have not performed any procedures since the date of the Market Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

6. The City and the Underwriter, Piper Sandler & Co., are entitled to rely on the Certificate.

EMPIRE ECONOMICS

By: _____
Authorized Representative

EXHIBIT E

§ _____
CITY OF TRACY
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (HILLVIEW)
SPECIAL TAX BONDS, SERIES 2022

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Piper Sandler & Co. (the “PSC”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) PJC offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “**Initial Offering Prices**”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated _____, 2022, by and between PJC and the Issuer, PJC has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Reserve Fund.***

The establishment of the Reserve Fund in the amount of the Reserve Requirement (as such terms are defined in the Fiscal Agent Agreement dated as of _____ 1, 2022, by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent, pursuant to which the Bonds are being issued) was vital to the marketing of the Bonds and reasonably required to assure payment of debt service on the Bonds.

4. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “**General Rule Maturities.**”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “**Hold-the-Offering-Price Maturities.**”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the _____, 2022 (the Sale Date), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Tracy.

(e) *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.

(f) *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.

(g) *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 _____, 2022.

(h) *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 PSC’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 Tax Certificate 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.

PIPER SANDLER & CO.

By: _____
Name: _____

Dated: _____, 2022

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

RESOLUTION NO. 2022-

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL
TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED
FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS
AND ACTIONS

CITY OF TRACY
Community Facilities District No. 2021-1
(Hillview)

RESOLVED, by this City Council (the "Council") of the City of Tracy (the "City"), State of California, that:

WHEREAS, the City Council (the "Council") previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Act"), to form "City of Tracy Community Facilities District No. 2021-1 (Hillview)" (the "CFD") for the purpose of authorizing the levy of special taxes upon the land within the CFD and issue bonds secured by those special taxes for financing certain public improvements (the "Authorized Facilities") in the aggregate principal amount of \$12,000,000, all as described in those proceedings; and

WHEREAS, this Council now wishes to provide for the issuance of an initial series of bonds by the City, for and on behalf of the CFD, to be designated City of Tracy Community Facilities District No. 2021-1 (Hillview) Special Tax Bonds, Series 2022 (the "2022 Bonds"), pursuant to a Fiscal Agent Agreement (the "Fiscal Agent Agreement") by and between the City of Tracy (the "City"), for and on behalf of the CFD, and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent"), and there have been submitted to this Council certain documents described below providing for the issuance of the 2022 Bonds for the CFD and the use of the proceeds of those 2022 Bonds, and this Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

WHEREAS, there have been submitted to this Council certain documents described below providing for the issuance of the Bonds for the CFD and the use of the proceeds of those Bonds, and this Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

WHEREAS, there has also been submitted to this Council a form of Preliminary Official Statement in connection with the marketing of the 2022 Bonds, and this Council, with the aid of its staff, has reviewed the Preliminary Official Statement (the "Preliminary Official Statement"); and

WHEREAS, in accordance with Government Code Section 5852.1, the Council has obtained and disclosed the information set forth in Appendix A hereto; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the 2022 Bonds and the levy of the special taxes as contemplated by this resolution and the documents referred to herein exist,

have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW THEREFORE BE IT RESOLVED, as follows:

1. Recitals. The foregoing recitals are all true and correct.

2. Bonds Authorized. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, the 2022 Bonds are hereby authorized to be issued in the principal amount not to exceed ten million seven hundred thousand dollars (\$10,700,000).

The 2022 Bonds shall be dated, bear interest at the rates, mature on the dates, be issued in the form, be subject to redemption, and otherwise be issued on the terms and conditions, all as set forth in the Fiscal Agent Agreement and in accordance with this Resolution; provided, however, that the true interest cost shall not exceed six percent (6.0%). The Fiscal Agent, an Authorized Officer (as defined in Section 4 of this Resolution) and other responsible officers of the City are hereby authorized and directed to take such actions as are required to cause the delivery of the 2022 Bonds upon receipt of the purchase price thereof.

3. Findings. This Council hereby finds the following:

(a) The issuance of the 2022 Bonds is in compliance with the Act, the Fiscal Agent Agreement and the City's "Amended Local Goals and Policies for Community Facilities Districts (CFDs)" adopted by this Council on February 4, 2014, by Resolution No. 2014-019 ("Goals and Policies"), except that the provision requiring property owners to provide continuing disclosure as long as they own property that is responsible for at least 10% of the special taxes in the CFD is hereby waived so that the threshold can be established for the 2022 Bonds at a level acceptable to the Underwriter (as defined below).

(b) The appraisal described in the Preliminary Official Statement (the "Appraisal") has been prepared consistent with the Goals and Policies.

(c) The current draft of the Appraisal concludes that the taxable property in the CFD has a market value (subject to the various assumptions and conditions set forth in the Appraisal) that would be at least three times the maximum authorized principal amount of the 2022 Bonds approved pursuant to Section 2 and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within the CFD or a special assessment levied on property within the CFD.

4. Authorities Granted. The Mayor, City Manager, Assistant City Manager, Finance Director, City Clerk or such other official of the City as may be designated by such officer pursuant to Section 9 hereof (each, an "Authorized Officer") is hereby authorized and directed to execute and deliver the documents approved herein in substantially the form on file with the City Clerk, together with such additions or changes as are approved by such Authorized Officer, including such additions or changes as are necessary or advisable to permit the timely issuance, sale and delivery of the 2022 Bonds. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the documents herein specified.

5. Fiscal Agent Agreement. This Council hereby approves the Fiscal Agent Agreement, in substantially the form on file with the City Clerk. The terms and provisions of the

Fiscal Agent Agreement, as executed, are incorporated herein by this reference as if fully set forth herein. An Authorized Officer is hereby authorized and directed to execute the Fiscal Agent Agreement on behalf of the City, with such changes, additions or deletions as may be approved by the Authorized Officer, and the City Clerk is hereby authorized and directed to attest thereto.

6. Official Statement. This Council hereby approves the Preliminary Official Statement prepared in connection with the 2022 Bonds in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by an Authorized Officer. This Council hereby approves and authorizes the distribution by the underwriter of the 2022 Bonds of the Preliminary Official Statement to prospective purchasers of the 2022 Bonds, and authorizes and directs an Authorized Officer on behalf of the City to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") prior to its distribution to prospective purchasers of the 2022 Bonds. The execution of the final Official Statement, which shall include 2022 Bond pricing information, such other changes and additions thereto deemed advisable by an Authorized Officer, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official Statement by the City.

7. Continuing Disclosure. This Council hereby approves the form of the Continuing Disclosure Certificate with respect to the 2022 Bonds in substantially the form thereof attached to the Official Statement on file with the City Clerk. An Authorized Officer is hereby authorized and directed to complete and execute the Continuing Disclosure Certificate on behalf of the City (for and on behalf of the CFD) with such changes, additions or deletions as may be approved by the Authorized Officer.

8. Sale of the 2022 Bonds; Bond Purchase Agreement. The Bond Purchase Agreement, between the City, for and on behalf of the CFD, and Piper Sandler & Co. (the "Underwriter"), in substantially the form on file with the City Clerk and made a part hereof as though set forth in full herein, is hereby approved by the Council. An Authorized Officer is hereby authorized and directed to execute and deliver the Bond Purchase Agreement in such form, together with such changes, insertions and omissions that are approved by an Authorized Officer and that are in accordance with the provisions of this Resolution, such execution to be conclusive evidence of such approval; subject to the requirement that the Underwriter's discount on the purchase of the 2022 Bonds may not exceed 1.50% of the par amount of the 2022 Bonds and the true interest cost may not exceed the rate specified in Section 1 hereof.

In addition, and pursuant to Section 53345.8 of the Act, this Council hereby finds and determines that an Authorized Officer may not execute and deliver the Bond Purchase Agreement unless the Appraisal concludes that the taxable property in the CFD has a market value (subject to the various assumptions and conditions set forth in the Appraisal) at least three times the principal amount of the 2022 Bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within the CFD or a special assessment levied on property within the CFD.

The Council hereby approves the negotiated sale of the 2022 Bonds to the Underwriter pursuant to such Bond Purchase Agreement.

This Council hereby finds that sale of the 2022 Bonds to the Underwriter at a negotiated sale pursuant to the Bond Purchase Agreement will result in a lower overall cost than would be achieved by selling the 2022 Bonds at a public sale utilizing competitive bidding.

9. Actions Authorized. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the CFD and the sale and issuance of the 2022 Bonds are hereby approved, confirmed and ratified, and the appropriate officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2022 Bonds in accordance with this resolution, including but not limited to any actions required in connection with issuance of ratings or a municipal bond insurance policy with respect to the 2022 Bonds, and any certificate, agreement, and other document described in the documents herein approved. All actions to be taken by an Authorized Officer, as defined herein, may be taken by such Authorized Officer or any designee, with the same force and effect as if taken by the Authorized Officer.

10. Effective Date. This resolution shall take effect immediately upon its adoption.

The foregoing Resolution 2022- was adopted by the Tracy City Council the 5th day of April, 2022, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

By: _____
MAYOR

ATTEST:

CITY CLERK

APPENDIX A

Government Code Section 5852.1 Disclosure

The good faith estimates set forth herein are provided with respect to the 2022 Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated, the City's Municipal Advisor in consultation with Piper Sandler & Co., the Underwriter of the 2022 Bonds.

Principal Amount. The Municipal Advisor has informed the City that, based on the CFD financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2022 Bonds to be sold is \$7,790,000 (the "Estimated Principal Amount"), together with approximately \$278,000 of net premium estimated to be generated from current market pricing, for a total amount of bond proceeds of \$8,068,000. Net premium is generated when, on a net aggregate basis for a single issuance, the prices paid for the bonds are higher than the face values of such bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.84%.

Finance Charge of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2022 Bonds is 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 2022 Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2022 Bonds), is \$380,000. Such fees and charges include fees for bond and disclosure counsel, municipal advisor, appraiser, market absorption consultant, special tax consultant, fiscal agent, city attorney and staff time related to bond issuance, set-aside for Fiscal Year 2022-23 CFD administrative expenses, printing, and underwriting.

Amount of Proceeds to be Received. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold plus net premium, 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 on behalf of the CFD for sale of the 2022 Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the 2022 Bonds, is \$6,993,000.

Total Payment Amount. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2022 Bonds is 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 that the CFD property owners will make to pay debt service on the 2022 Bonds, plus the finance charge for the 2022 Bonds, as described above, not paid with the proceeds of the 2022 Bonds, and exclusive of any reserve funds or capitalized interest that could offset such costs, calculated to the final maturity of the 2022 Bonds, is \$14,414,000.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2022 Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2022 Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2022 Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2022 Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2022 Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the CFD financing plan, delays in the financing, or a combination of such factors. The actual date of sale of the 2022 Bonds and the actual principal amount of 2022 Bonds sold will be determined by the City based on the timing of the need for proceeds of the 2022 Bonds and other factors. The actual interest rates borne by the 2022 Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2022 Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

AGENDA ITEM 3.G

REQUEST

INTRODUCE AN ORDINANCE OF THE CITY OF TRACY ADOPTING A MILITARY EQUIPMENT USE POLICY PURSUANT TO CALIFORNIA ASSEMBLY BILL 481

EXECUTIVE SUMMARY

California Assembly Bill 481 (AB 481 or “the Bill”), codified by Government Code sections 7070 through 7075, requires a law enforcement agency (LEA) to implement a “military equipment” use policy (the Policy) and obtain approval of the Policy from the applicable governing body by ordinance (the Ordinance) prior to the LEA funding, acquiring, or using “military equipment.”

The City Council must begin the process of approving the policy via ordinance by May 1, 2022, so that the Tracy Police Department may continue to use its equipment. The Tracy Police Department is requesting that the City Council adopt the Ordinance and attached Military Equipment Use Policy (Lexipol Policy #708) so that the Department may continue to use the vital equipment specified therein.

DISCUSSION

Items deemed to be “military equipment” by AB 481 are used as a component of overall best practices for law enforcement agencies throughout the country. These tools have been tested in the field and are used by LEAs to enhance citizen safety and officer safety. Loss of these items would significantly jeopardize the welfare of the community and peace officers within the Tracy Police Department (TPD).

The use of the “military equipment” as defined by AB 481 by LEAs came, in part, from the need to have equipment which could help ensure the safety of the community and officers with the prevalence of crimes such as robberies and active shooter events being committed with firearms, especially high-powered firearms such as assault rifles. This in part, became a reason why many LEAs started deploying patrol rifles with patrol officers and LEAs began purchasing armored rescue vehicles. As examples with these two pieces of equipment, LEAs now have a rifle capable of dealing with heavily armed individuals and a rescue vehicle which allows officers to approach dangerous situations in a safer manner and a vehicle capable of evacuating community members should the need arise.

Another example is the use of non-weaponized Unmanned Aerial Systems (UAS). These systems are significantly cheaper to purchase, operate and maintain and they perform many of the same duties of traditional police helicopters such as overhead intelligence of active events. TPD adheres to strict compliance with Federal Aviation Administration privacy standards when deploying a UAS.

AB 481 states the governing body shall only approve a military equipment use policy if:

- (1) The military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety;
- (2) The proposed military equipment use policy will safeguard the public's welfare, safety, civil rights, and civil liberties;
- (3) If purchasing the equipment, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety;
- (4) Prior military equipment use complied with the military equipment use policy that was in effect at the time, or if prior uses did not comply with the accompanying military equipment use policy, corrective action has been taken to remedy nonconforming uses and ensure future compliance.

All the equipment identified within TPD Policy 708 meets the above-stated criteria. There are no reasonable alternatives to achieve the same objective and the equipment increases community safety and helps protect civil rights and civil liberties by helping limit the potential for significant uses of force. The equipment is cost effective compared to other reasonable alternatives. However, much of the equipment does not have alternatives which accomplish the same objective.

To date, none the equipment requested for continue use has been used in a lethal force situation by TPD. It has often been used to help foster de-escalation and reduce the amount of potential of force used during an event.

The term "military equipment" as used in AB 481 does not necessarily equate to equipment that has been used by the military. Pursuant to AB 481, items deemed to be "military equipment" include, but are not limited to: unmanned aerial or ground vehicles, armored vehicles, command and control vehicles, pepper balls, less lethal shotguns, less lethal 40mm projectile launchers, long range acoustic devices, and flashbangs. TPD is committed to using the most up to date tools and equipment to safeguard the community.

Many of the items deemed to be "military equipment" by AB 481 have been employed for years by TPD and LEAs across the country in order to specifically reduce risks to community members and increase opportunities for de-escalation. These items provide peace officers with the ability to safely resolve volatile situations which otherwise may rise to the level of a lethal force encounter. To that end, the items at issue in this report, and accompanying Military Equipment Use Policy, also provide TPD's peace officers with vital tools that facilitate compliance with its stringent use of force policy.

Other items deemed to be "military equipment" via AB 481 include foundational equipment such as patrol rifles. These rifles allow peace officers to address lethal threats from a greater distance and with greater precision.

Previous Councils have approved the purchase of several of the pieces of equipment included in AB 481. However, the law now requires approval for their continued use and TPD must seek continued approval annually.

Attachment "A" – Tracy Police Department Policy 708 – Military Equipment provides a detailed list that includes the description, quantity, capabilities, purchase cost of each item, purpose, authorized use, lifespan, fiscal impact, training, as well as legal and procedural rules.

TPD intends to explore replacement of the Command Post vehicle as well as potential funding sources to include grants. If funding sources are identified, the request will be presented at a regular City Council meeting seeking approval as required by AB 481 and already established City of Tracy purchasing guidelines.

STRATEGIC PLAN

This agenda item relates to the Council's Strategic Plans for Public Safety.

FISCAL IMPACT

None. All equipment has already been purchased and is maintained with the existing general fund budget allocations.

RECOMMENDATION

Staff recommends that the City Council introduce and waive the full reading of the proposed ordinance adopting a Military Equipment Use Policy pursuant to California Assembly Bill 481.

Prepared by: Trevin Freitas, Police Lieutenant

Reviewed by: Sekou Millington, Chief of Police
Midori Lichtwardt, Assistant City Manager

Approved by: Michael Rogers, City Manager

Attachments:

Attachment A – Copy of proposed Tracy Police Department Policy 708 – Military Equipment

Attachment B - Copy of PowerPoint Presentation - AB 481 - "Military Equipment"

Military Equipment

708.1 PURPOSE AND SCOPE

The purpose of this policy is to provide guidelines for the approval, acquisition, and reporting requirements of military equipment (Government Code § 7070; Government Code § 7071; Government Code § 7072).

708.1.1 DEFINITIONS

Definitions related to this policy include (Government Code § 7070):

Governing body – The elected or appointed body that oversees the Department.

Military equipment – Includes but is not limited to the following:

- Unmanned, remotely piloted, powered aerial or ground vehicles.
- Mine-resistant ambush-protected (MRAP) vehicles or armored personnel carriers.
- High mobility multipurpose wheeled vehicles (HMMWV), two-and-one-half-ton trucks, five-ton trucks, or wheeled vehicles that have a breaching or entry apparatus attached.
- Tracked armored vehicles that provide ballistic protection to their occupants.
- Command and control vehicles that are either built or modified to facilitate the operational control and direction of public safety units.
- Weaponized aircraft, vessels, or vehicles of any kind.
- Battering rams, slugs, and breaching apparatuses that are explosive in nature. This does not include a handheld, one-person ram.
- Firearms and ammunition of .50 caliber or greater, excluding standard-issue shotguns and standard-issue shotgun ammunition.
- Specialized firearms and ammunition of less than .50 caliber, including firearms and accessories identified as assault weapons in Penal Code § 30510 and Penal Code § 30515, with the exception of standard-issue firearms.
- Any firearm or firearm accessory that is designed to launch explosive projectiles.
- Noise-flash diversionary devices and explosive breaching tools.
- Munitions containing tear gas or OC, excluding standard, service-issued handheld pepper spray.
- TASER® Shockwave, microwave weapons, water cannons, and long-range acoustic devices (LRADs).
- Kinetic energy weapons and munitions.
- Any other equipment as determined by a governing body or a state agency to require additional oversight.

Tracy Police Department

Tracy PD Policy Manual

Military Equipment

708.2 POLICY

It is the policy of the Tracy Police Department that members of this department comply with the provisions of Government Code § 7071 with respect to military equipment.

708.3 MILITARY EQUIPMENT COORDINATOR

The Chief of Police should designate a member of this department to act as the military equipment coordinator. The Professional Standards and Training Lieutenant is designated as the coordinator. The responsibilities of the military equipment coordinator include but are not limited to:

- (a) Acting as liaison to the governing body for matters related to the requirements of this policy.
- (b) Identifying department equipment that qualifies as military equipment in the current possession of the Department, or the equipment the Department intends to acquire that requires approval by the governing body.
- (c) Conducting an inventory of all military equipment at least annually.
- (d) Collaborating with any allied agency that may use military equipment within the jurisdiction of Tracy Police Department (Government Code § 7071).
- (e) Preparing for, scheduling, and coordinating the annual community engagement meeting to include:
 1. Publicizing the details of the meeting.
 2. Preparing for public questions regarding the department's funding, acquisition, and use of equipment.
- (f) Preparing the annual military equipment report for submission to the Chief of Police and ensuring that the report is made available on the department website (Government Code § 7072).
- (g) Establishing the procedure for a person to register a complaint or concern, or how that person may submit a question about the use of a type of military equipment, and how the Department will respond in a timely manner.

708.4 MILITARY EQUIPMENT INVENTORY

The following constitutes a list of qualifying equipment for the Department:

1. Mobile Incident Command Post (CP): A vehicle used as a mobile office that provides shelter, access to Department computer systems, and restrooms.
 - (a) Description, quantity, capabilities, and purchase cost: LDV USA (Custom Build) vehicle, cost: \$ 369,045.00 using a grant from the Office of Homeland Security in 2006, quantity: (1). The CP can be utilized for operations involving the Crisis Response Unit (CRU), critical incident management, preplanned large events, searching for missing persons, natural disasters, and community events.
 - (b) Purpose: Used during specific circumstances such as a critical incident, large events, natural disasters, or community events.

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- (c) Authorized Use: Only staff trained in the deployment and operations consistent with policy, law, and training are authorized to operate the CP. Staff must also obtain a Class B drivers' license from the California Department of Motor Vehicles (DMV). The CP is authorized for use during but not limited to critical incidents, emergencies, community events, and natural disasters.
 - (d) Lifespan: 20 years on chassis and vehicle structure. IT systems currently outdated.
 - (e) Fiscal Impact: Annual maintenance cost is approximately \$4,000.
 - (f) Training: The driver/operator shall receive training in the safe handling of the vehicle and obtain and maintain a class B license from the California DMV.
 - (g) Legal and Procedural Rules: It is the policy of this Department to use the CP for official law enforcement purposes in compliance with California state law and the policies of the Tracy Police Department.
2. Armored Vehicle: Commercially produced wheeled vehicle armored vehicle utilized for law enforcement purposes.
- (a) Description, quantity, capabilities, and purchase cost: LENCO BEARCAT is an armored rescue vehicle that seats 10-12 personnel with open floor plan that allows for rescue of down personnel. It can stop various projectiles, which provides greater safety to citizens and officers beyond the protection level of shield and personal body armor, quantity: 1, cost: \$281,000; \$181,000 from general fund and \$100,000 from COPS grant in 2012.
 - (b) Purpose: Used in response to critical incidents to enhance officer and community safety. In addition, allows for scene containment, stabilization to assist in resolving incidents and as a rescue vehicle to evacuate officers and community members from potential harm.
 - (c) Authorized Use: The use of armored vehicles shall only be authorized by a sworn supervisor, watch commander, or incident / tactical commander. Armored vehicles shall be used by only officers trained in its deployment and in a manner consistent with training and Department policy.
 - (d) Lifespan: 25 years.
 - (e) Fiscal Impact: Annual maintenance cost is approximately \$3,500.
 - (f) Training: All drivers must be attend a department orientation training. No special license is required by California DMV.
 - (g) Legal and Procedural Rules: It is the policy of this Department to utilize armored vehicles only for legitimate law enforcement purposes and in a manner consistent with State and Federal law.
3. Transport Vehicle: Commercially produced wheeled van utilized for law enforcement purposes.
- (a) Description, quantity, capabilities, and purchase cost: 2017 LDV Freightliner transport vehicle, quantity: 1, used to transport personnel and equipment to active scenes where the Crisis Response Unit is deployed and often deployed along with the LENCO

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BEARCAT' cost: \$206,000 (\$140,000 from State COPS Grant / \$66,000 from Asset Forfeiture) in 2016.

- (b) Purpose: Used in response to critical incident to transport personnel and equipment to critical incidents to enhance officer and community safety; often deployed with the Lenco BEARCAT.
- (c) Authorized Use: The use of the transport vehicle shall only be authorized by a sworn supervisor, watch commander, or incident / tactical commander. Armored vehicles shall be used by only officers trained in its deployment and in a manner consistent with training and Department policy.
- (d) Lifespan: 25 years.
- (e) Fiscal Impact: Annual maintenance cost is \$3,500.00.
- (f) Training: All drivers must attend a department orientation training. No special license is required by California DMV.
- (g) Legal and Procedural Rules: It is the policy of this Department to utilize the vehicle only for legitimate law enforcement purposes and in a manner consistent with State and Federal law.

4. Unmanned Aerial System (UAS): An unmanned aircraft and associated equipment necessary to control it remotely.

- (a) Description, quantity, capabilities, and purchase cost:
 - 1. DJI Mavic 2 Enterprise Advanced 909 grams, quantity 7; M2EA thermal camera, M2EA Visual Camera, spotlight, strobe with a flight time of approx. 28 minutes. Cost: \$6,240 / each.
 - 2. DJI Mini 2 249 grams, quantity: 4, 1/2" CMOS Visual Camera 12mp 4k video with a flight time of approx. 30 minutes. Cost: \$599 / each.
 - 3. DJI Mavic Air 570 grams, quantity: 2; 1/2" CMOS visual camera 48mp 4k video with a flight time of approx. 34 minutes. Cost: \$988 / each.
- (b) Purpose: To be deployed when its view would assist officers or incident commanders with the following situations, which include but are not limited to:
 - 1. major collision investigations.
 - 2. search for missing persons.
 - 3. natural disaster management.
 - 4. crime scene photography.
 - 5. SWAT, tactical or other public safety and life preservation missions.
 - 6. In response to specific requests from local, state or federal fire authorities for fire response and/or prevention.
- (c) Authorized Use: Only assigned operators who have completed the required training shall be permitted to operate any UAS during approved missions.
- (d) Lifespan: 5 - 10 years.

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- (e) Fiscal Impact: Annual maintenance and battery replacement expected to be \$4,000 - \$6,000.
- (f) Training: All Department UAS operators are licensed by the Federal Aviation Administration for UAS operation. In addition, each operator must attend ongoing department training.
- (g) Legal and Procedural Rules: Use is established under Tracy Police Department policy 610, FAA Regulation 14 CFR Part 107, It is the policy of the Tracy Police Department to utilize UAS only for official law enforcement purposes, and in a manner that respects the privacy of our community, pursuant to State and Federal law.

5. Robots: A remotely controlled unmanned machine that operates on the ground which is utilized to enhance the safety of the community and officers.

- (a) Description, quantity, capabilities, and purchase cost: AVATAR Tactical Robot; quantity 1; enhances the compatibilities of teh Crisis Response Unit by allowing to quickly and safely inspect dangerous situations without sending personnel. AVATAR has live feed video and audio with the capability to record; cost: \$ 15,132.
- (b) Purpose: Used remotely to gain visual and audio access to clear areas in high risk situations.
- (c) Authorized Use: Used by trained members of the Crisis Response Unit.
- (d) Lifespan: 8 - 10 years.
- (e) Fiscal Impact: Annual maintenance cost of between \$500.
- (f) Training: Training conducted internally by the Crisis Response Unit.
- (g) Legal and Procedural Rules: It is the policy of the Tracy Police Department to utilize the robot for official law enforcement purposes and in a manner that reflect the privacy of the community pursuant to Federal and State law.

6. Less Lethal Shotguns / Breaching Shotguns / 40MM Launchers and Munitions: These systems deploy less-lethal impact projectiles and breaching rounds.

- (a) Description, quantity, capabilities, and purchase cost:
 - 1. Shotguns and 40MM Launchers:
 - (a) Less-Lethal Remington 870 Shotgun: quantity 23; The Remington 870 Less Lethal Shotgun is used to deploy the less lethal 12-gauge Super-Sock Beanbag Round up to a distance of 75 feet. The range of the weapon; system helps to maintain space between officers and a suspect reducing the immediacy of the threat which is a principle of De-escalation; cost \$425/each.
 - (b) Breaching Remington 870 Shotgun: quantity 2; This weapon allows for breachers to safely utilize shotgun breaching rounds in order to destroy deadbolts, locks, and hinges. The stand-off device that is attached to the end of the barrel allows for positive placement of the shotgun into the correct position and vents gases to prevent overpressure. cost \$425/each.

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- (c) 40MM Defense Technology Launcher (single shot); quantity 7; The 40MM Single Launcher is a single shot launcher. It will fire standard 40mm less-lethal ammunition up to 4.8 inches in length. It will launch a 40MM less lethal round up to 131 feet; cost: \$1000/each.
 - (d) 40MM Defense Technology Multi-Launcher; quantity 2; The 40MM Tactical 4-Shot Launcher is low-profile and lightweight, providing multi-shot capability in an easy to carry launcher; cost \$2,000 / each.
2. Munitions:
- (a) CTS 12-Gauge Super-Sock beanbag round, cost: \$5, quantity: 2000. A less lethal 2.4-inch 12-gauge shotgun round firing a ballistic fiber bag filled with 40 grams of lead shot at a velocity of 270-290 feet per second (FPS). CTS Super-Sock rounds are discharged from a dedicated 12-gauge shotgun that is distinguishable by an orange butt stock and fore grip. This round provides accurate and effective performance when fired from the approved distance of not fewer than five (5) feet. The maximum effective range of this munition is up to 75 feet from the target
 - (b) Royal Arms TESAR #1 orange cap 275 grain copper frangible breaching round; fired from a dedicated breaching shotgun and is used to destroy deadbolts, locks, and hinges; quantity 150; cost: \$125 per box of 25 rounds.
 - (c) Royal Arms TESAR #2 black cap 425 grain copper frangible breaching round; fired from a dedicated breaching shotgun and is used to destroy deadbolts, locks, and hinges; quantity 150; cost: \$125 per box of 25 rounds.
 - (d) Royal Arms TESAR #4 yellow cap 750 grain copper frangible breaching round; fired from a dedicated breaching shotgun and is used to destroy deadbolts, locks, and hinges; quantity 100; cost: \$125 per box of 25 rounds.
 - (e) CTS 4557 40MM sponge round, fired from 40MM launcher, quantity 150; the 4557 sponge round is a smokeless, spin stabilized round, 4" long intended to deliver a less-lethal blunt trauma effect; cost \$20/per round.
- (b) Purpose: To increase opportunities to utilize de-escalation and in an effort to reduce lethal force within law enforcement. To be used in efforts to resolve dynamic incidents where deadly force is not authorized or otherwise undesirable.
 - (c) Authorized Use: Situations for use of the less lethal weapon systems may include, but are not limited to:
 - 1. Self-destructive, dangerous and/or combative individuals.
 - 2. Riot/crowd control and civil unrest incidents.
 - 3. Circumstances where a tactical advantage can be obtained.
 - 4. Potentially vicious animals.

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5. Training exercises or approved demonstrations
 - (d) Lifespan: 25 + years for launchers and shotguns. 5 years for munitions.
 - (e) Fiscal Impact: Annual maintenance of approx. \$25-\$50 per shotgun and 40MM Launcher. munitions replenished as necessary based on usage and lifespan.
 - (f) Training: Requires a 4 hours less lethal course by a certified instructor. The 4 hours course is required to be completed annually to maintain certification; the course is reviewed and updated annually to ensure compliance with current law and procedures.
 - (g) Legal and Procedural Rules: Use of less-lethal shotguns and 40MM launchers is established under policy sections 300 - Use of Force and 303 - Control Devices and Techniques. It is the policy of the Tracy Police Department to utilize less-lethal equipment only for official law enforcement purposes and consistent with State and Federal law regarding use of force.
7. Distraction Devices: A device used to distract potentially dangerous persons.
 - (a) Description, quantity, capabilities, and purchase cost:
 1. Combined Tactical Systems, 7290-9 Flash-Bang, cost: \$52, quantity: 50. A non-bursting, non-fragmenting multi-bang device that produces a thunderous bang with an intense bright light. Ideal for distracting dangerous suspects during assaults, hostage rescue, room entry or other high-risk arrest situations.
 2. Combined Tactical Systems, 7290M Mini Flash-Bang, cost: \$55, quantity: 75. The 7290M Flash-Bang exhibits all the same attributes of its larger counterpart but in a smaller and lighter package. Weighing in at 15 ounces the new 7290M is approximately 30% lighter than the 7290 but still has the same 175db output of the 7290 and produces 6-8 million candelas of light.
 - (b) Purpose: A distraction device is ideal for distracting dangerous suspects during assaults, hostage rescue, room entry or other high-risk arrest situations. To produce atmospheric overpressure and brilliant white light and, as a result, can cause short-term (6 - 8 seconds) physiological/psychological sensory deprivation to give officers a tactical advantage.
 - (c) Authorized Use: Diversionary Devices shall only be used:
 1. By officers who have been trained in their proper use.
 2. In hostage and barricaded subject situations.
 3. In high risk warrant (search/arrest) services where there may be extreme hazards to officers.
 4. During other high-risk situations where their use would enhance officer safety.
 5. During training exercises.
 - (d) Lifespan: 5 years from date of shipment.
 - (e) Fiscal Impact: No annual maintenance. Cost is associated with replacement after use.

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- (f) Training: Prior to use, officers must attend diversionary device training that is conducted by certified instructors.
- (g) Legal and Procedural Rules: Use is established under Crisis Response Unit Operational Manual. It is the policy of the Tracy Police Department to utilize diversion devices only for official law enforcement purposes, and pursuant to State and Federal law regarding the use of force.

8. Rifles: Firearms which are shoulder fired having long spiraled rifling within the barrel intended to improve the accuracy of the rifle.

- (a) Description, quantity, capabilities, and purchase cost:

1. AR-15/M-4 Platform:

- (a) Colt; AR-15 standard rifle with 16" barrel, quantity 84; standard issue rifle which fires a .223 caliber cartridge providing more powerful round than a stand issue handgun with greater accuracy; cost: \$1,100/each.
- (b) Sionics; AR-15 custom rifle with 11.5" barrel; quantity 11; standard issue rifle which fires a .223 caliber cartridge providing more powerful round than a stand issue handgun with greater accuracy. It is a short-barreled rifle which allows a a trained officer better control inside of structures; cost \$1,100/each.
- (c) Sons of Liberty; M4-89 custom rifle with 11.5" barrel; quantity 24; standard issue rifle which fires a .223 caliber cartridge providing more powerful round than a stand issue handgun with greater accuracy; cost \$1,350/ each.

2. Precision Rifles:

- (a) Accuracy International AT .308 caliber bolt action rifle; quantity 4; rifle chambered in .308 caliber. The rifle is primarily used in over watch in critical incidents and other high-risk tactical situations such as hostage rescue and search warrant service, Cost \$4,000 / each.
- (b) Rock River Arms LAR-8 .308 caliber semi-automatic rifle; quantity 2; rifle chambered in .308 caliber. The rifle is primarily used in over watch in critical incidents and other high-risk tactical situations such as hostage rescue and search warrant service, Cost \$2,000 / each.

3. Ammunition:

- (a) Speer Gold Dot .223 caliber 62 grain rifle round, quantity 125 cases (500 rounds per case); cost: \$285 per case.
- (b) Hornaday A-Max .308 caliber 168 grain rifle round, quantity 5 cases (500 rounds per case); cost: \$400 per case.
- (c) Hornaday Bonded .308 caliber 165 grain rifles round, quantity 5 cases (500 rounds per case); cost: \$400 per case.

- (b) Purpose: To be used as precision weapons to address a threat with more precision and/or at greater distances than a handgun.

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- (c) Authorized Use: Only members who have attended a POST certified course are authorized to use a rifle. Tracy Police Department provides this training to all sworn peace officers.
 - (d) Lifespan: 15 years.
 - (e) Fiscal Impact: annual maintenance of approx. \$50-100 per rifle.
 - (f) Training: Prior to using a rifle, officers must be certified by POST instructors in the operation of the rifle. Additionally, all members that operate any rifle are required to pass a range qualification two times a year.
 - (g) Legal and Procedural Rules: Use of rifles is established under policy sections 300 - Use of Force, 306 - Firearms, and 419 - Patrol Rifles. It is the policy of the Tracy Police Department to utilize rifles only for official law enforcement purposes and consistent with State and Federal law regarding use of force.
9. Chemical Agent and Smoke Canisters: Canister which contain chemical agents that are released when deployed.
- (a) Description, quantity, capabilities, and purchase cost:
 - 1. Remington 870 shotgun dedicated to launch CS; quantity 2; specialized Remington 870 shotgun with th dedicated launching cup for the purpose of launching CS cannisters; cost: \$425/each. A 1210,12 gauge launching cartridge is used to deploy the CS cannisters. The launching cartridge is designed to propel the CS cannister further than could be thrown by hand.
 - 2. CTS 5230B - CS Baffled canister grenade, pyro, low flame potential; quantity 100; The 5230B pyrotechnic grenade is designed for indoor use delivering a maximum amount of irritant smoke throughout multiple rooms with minimal risk of fire; cost: \$37/each.
 - 3. Defense Technology Spede-Heat Continuous Discharge Grenade, CS; quantity 50; The Spede-Heat CS Grenade is a high-volume continuous burn device. It expels its payload in approx. 30 - 4- seconds. The payload is discharged through four gas ports on the top of the canister, three on the side, and one on the bottom. The canister holds approx. 81.2 grams of CS; cost \$25/each.
 - 4. Defense Technology Flameless TRI-CHAMBER CS Grenade, #1032; quantity 50; The design of the Tri-Chamber Flameless CS Grenade allows the contents to burn within an internal can and disperse the agent safely with reduced risk of fire. The grenade is designed primarily for indoor tactical situations to detect and/or dislodge a barricaded subject. This grenade will deliver approximately.70 oz. of agent during its 20-25 seconds burn time. The Tri-Chamber Flameless Grenade can be used in crowd control as well as tactical deployment situations by Law Enforcement and Corrections but was designed with the barricade situation in mind. Its applications in tactical situations are primarily to detect and/or dislodge barricaded subjects. The purpose of the Tri-Chamber Flameless Grenade is to minimize the risks to all parties through pain compliance, temporary discomfort, and/or incapacitation of potentially violent or dangerous subjects. The Tri-

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Chamber Flameless Grenade provides the option of delivering a pyrotechnic chemical device indoors, maximizing the chemicals' effectiveness via heat and vaporization, while minimizing or negating the chance of fire to the structure; cost \$25/each.

5. Defense Technology Ferret 40MM Liquid Barricade Penetrator Round, CS; quantity 100; The Ferret 40mm Round is non-burning and suitable for indoor use. Used primarily by tactical teams, it is designed to penetrate barriers, such as windows, hollow core doors, wallboard and thin plywood. Upon impacting the barrier, the nose cone ruptures and instantaneously delivers a small chemical payload inside of a structure or vehicle. In a tactical deployment situation, the 40mm Ferret is primarily used to dislodge barricaded subjects from confined areas. Its purpose is to minimize the risks to all parties through pain compliance, temporary discomfort and/or incapacitation of potentially violent or dangerous subjects; cost: \$23/each.
 6. Defense Technology OC Aerosol Grenade 1.3% Fogger, 6oz; quantity 25; The 6 oz. OC Aerosol Grenade will deliver its payload of 1.3% MC% OC in 20-25 seconds. This is a atomized mist which enhances the pungent 1.3% OC formulation. Ideal for area denial areas like attics, garages, etc. This device has minimum clean up. The canister may also be hand held to direct the spray pattern. This product is designed to provide room clearing ability with minimum clear up requirements; cost: \$ 17/each.
 7. Defense Technology Maximum HC Smoke Military-Style Canister; quantity 25; The Military-Style Maximum Smoke Grenade comes from the Defense Technology® #3 smoke grenade. It is a slow burning, high volume, continuous discharge grenade designed for outdoor use in crowd management situations. Emits grey-white smoke only for approximately 1.5 to 2 minutes; cost: \$30/each.
 8. Defense Technology CS HAN-BALL Grenade; quantity 50; The Han-Ball™ CS Grenade is an outdoor use grenade expelling its payload in approximately 15-20 seconds. The rubber ball round has an over all size of 4.8 in. tall, including the fuze head, and 3.1 in. diameter. This launchable grenade holds approximately 1.6 oz. of active agent which is expelled through three ports around the equator of the ball. Due the intense heat generated by this grenade, it should not be used inside a building or near flammable material; cost: \$45/each.
 9. Golden Eagle Fogger Series 4 CS/OC Fogger; quantity 1; dispenses CS or OC efficiently in riotous situations. Utilizes Pepper Fog CS irritant and Pepper Fog OC; quantity 4 quarts each; cost \$60 per quart.
- (b) Purpose: To safely resolve critical situations high risk operations. These are necessary because there are no reasonable alternatives that can achieve the same objective of officer and civilian safety and will safeguard the public's welfare.
- (c) Authorized Use: To limit the escalation of conflict where employment of lethal force is prohibited or undesirable. Situations for use of the less lethal weapon systems may include, but are not limited to:
1. Self-destructive, dangerous and/or combative individuals.

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2. Riot/crowd control and civil unrest incidents.
 3. Circumstances where a tactical advantage can be obtained.
 4. Potentially vicious animals.
 5. Training exercises or approved demonstrations.
- (d) Lifespan: 25 + years for breaching shotguns and 5 years for other materials.
- (e) Fiscal Impact: Annual maintenance and replacement is approx. \$2,500.
- (f) Training: All staff utilizing the equipment must be training by a POST certified chemical agent instructor.
- (g) Legal and Procedural Rules: The use of items is established by Department policy and the Crisis Response Unit Operational Manual. Tracy Police Department to utilize rifles only for official law enforcement purposes and consistent with State and Federal law regarding use of force.

708.4.1 MAINTENANCE OF SUPPLY LEVELS

The Department, by authorization of the Chief of Police is authorized to purchase equipment and associated and munitions approved by Council pursuant to this policy as long as it does not go beyond the scope of capabilities currently approved. The Department is authorized to maintain adequate levels of approved munitions, replace defective equipment, and increase quantities of approved equipment as needed to meet operational and safety needs of the Department and community. All purchases shall follow pre-established purchasing guidelines of the City of Tracy.

Purchase of equipment does not have to be the exact make and model listed however, they shall not exceed to capabilities and intended use as described and approved within this policy.

Example(s)

1. An increase in allocated positions by City Council may make necessary the purchase of additional equipment and munitions for both operational and training needs.
2. A manufacturer may stop making a specific model of a product, or that item may become difficult to obtain due to supply chain issues and it may become necessary to locate and purchase a similar product to maintain operation capabilities.
3. An approved military equipment program, may need to expand for operational needs (ex: increase the number of UAS in deployment, or purchase of additional less lethal shotguns).

It is the stated purpose of this policy section not exceed the scope of City Council approval and any increases in quantity shall be reported to City Council as part of the annual report for Military Equipment.

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708.4.2 MILITARY EQUIPMENT USE REPORTING REQUIREMENTS

All military equipment and munitions approved for use by this policy, when deployed in the field shall be documented and reported in PlanIt by the supervisor by the end of their assigned shift using the form titled "AB 481". The patrol Watch Commander shall conduct a weekly audit ensure the deployment data is being properly reported.

The Crisis Response Unit shall document the military equipment deployment as part of their after action report and the Team Leader, or designee shall enter the information into PlanIt using the form titled "AB 481". The Tactical Commander shall conduct a quarterly audit to the date is being property reported.

As part of the annual reporting requirement, the Professional Standards and Training Division shall complete a report to be submitted to City Council in a regular meeting.

As it relates to this policy, the term deployed means to have been utilized it response to a real world incident whether or not the equipment was

708.5 APPROVAL

The Chief of Police or the authorized designee shall obtain approval from the governing body by way of an ordinance adopting the military equipment policy. As part of the approval process, the Chief of Police or the authorized designee shall ensure the proposed military equipment policy is submitted to the governing body and is available on the department website at least 30 days prior to any public hearing concerning the military equipment at issue (Government Code § 7071). The military equipment policy must be approved by the governing body prior to engaging in any of the following (Government Code § 7071):

- (a) Requesting military equipment made available pursuant to 10 USC § 2576a.
- (b) Seeking funds for military equipment, including but not limited to applying for a grant, soliciting or accepting private, local, state, or federal funds, in-kind donations, or other donations or transfers.
- (c) Acquiring military equipment either permanently or temporarily, including by borrowing or leasing.
- (d) Collaborating with another law enforcement agency in the deployment or other use of military equipment within the jurisdiction of this department.
- (e) Using any new or existing military equipment for a purpose, in a manner, or by a person not previously approved by the governing body.
- (f) Soliciting or responding to a proposal for, or entering into an agreement with, any other person or entity to seek funds for, apply to receive, acquire, use, or collaborate in the use of military equipment.
- (g) Acquiring military equipment through any means not provided above.

708.6 COORDINATION WITH OTHER JURISDICTIONS

Military equipment used by any member of this Department shall be approved for use and in accordance with this Department policy. Military equipment used by other jurisdictions that are

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providing mutual aid to this Department, or otherwise engaged in law enforcement operations in this jurisdiction, shall comply with their respective military equipment use policies.

708.7 ANNUAL REPORT

Upon approval of a military equipment policy, the Chief of Police or the authorized designee should submit a military equipment report to the governing body for each type of military equipment approved within one year of approval, and annually thereafter for as long as the military equipment is available for use (Government Code § 7072).

The Chief of Police or the authorized designee should also make each annual military equipment report publicly available on the department website for as long as the military equipment is available for use. The report shall include all information required by Government Code § 7072 for the preceding calendar year for each type of military equipment in department inventory.

708.8 COMMUNITY ENGAGEMENT

Within 30 days of submitting and publicly releasing the annual report, the Department shall hold at least one well-publicized and conveniently located community engagement meeting, at which the Department should discuss the report and respond to public questions regarding the funding, acquisition, or use of military equipment.

Any member of the public can register a question or concern regarding military equipment by contacting the Professional Standards and Training Division by email at PROFESSIONALSTANDARDS@TRACYPD.COM or by telephone at (209) 831-6559.



AB 481 - “Military Equipment”

Authorize the use of specified equipment by ordinance and adoption of policy by the Tracy Police Department

April 5, 2022

AB 481

- AB 481 – Codified Government Code sections 7070 – 7075.
- Requires Tracy Police to obtain approval, from City Council by adoption of a “military equipment” policy and ordinance;
 - Prior to funding, acquiring or using specific equipment after January 1, 2022.
 - Or, for specific equipment purchased prior to January 1, 2022, the Tracy Police Department must begin the process of adoption of the policy and ordinance prior to May 1, 2022.



AB 481

- The legal definition of “military equipment” used with the law does not necessarily mean equipment used or obtained from the military.
- All equipment used by TPD is industry standard and used to enhance the safety of community members and officers.

AB 481

- The law lists specific criteria for equipment and items which must be reported and the law states “military equipment” means the following:
 - UAS / Drones (To include commercially available)
 - TPD possesses 13 Drones (none are weaponized)
 - MRAPS or Armored Personnel Carriers
 - TPD has one (1) LENCO BEARCAT.
 - Humvees or wheeled vehicles with breaching apparatus attached
 - The LENCO BEARCAT is capable of attaching a non-explosive breaching tool.
 - Tracked armored vehicles with ballistic protection.
 - TPD has none.

AB 481

- Command and Control vehicles built or modified to facilitate the operational control of public safety units.
 - TPD has one (1) Command Post and one (1) transport vehicle.
- Weaponized aircraft, vessels, or vehicles.
 - TPD has none.
- Battering rams, slugs, and breaching apparatuses that are explosive in nature.
 - The LENCO BEARCAT.
 - TPD uses breaching 12-gauge shotguns rounds to overcome barricaded and/or fortified structures.

AB 481

- Firearms of .50 caliber or greater excluding standard issue shotguns.
 - TPD has none.
- Ammunition of .50 caliber or greater excluding shotgun ammunition.
 - TPD has none.
- Specialized firearms of less the .50 caliber including assaulting weapons as defined by PC sections 30510 and 30515.
 - TPD issues every officer a patrol rifle in .223 caliber.
 - TPD has four (4) officers assigned to the Crisis Response Unit deploying .308 caliber precision rifles.

AB 481

- Any firearm or accessory designed to launch explosive projectiles.
 - TPD has none.
- “Flashbang” grenades and explosive breaching tools, “tear gas”, and “pepper balls.”
 - TPD CRU has and may use “Flashbangs” as a discretionary device on tactical deployments.
 - TPD does not currently utilize explosive breaching.
 - TPD CRU has and may use CS gas as part of tactical deployments. Use is limited.
 - TPD does not currently utilize “pepper balls.”

AB 481

- Taser shockwave, microwave weapons, water cannons, and long-range acoustic devices.
 - TPD does not utilize or possess any of these items.
- Projectile launch platforms and their associated munitions; 40MM projectile launchers, “bean bags”, rubber bullet, and specialty impact munitions (SIM).
 - TPD currently uses the 40MM projectile launcher which is a less-lethal device firing a sponge round.
 - TPD currently uses dedicated and mark (orange) less-lethal 12-gauge shotguns firing a bean bag round.
 - TPD does not possess or use rubber bullets or SIM



Think Inside the Triangle™

AB 481

- Requires Annual Report
 - Summary of how equipment was used.
 - Summary of complaints.
 - Results of internal audits.
 - Total annual cost.
 - Quantity possessed of each item.
 - If TPD intends to acquire equipment as defined by AB 481 within the following year.
 - Information must be posted on agencies website.
 - TPD intends to add this as part of our traditional annual report to Council.

AB 481

- Last week TPD released a detailed video to the public on social media and our website.
- Questions can be directed to our Professional Standards and Training Division:
 - professionalstandards@tracypd.com
 - (209) 831-6559



ORDINANCE _____

AN ORDINANCE OF THE CITY OF TRACY ADOPTING A MILITARY EQUIPMENT USE POLICY PURSUANT TO CALIFORNIA ASSEMBLY BILL 481

WHEREAS, on September 30, 2021, Governor Gavin Newsom signed into law California Assembly Bill 481 (AB 481), regarding the use of military equipment by law enforcement agencies, and

WHEREAS, AB 481, codified by California Government Code section 7070 through 7075, requires that all law enforcement agencies obtain approval from the applicable governing body, by ordinance, adopting a military equipment use policy prior to taking certain actions relating to the funding, acquisition, or use of military equipment, and

WHEREAS, Government Code section 7070 defines the term “military equipment”, and

WHEREAS, the proposed military equipment policy is found within the Tracy Police Department Military Equipment Use Policy (Lexipol Policy #708), and

WHEREAS, AB 481 requires that the law enforcement agency make the military equipment use policy available on the law enforcement agency’s website at least 30 days prior to the public hearing relating to the adoption of the military use equipment policy, and

WHEREAS, the Tracy Police Department Military Equipment Use Policy was published on the Tracy Police Department’s internet website on March 4, 2022, at least 30 days before the public hearing, and

WHEREAS, the Tracy Police Department Military Equipment Use Policy meets the requirements of Government Code section 7070, subdivision (d).

NOW THEREFORE, the City Council of the City of Tracy does ordain as follows:

SECTION 1: The City Council hereby determines the following:

- A. The military equipment identified in the Tracy Police Department’s Military Equipment Use Policy (Lexipol Policy #708) is necessary because there are no reasonable alternatives that can achieve the same objectives of officer and civilian safety;
- B. Tracy Police Department’s Military Equipment Use Policy (Lexipol Policy #708) will safeguard the public’s welfare, safety, civil rights, and civil liberties;
- C. Prior military equipment use complied with the military equipment use policy that was in effect at the time; and
- D. Tracy Police Department’s Military Equipment Use Policy (Lexipol Policy #708) is hereby approved and adopted.

SECTION 2: If any provision or the application of this Ordinance is for any reason held to be unconstitutional, invalid, or otherwise unenforceable, such decision shall not affect the validity of the remaining portions of this Ordinance or any part thereof. The City Council hereby declares that it would have adopted each subsection or provision of this Ordinance irrespective

of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the Ordinance enforced.

SECTION 3: This Ordinance shall take effect thirty (30) days after its final passage and adoption.

SECTION 4: This Ordinance shall either (1) be published once in a newspaper of general circulation, within 15 days after its final adoption, or (2) be published in summary form and posted in the City Clerk’s office at least five days before the ordinance is adopted and within 15 days after adoption, with the names of the Council Members voting for and against the ordinance. (Gov’t. Code §36933.)

* * * * *

The foregoing Ordinance _____ was introduced at a regular meeting of the Tracy City Council on the 5th day of April, 2022, and finally adopted on the _____ day of _____, 2022, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK