



City of Ukiah

Ukiah Public Financing Authority

Special Meeting **AGENDA**

Please join the meeting from your computer, tablet or smartphone.

<https://attendee.gotowebinar.com/register/1568436154777549323>

After registering, you will receive a confirmation email containing information about joining the webinar.

Access Code: 779-694-653

September 30, 2020 - 4:00 PM

Meeting will begin at 6:00 p.m., or as soon as the meeting may be held in conjunction with the City Council meeting.

1 ROLL CALL AND PLEDGE OF ALLEGIANCE

2 AUDIENCE COMMENTS ON NON-AGENDA ITEMS

The RDA Successor Agency welcomes input from the audience. In order for everyone to be heard, please limit your comments to three (3) minutes per person and not more than ten (10) minutes per subject. The Brown Act regulations do not allow action to be taken on audience comments in which the subject is not listed on the agenda.

3 APPROVAL OF MINUTES

3.a. Approval of the Minutes for the May 20, 2020, Special Meeting.

Recommended Action: Approve the Minutes of May 20, 2020, Special Meeting, as submitted.

Attachments:

1. 2020-05-20 UPFA Draft Minutes

3.b. Approval of the Minutes for the August 19, 2020, Special Meeting.

Recommended Action: Approve the Minutes of August 19, 2020, Special Meeting, as submitted.

Attachments:

1. 2020-08-19 UPFA Draft Minutes

4 UNFINISHED BUSINESS

- 4.a. Ukiah Public Financing Authority Board to Consider Adopting a Resolution Approving the Form of Certain Documents in Connection with the Issuance of Series 2020A and 2020B Lease Revenue Bonds.

Recommended Action: Adopt the attached resolutions adopting a pension funding policy and approving the forms of certain documents in connection with the issuance of 2020A and 2020B lease revenue bonds.

Attachments:

1. Resolution Approving Preliminary Official Statement and Related Documents
2. Ukiah Preliminary Official Statement
3. Bond Purchase Agreement

5 NEW BUSINESS

6 ADJOURNMENT

Please be advised that the City needs to be notified 72 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The City complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California, not less than 24 hours prior to the meeting set forth on this agenda.

Kristine Lawler, City Clerk

Dated: 9/28/2020

Ukiah Public Financing Authority

Special Meeting AGENDA

300 Seminary Avenue, Ukiah CA 95482
Teleconference Location:

<https://attendee.gotowebinar.com/register/873881253080411406>

May 20, 2020 - 6:00 PM

1. **ROLL CALL**

The Ukiah Financing Authority met at a Special Meeting on May 20, 2020, having been legally noticed on May 15, 2020. Chair Crane called the meeting to order at 8:53 p.m. Roll was taken with the following Members Present: Maureen Mulheren, Jim O. Brown, Stephen G. Scalmanini, Juan V. Orozco, and Douglas F. Crane. Staff Present: Sage Sangiacomo, City Manager; David Rapport, City Attorney; Dan Buffalo, Finance Director; and Kristine Lawler, City Clerk.

CHAIR CRANE PRESIDING.

2. **AUDIENCE COMMENTS ON NON-AGENDA ITEMS**

No public comment was received.

3. **NEW BUSINESS**

a. **Consideration and Approval of a Resolution of the Governing Board of the Ukiah Public Financing Authority Declaring Officers, Directing the Filing of Certain Notices, and Providing for Other Matters.**

Presenter: Dan Buffalo, Finance Director.

Motion/Second Scalmanini/Mulheren to adopt the subject resolution (*PFA Reso No. 2020-01*). Motion carried by the following roll call votes: AYES: Mulheren, Brown, Scalmanini, Orozco, and Crane. NOES: None. ABSENT: None. ABSTAIN: None.

4. **ADJOURNMENT**

There being no further business, the meeting adjourned at 9:01 p.m.

Kristine Lawler, City Clerk

Ukiah Public Financing Authority

Special Meeting

AGENDA

Ukiah CA 95482

Teleconference Location:

<https://attendee.gotowebinar.com/rt/993588385031958539>

August 19, 2020 - 6:00 PM

1. ROLL CALL

The Ukiah Financing Authority met at a virtual Special Meeting on August 19, 2020, having been legally noticed on August 14, 2020. Chair Crane called the meeting to order at 9:06 p.m. Roll was taken with the following Members Present: Maureen Mulheren, Jim O. Brown, Stephen G. Scalmanini, Juan V. Orozco, and Douglas F. Crane. Staff Present: Sage Sangiacomo, City Manager; David Rapport, City Attorney; Dan Buffalo, Finance Director; and Kristine Lawler, Ukiah Public Financing Authority Secretary.

CHAIR CRANE PRESIDING.

2. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

No public comment was received.

3. PUBLIC HEARING

a. Consideration of Authority Adopting Resolution Authorizing (1) Series 2020A Lease Revenue Bonds to Reimburse the City for the Cost to Purchase, Renovate, and Improve City Facilities and (2) 2020B Lease Revenue Bonds to Pay Off a Portion of the City's Unfunded Accrued Liability with CalPERS.

Presenters: Dan Buffalo, Finance Director and Mike Meyer and Eric Scriven, NHA Advisors.

PUBLIC COMMENT PERIOD OPENED AT 9:07 P.M.

No public comment was received.

PUBLIC COMMENT PERIOD CLOSED AT 9:09 P.M.

Motion/Second: Brown/Mulheren to adopt the resolution (*PFA 2020-02*) authorizing staff to move forward with the financing strategy as presented. Motion **carried** by the following roll call votes: AYES: Mulheren, Brown, Scalmanini, Orozco, and Crane. NOES: None. ABSENT: None. ABSTAIN: None.

Note: *The Authority, in their capacity as City Council taking a similar action, clarified that the financing strategy that they recommended to Staff to use was the purple dash option - 7% UAL LRB: ESC Payments (27 years) (shortest maturity), subject to final review and approval by Council.*

4. ADJOURNMENT

There being no further business, the meeting adjourned at 9:10 p.m.

Kristine Lawler, City Clerk



AGENDA SUMMARY REPORT

SUBJECT: Ukiah Public Financing Authority Board to Consider Adopting a Resolution Approving the Form of Certain Documents in Connection with the Issuance of Series 2020A and 2020B Lease Revenue Bonds.

DEPARTMENT: Finance **PREPARED BY:** Dan Buffalo, Finance Director

PRESENTER: _____

ATTACHMENTS:

1. Resolution Approving Preliminary Official Statement and Related Documents
2. Ukiah Preliminary Official Statement
3. Bond Purchase Agreement

Summary: The Ukiah Public Financing Authority Board will consider for approval documents necessary for the issuance of bonds through a public offering for the purpose of financing certain capital improvement projects and refinancing a portion of the City of Ukiah's unfunded accrued liability with CalPERS.

Background: The City Council, on August 19, 2020, adopted Resolution No. 2020-46 (the "Resolution 2020-46") and the Authority Board adopted Resolution No. PFA-2020-02 (the Resolution No. PFA-2020-02," and together with Resolution 2020-46, the "Resolutions"), which among other things, authorized the issuance of (i) Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project), in the aggregate principal amount of not to exceed \$2,850,000 (the "2020A Bonds"), and (ii) Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project), in the aggregate principal amount not to exceed that required for the purpose of refinancing part or all of the City's UAL (the "2020B Bonds," and together with the 2020A Bonds, the "Bonds").

Resolutions each directed staff to work with the City's Bond Counsel and Municipal Advisor to prepare the balance of documentation required to issue the Bonds and to bring the matter back to Council and Authority Board for final consideration. The balance of the documentation is now complete and is being presented for Board consideration (Attachment 1).

Discussion: Summary of Financing Documents

The subject resolutions are being recommended for adoption to authorize and approve the balance (i.e., all required documents that were not already approved pursuant to the Resolutions) of legal documents necessary to provide for the successful issuance of the Bonds.

Please note that the subject documents are being presented to the City Council and Authority Board as form documents, as they cannot be fully completed at this time because certain critical components such as interest rates and annual debt service payments will depend on the state of the bond market at the time the transaction is actually priced (i.e., sold to the Underwriter), which is expected to occur sometime in mid-October. This method of approval is the normal method of approving a bond issue in California. The individual documents needed to complete this financing are included as additional attachments to Attachment 1 already described and are each briefly described below:

Attachment 2. Preliminary Official Statement: As a necessary prerequisite to the public marketing and selling of the Bonds, a preliminary official statement (the “Preliminary Official Statement”) has been prepared by The Weist Law Firm, as Disclosure Counsel to the City and Authority, with the help of the Municipal Advisor, Underwriter and City staff. This document describes the City, the Authority, the Financing, the Projects, the Leased Facilities, the Bonds, the Financing Documents, and the risk factors associated with an investment in the Bonds. The Preliminary Official Statement is the central source of information to potential bond buyers, and as such it is essential that the information be accurate and complete. Once the Bond Purchase Agreement (described below) is executed, the final pricing detail will be used to fill in the blanks of the Preliminary Official Statement, which will then be used as the basis for the final Official Statement.

Important Information about Securities Disclosure: The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council and Authority Board by Staff and the financing team. The Preliminary Official Statement must include all facts that would be considered material to an investor in the 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. Members of the City Council and Authority Board are encouraged to review the Preliminary Official Statement and/or question staff and consultants to make sure they feel comfortable that it includes all material facts.

Attachment 3. Bond Purchase Agreement: This is an agreement among the City, the Authority and the Underwriter, which provides the terms and conditions for the sale of the Bonds to the Underwriter, and once signed, locks in the final terms and interest rates.

The Leased Property

As authorized pursuant to the Resolutions, staff is recommending that the City pledge its Streets as the leased asset (the “Leased Property”) securing the lease payments for the repayment of the Bonds. As required by law under lease financing structures in California, the annual fair rental value of the Leased Property must be in excess of the maximum annual debt service payable by the City on the Bonds, and by the adoption of the subject resolutions, the City and Authority are making such a finding with respect to the leasing of the Leased Property. The Leased Property will be leased until the final maturity of the Bonds, unless modified under conditions set forth in the legal documents.

Recommended Action: Adopt the attached resolutions adopting a pension funding policy and approving the forms of certain documents in connection with the issuance of 2020A and 2020B lease revenue bonds.

RESOLUTION NO. PFA-2020-__

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY APPROVING A FORM OF PRELIMINARY OFFICIAL STATEMENT AND BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE AND SALE OF LEASE REVENUE BONDS, SERIES 2020A (COMMUNITY FACILITIES IMPROVEMENT PROJECT) AND TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2020B (CALPERS PREPAYMENT PROJECT); AND AUTHORIZING AND APPROVING OTHER MATTERS RELATED THERETO

WHEREAS, the Ukiah Public Financing Authority (the "Authority") is a joint powers authority and public body duly organized and existing under the laws of the State of California, organized with the power and authority to assist the City of Ukiah, California (the "City"), with the financing of certain public capital improvements for the use, benefit and enjoyment of the public; and

WHEREAS, the Board of Directors (the "Board") of the Authority (the "Board"), on August 19, 2020, adopted Resolution No. PFA-2020-02 (the "Resolution PFA-2020-02"), which among other things, set forth the Board's desire to enter into certain contractual relations for the purpose of assisting the City in providing financing for the City's proposed (i) new City administration building and related facilities, all as more particularly described in Resolution PFA-2020-02 (the "Community Facilities Improvement Project"), and (ii) prepayment of a portion of the City's UAL, all as more particularly described in Resolution PFA-2020-02 (the "CalPERS Prepayment Project," and together with the Community Facilities Improvement Project, the "Project"); and

WHEREAS, in furtherance of the Project and to provide financing therefor, as authorized pursuant in Resolution PFA-2020-02, the Board approved the issuance of Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project), in the aggregate principal amount of not to exceed \$2,850,000 (the "2020A Bonds") and Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project), in the aggregate principal amount not to exceed that required for the purpose of refinancing part or all of the City's UAL (the "2020B Bonds," and together with the 2020A Bonds, the "Bonds"), and approved forms of certain documents related to the issuance of the Bonds; and

WHEREAS, the Authority now desires to approve the form of a Preliminary Official Statement and an Official Statement (each as hereinafter defined) in connection with the marketing and sale of the Bonds; and

WHEREAS, the Authority desires to provide for the negotiated sale of the Bonds to Piper Sandler & Co., as underwriter for the Bonds ("Underwriter") pursuant to a Bond Purchase Agreement, by and among the City, Authority and Underwriter (the "Bond Purchase Agreement"); and

WHEREAS, in order to effect the issuance of the Bonds, the Board, desires to approve the form of Preliminary Official Statement, and to approve the form of, and authorize the execution and delivery of, the Bond Purchase Agreement, the forms of which are on file with the Secretary of the Board (the “Secretary”); and

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

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the execution, sale and delivery of the Bonds do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to execute and deliver the Bonds and other document referenced herein in the manner and upon the terms herein provided; and

NOW, THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY AS FOLLOWS:

Section 1. Recitals and Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and are incorporated herein by this reference.

Section 2. Authorization of the Bonds. The Board hereby authorizes the preparation, sale and delivery of the Bonds in accordance with the terms and provisions of the Indenture.

Section 3. Authorized Representatives. The Chair, Vice Chair, Executive Director, Treasurer or Secretary, and any other person designated by the Board or Executive Director to act on behalf of the Authority, shall each be an “Authorized Representative” of the Authority for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the Authority, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Bonds (including, but not limited to, the documents referenced in this resolution, and any other documentation required or necessary in connection therewith, which are sometimes hereafter referred as the “Financing Documents”) and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Board has approved in this Resolution and the Financing Documents.

Section 4. Approval of the Preliminary Official Statement and the Official Statement. Staff has caused the Preliminary Official Statement to be distributed to the members of the Board and to be placed on file with the Secretary. The Board hereby

approves the Preliminary Official Statement describing the Bonds, in substantially the form on file with the Secretary, together with any changes deemed necessary or advisable by an Authorized Representative to cause the preliminary Official Statement to describe accurately matters pertaining to the Bonds.

The Board hereby authorizes and directs any Authorized Representative on behalf of the Authority to deem the Preliminary Official Statement “final” pursuant to the Rule prior to its distribution to prospective purchasers of the Bonds. The Board hereby approves and authorizes the distribution of the Preliminary Official Statement to prospective purchasers of the Bonds.

The Authorized Representatives are authorized and directed to cause the preliminary Official Statement to be brought into the form of a final Official Statement and to execute said final Official Statement, dated as of the date of the sale of the Bonds, and to certify that the facts contained in the final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the final Official Statement did not, on the date of sale of the Bonds, and does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact with respect to the Authority or omit to state material facts with respect to the Authority required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Authorized Representatives shall take such further actions prior to the signing of the final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement, which shall be in substantially the form of the Preliminary Official Statement and which shall include such changes and additions thereto deemed advisable by the Authorized Representatives 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 final Official Statement by the Authority.

The final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

Section 5. Bond Purchase Agreement. The form of the Bond Purchase Agreement presented at this meeting, on file in the office of the Secretary and incorporated herein by reference, is hereby approved, and any one of the Authorized Representatives, acting singly, is hereby authorized to execute the Bond Purchase Agreement in substantially the form hereby approved, with such additions thereto and changes therein as may be approved by such officer upon consultation with Bond Counsel. Approval of such additions and changes shall be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement; provided, however, that the Underwriter's discount for the purchase of the Bonds, not to exceed ___% of the principal amount of the Bonds.

Section 6. Other Actions. The Trustee, the Authorized Representatives and every other officer, employee or agent of the Authority are, and each of them acting alone is, authorized and directed, for and in the name and on behalf of the Authority, to do any and

all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the Financing Documents and this Resolution.

Section 7. Effective Date. This Resolution shall take effect immediately from and after the date of its passage and adoption.

THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED by the Board of Directors of the Ukiah Public Financing Authority at a regular meeting held on this September 30, 2020, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Douglas F. Crane, Chair of the Ukiah
Public Financing Authority

ATTEST:

Kristine Lawler, Secretary of the Ukiah
Public Financing Authority

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P: “__”
(See “RATING” herein)

In the opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and such interest is not an item of tax preference for purposes calculating the federal alternative minimum tax imposed under the Code, and the Tax-Exempt Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Code. Interest on the Taxable Bonds will be included in gross income for federal income purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

\$ _____*
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2020A
(Community Facilities Improvement Project)

\$ _____*
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS, SERIES 2020B
(CalPERS Prepayment Project)

Dated: Date of Delivery

Due: October 1, as shown on the Inside Cover

The above-captioned Lease Revenue Bonds, Series 2020A (the “Tax-Exempt Bonds”) and the Taxable Lease Revenue Bonds, Series 2020B (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”) are being issued by the Ukiah Public Financing Authority (the “Authority”) pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Interest on the Bonds is payable semiannually on April 1 and October 1 of each year (each an “Interest Payment Date”), commencing April 1, 2021. Proceeds of the Bonds will be used to finance and refinance certain obligations of the City of Ukiah (the “City”) and to pay the costs incurred in connection with the issuance of the Bonds. See “PLAN OF FINANCE” herein.

The Bonds are limited obligations of the Authority payable from the Revenues, as defined herein, pledged under the Indenture, consisting primarily of base rental payments (the “Base Rental Payments”) to be made by the City to the Authority as rental for certain City-owned property (the “Leased Facilities”) pursuant to a Lease Agreement, dated as of October 1, 2020 (the “Lease”), by and between the Authority and the City, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Lease to make Base Rental Payments in each fiscal year in consideration of the use and possession of the Leased Facilities from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, subject to abatement, as described herein. See “PLAN OF FINANCE” and “RISK FACTORS” herein. Pursuant to the Indenture, the Authority will assign its right to receive the Base Rental Payments to the Trustee for the benefit of the Owners of the Bond, pursuant to an Assignment Agreement, dated as of October 1, 2020, by and between the Authority and the Trustee. See “SECURITY FOR THE BONDS” herein.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. The Trustee will make payments of the principal of, interest, and premium, if any, on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to the Beneficial Owners of the Bonds is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “THE BONDS – BOOK-ENTRY SYSTEM” herein.

The Bonds are subject to optional, mandatory sinking account redemption and extraordinary redemption prior to their stated maturities, as described herein. See “THE BONDS – Redemption Provisions” herein.

This cover page contains certain information for quick reference only and is not a summary of the security or terms of this issue. Potential investors are advised to read the entire Official Statement, including the section entitled “BOND OWNERS’ RISKS,” to obtain information essential to the making of an informed investment decision with respect to the purchase of the Bonds.

MATURITY SCHEDULE
(See Inside Cover Page)

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT 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. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY, STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS. THE TRUSTEE DOES NOT HAVE THE RIGHT TO RESELL, RELET OR TAKE POSSESSION OF THE LEASED FACILITIES IN THE EVENT OF DEFAULT.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approving opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by The Weist Law Firm, Los Gatos, California, Disclosure Counsel, for the City and the Authority by David Rapport, Esq., Ukiah, California, as City Attorney and Authority Counsel, for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about October __, 2020.

[PIPER | SANDLER LOGO]

Dated: October __, 2020

* Preliminary, subject to change.

MATURITY SCHEDULE*(Base CUSIP[†] No. _____)**Tax-Exempt Bonds**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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\$ _____ - . ____ % Term Bonds due October 1, 20__ Yield: . ____ %, Price: . ____ % CUSIP[†] ____

Taxable Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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\$ _____ - . ____ % Term Bonds due October 1, 20__ Yield: . ____ %, Price: . ____ % CUSIP[†] ____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

c Priced to the optional par call date of October 1, 20__

UKIAH PUBLIC FINANCING AUTHORITY
Ukiah, California

AUTHORITY BOARD / CITY COUNCIL

Douglas Crane, *Chair/Mayor*
Juan Orozco, *Vice Chair/Vice Mayor*
Steve Scalmanini, *Authority Member/Councilmember*
Jim Brown, *Authority Member/Councilmember*
Maureen Mulheren, *Authority Member/Councilmember*

CITY / AUTHORITY STAFF

Sage Sangiacomo, *City Manager/Executive Director*
Allen Carter, *City Treasurer*
Daniel Buffalo, *Finance Director/Authority Treasurer*
Craig Schlatter, *Community Development Director*
Tim Eriksen, *Public Works Director/City Engineer*
Kristine Lawler, *City Clerk/Secretary*
David Rapport, Esq., *City Attorney/Authority Counsel*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

The Weist Law Firm
Los Gatos, California

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Trustee

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

In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, neither the foregoing authorities nor Bond Counsel or Disclosure Counsel have confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

No dealer, broker, salesperson or other person has been authorized by the Authority or City to provide any information or to make any representations in connection with the offering or sale of the Bonds other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. All references to and summaries of the Indenture 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. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” with respect to the Bonds that has been deemed “final” as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. 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. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority or City.

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 a part of its responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made under the Indenture shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or City since the date hereof.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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OFFICIAL STATEMENT

§ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2020A
(Community Facilities Improvement Project)

§ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Bonds, and a brief overview of the contents of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement including the Appendices hereto. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in the body of the Official Statement shall have the meanings given to them in “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” hereto.

Purpose of Official Statement

This Official Statement, which includes the cover page and the appendices hereto, is provided to furnish information in connection with the sale by the Ukiah Public Financing Authority (the “Authority”) of its Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project) in the aggregate principal amount of \$ _____ (the “Tax-Exempt Bonds”), and the Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) in the aggregate principal amount of \$ _____ (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”).

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) (the “Bond Law”), a Resolution adopted by the Board of Directors of the Authority on August 19, 2020 (the “Authority Resolution”), a Resolution adopted by the City Council of the City of Ukiah (the “City”) on August 19, 2020 (the “City Resolution,” and together with the Authority Resolution, the “Resolutions”), and an Indenture (the “Indenture”), dated as October 1, 2020, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Purpose of the Bonds

The Tax-Exempt Bonds are being issued for the purpose of funding (i) certain costs of the Community Facilities Improvement Project; and (ii) the costs of issuance associated with the issuance and sale of the Tax-Exempt Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Taxable Bonds are being issued for the purpose of funding (i) certain costs of the CalPERS Prepayment Project; and (ii) the costs of issuance associated with the issuance and sale of the Taxable Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

City Pension Funding Policy

Like most municipalities throughout the State, the City is experiencing rising pension costs and growing unfunded pension liabilities. On September __, 2020, the Ukiah City Council adopted a pension funding policy to assist in the mitigation of the funding challenges. The pension funding policy, among other things, provides guidance to City decision-makers when making annual budget decisions to help create and maintain sustainable and fiscally sound budgets.

The issuance of the Taxable Bonds is part of the City’s strategy under the policy to address a significant unfunded accrued liability (the “UAL”) associated with the City’s California Public Employees’ Retirement System (CalPERS) pension plans (the “Pension Plans”).

The objectives of the CalPERS Prepayment Project are to (1) increase the funded status for each of the City’s three plans to about 93%; (2) create significant expected budgetary savings over the next 15 to 20 years, (3) level out the current escalating schedule of annual UAL payments due to CalPERS, which results in a more predictable and fiscally sustainable repayment plan for the City’s pension liabilities, and (4) help create enhanced resiliency for the General Fund of the City to handle adverse economic situations in the future, including volatility in future CalPERS returns.

Security for the Bonds

The Bonds are special obligations of the Authority, secured under the Indenture and payable solely from the Revenues (as defined below) pledged under the Indenture, as well as certain funds and accounts held under the Indenture. The Revenues consist primarily of base rental payments (the “Base Rental Payments”) to be made by the City to the Authority as the rental for real property and improvements thereon (the “Leased Facilities”) under a Lease Agreement, dated as of October 1, 2020, by and between the Authority and the City (the “Lease”), and from certain funds held under the Indenture and investment earnings thereon, and from net proceeds of insurance or condemnation awards (collectively with the Base Rental Payments, the “Revenues”). See “THE LEASED FACILITIES” and “SECURITY FOR THE BONDS” herein.

Pursuant to a Site Lease, dated as of October 1, 2020, by and between the City and the Authority, the City has leased the Leased Facilities to the Authority (the “Site Lease”). The Authority has subleased the Leased Facilities back to the City under the Lease. Under the Lease, the City will pay Base Rental Payments to the Authority in each fiscal year (the “Fiscal Year”) in consideration of the use and possession of the Leased Facilities from any source of legally available funds in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, subject to abatement, as described herein. See “LEASED FACILITIES” herein.

The City has covenanted in the Lease to take such actions as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments subject to complete or partial abatement of such Base Rental Payments resulting from a taking of the Leased Facilities (either in whole or in part) under the powers of eminent domain or resulting from damage

or loss of all or any portion of the Leased Facilities. See “BOND OWNERS’ RISKS – Base Rental Payments Are Not Debt” and “– Abatement” herein.

All of the Authority’s right, title and interest in and to the Lease (apart from certain rights to receive Additional Rental Payments, as defined therein, to the extent payable to the Authority, and other than certain indemnification rights), and the Authority’s right to receive Base Rental Payments under the Lease relating to the Bonds, are assigned to the Trustee under the Indenture and under an Assignment Agreement, dated as of October 1, 2020, by and between the Trustee and the Authority (the “Assignment Agreement”) for the benefit of Bondholders.

Under the Lease, the City has the right to substitute alternate real property or improvements for the Leased Facilities, release existing property or add additional real property or equipment to the Leased Facilities. See “LEASED FACILITIES – Substitution or Release of Leased Facilities” herein.

In general, the City is required under the Lease to pay to the Authority specified amounts for use and possession of the Leased Facilities which amounts are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the Bonds. The City is also required to pay any taxes and assessments levied on the Leased Facilities and all costs of maintenance and repair of the Leased Facilities. Except for the Authority’s right, title and interest in and to the Base Rental Payments and otherwise to the Lease which have been assigned to the Trustee, no funds or properties of the Authority or the City are pledged to or otherwise liable for the obligations of the Authority.

Limited Obligation

The obligation of the City to pay Base Rental Payments and Additional Rental Payments do not constitute a debt of the City, the County of Mendocino (the “County”), the State of California (the “State”) or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the City to pay Base Rental Payments and Additional Rental Payments under the Lease 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 pledged any form of taxation.

No Debt Service Reserve

Neither the City nor the Authority have undertaken to fund any debt service reserve to secure the payment of debt service on the Bonds.

The City

The City encompasses approximately five square miles and is located in Mendocino County (the “County”), approximately 100 miles north of San Francisco in the northern coastal region of the State on U.S. Highway 101. The area is centrally located between the San Francisco Bay area, Eureka and Sacramento. The City was incorporated in 1876 and is a general law city operating under a City Council/City Manager form of government. The City Council consists of 5 members, elected at-large to four-year terms. The City Council selects the Mayor from one of the City Council members. The City Manager and City Attorney are appointed by the City Council. The City has an estimated population of approximately 16,061 people. For other selected

information concerning the City, see “THE CITY” and “APPENDIX D – GENERAL INFORMATION REGARDING THE CITY OF UKIAH AND SURROUNDING AREA” herein.

The City’s general fund is not pledged to secure payment of, and the taxing power of the City is not pledged for, the principal of and interest on the Bonds.

The Authority

The Authority is a joint powers authority established pursuant to that certain Joint Exercise of Powers Agreement dated May 5, 2020 (the “JPA Agreement”). The Authority is governed by a five-member Board of Directors (the “Board”), which consists of the members of the City Council of the City. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the Bond Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. See “THE AUTHORITY” herein.

Description of the Bonds

Payment. Principal of the Bonds will be payable in each of the years and in the amounts set forth on the inside cover page at the principal corporate office of the Trustee in Los Angeles, California. Interest on the Bonds will be paid by check of the Trustee mailed on the interest payment date by first class mail to the person entitled thereto. Initially, interest on and principal and premium, if any, of the Bonds will be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds. See “THE BONDS – Book-Entry System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

Redemption. The Tax-Exempt Bonds are subject to optional, extraordinary and mandatory sinking account redemption prior to their stated maturity dates, as provided herein. The Taxable Bonds are subject to extraordinary and mandatory sinking account redemption prior to their stated maturity dates, as provided herein. See “THE BONDS – Redemption Provisions” herein.

Form of Bonds. The Bonds will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS – General” herein. When delivered, the Bonds will be registered in the name of DTC, or its nominee. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds purchased. See “THE BONDS – Book-Entry System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, to the Municipal Securities Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and

operating data relating to the City, and, in a timely manner, notices of the occurrence of certain enumerated events. The City has agreed to this arrangement in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2 12(b)(5), as amended (the “Rule”) adopted by the U.S. Securities Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto for a description of the annual reports and notices of enumerated events to be provided by the City.

The City has adopted a written Continuing Disclosure Policy to assist the City staff in complying with the requirements of the Rule.

Legal Opinion

Upon delivery of the Bonds, The Weist Law Firm, Los Gatos, California, Bond Counsel (“Bond Counsel”) will release its final approving legal opinion with respect to the Bonds, including the validity and tax status of the Bonds, in the form attached hereto as APPENDIX E.

Forward-Looking Statements

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,” “intend,” “expect,” “propose,” “estimate,” “project,” “budget,” “anticipate,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the 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 presentation of information herein, including tables of receipt of revenues, is intended to show recent historical information and, except for budget discussions and certain other discussions pertaining to projected operating results, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See “BOND OWNERS’ RISKS – Accuracy of Assumptions” herein.

NO UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS ARE EXPECTED TO BE ISSUED IF OR WHEN THE EXPECTATIONS, EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE. THE FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

Risk Factors

The purchase of the Bonds involves certain risks. For a general discussion of certain special factors and considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “BOND OWNERS’ RISKS” herein. The Bonds are not appropriate investments for investors who are not able to bear the associated risks. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Further Information

Brief descriptions of the Bonds, the Indenture, the Lease, the Site Lease, the Assignment Agreement and other documents agreements and statutes referred to in this Official Statement as well as the description of the Bonds, do not purport to be comprehensive or definitive. Such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the Bonds, see “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

PLAN OF FINANCE

The Community Facilities Improvement Project

The Tax-Exempt Bonds are being issued primarily to reimburse the City for the cost to purchase a commercial property (formally a Bank of America building) located in downtown Ukiah, and to pay certain costs associated with renovating and preparing it for service as a City community facilities center. Proceeds of the Tax-Exempt Bonds may also be used to finance the costs of certain other City public improvement projects, including certain costs associated with a roof replacement project for a City owned museum.

The CalPERS Prepayment Project

The Taxable Bonds are being issued to reimburse the City approximately \$5 million for pension costs made in Fiscal Year 2020-21 and to pay off approximately \$46 million of the City’s UAL owed to CalPERS under certain of its respective Pension Plans. The UAL balance at any given point in time is a debt of the City owed to CalPERS which is amortized over a set period of time with interest accruing at the present discount rate of 7%. The UAL can be prepaid at any time without penalty.

Each Pension Plan is a multiple-employer defined benefit pension plan administered by the CalPERS. All full-time and certain part-time City employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute.

Estimated Sources and Uses of Bond Proceeds

Table 1 sets forth the estimated sources and uses of funds relating to the issuance of the Bonds.

**Table 1
UKIAH PUBLIC FINANCING AUTHORITY
SERIES 2020 LEASE REVENUE BONDS**

ESTIMATED SOURCES AND USES OF FUNDS		
Source of Funds:	Tax-Exempt Bonds	Taxable Bonds
Par amount of Bonds	\$ _____	\$ _____
<i>Plus(Less):</i> Original Issue Premium(Discount)		
<i>Less:</i> Underwriter’s Discount	_____	_____
Total Sources		
Uses of Funds:		
Transfer to 2020A Project Fund		
Transfer to City		
Transfer to CalPERS		
Costs of Issuance Fund ⁽¹⁾	_____	_____
Total Uses		

(1) Costs of Issuance include legal fees, municipal advisor fees, printing costs, rating agency fees, Trustee fees, and other miscellaneous expenses in connection with the issuance, sale and delivery of the Bonds.

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Debt Service Requirements

The schedule below sets forth annualized debt service payments on the Bonds, assuming no optional or extraordinary redemptions of the Bonds prior to maturity, other than mandatory sinking account redemptions.

DEBT SERVICE SCHEDULE							
Bond Year Ending October 1	Tax-Exempt Bonds			Taxable Bonds			Total Debt Service ⁽¹⁾
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2044							
2045							
2046							
2047							
2048							
2049							
2050							
Totals							

(1) Equal to the Base Rental Payments. See "SECURITY FOR THE BONDS – Base Rental Payments" herein.
 Source: *The Underwriter*.

THE LEASED FACILITIES

General Description

The Leased Facilities consist of certain City streets constituting an estimated ___ miles of linear roadway, with approximately ___ lane miles, and equaling approximately _____ square feet of surface area. Simultaneously with the delivery of the Bonds, the Authority will acquire a leasehold interest in the Leased Facilities from the City. The Authority will sublease the Leased Facilities to the City pursuant to the Lease. Under the Lease, the City has agreed to maintain the Leased Facilities in good working condition.

Estimated Value of the Leased Facilities

The City estimates that the Leased Facilities have a value of at least \$__ million. The City and the Authority, based on records they maintain, estimate the current annual fair rental value of the Leased Facilities to be not less than the amount of the annual Base Rental Payments. Bondholders do not have a mortgage on any portion of the Leased Facilities. The Trustee does not have the right to resell, relet or take possession of the Leased Facilities in the Event of Default. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments” and “SECURITY FOR THE BONDS – Remedies on Default” herein.

Modifications of Leased Facilities

Under the Lease, the City will have the right during the term of the Lease to make additions, modifications and improvements to the Leased Facilities or any portion thereof. Such additions, modifications and improvements may not in any way damage the Leased Facilities, or cause the Leased Facilities to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Facilities, upon completion of any additions, modifications and improvements, 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. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

Substitution or Release of Leased Facilities

Under the Lease, the City has the option, at any time and from time to time, to substitute other real property (the “Substitute Property”) for any portion of the Leased Facilities (the “Former Property”) or release any identifiable real property and/or improvements currently constituting the Leased Facilities (in such case, Substitute Property shall mean the Former Property less any released portion) upon satisfaction of all of the requirements set forth in the Lease, which include the following requirements:

- No Event of Default under the Lease has occurred and is continuing;
- The City must file with the Authority and the Trustee sufficient memorialization of amendments to the Lease and the Site Lease which replaces each respective Exhibit A in such documents with a description of such Substitute Property which deletes therefrom the description of the Former Property;

- The City shall certify in writing to the Authority and to the Trustee that such Substitute Property serves an essential governmental function of the City, and constitutes property which the City is permitted to lease under the laws of the State of California;
- The substitution of the Substitute Property will not cause the City to violate any of its covenants, representations and warranties made under the Lease;
- The City has certified in writing to the Authority and the Trustee that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, and that the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease; and
- The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under the Lease and will not in and of itself (i) impair the validity and enforceability of the Lease or (ii) impair the exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners thereof for federal income tax purposes.

Upon the satisfaction of all conditions precedent to substitution set forth in the Lease, the Term of the 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 will not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such substitution or release. The City and the Authority will execute, deliver and cause to be recorded all documents required to properly discharge the Lease lien of record against the Former Property. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

Limited Remedies

Nether the City nor the Authority have granted any security interest in the Leased Facilities for the benefit of the Owner of the Bonds, and there is no remedy of foreclosure on the Lease Facilities upon the occurrence of an Event of Default under the Indenture or the Lease.

If an Event of Default occurs under the Lease, there is no right for the Authority, the Trustee or the Owners to terminate the Lease and re-let the Leased Facilities. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments” and “SECURITY FOR THE BONDS – Remedies on Default” herein.

THE BONDS

Authority for Issuance

The Bonds are being issued under the Bond Law, the Resolutions and the Indenture.

General Provisions

General. The Bonds will initially be issued in book-entry only form, registered in the name of Cede & Co., as nominee of DTC. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See “THE BONDS – Book-Entry System” herein.

The Bonds. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and will be dated the date of delivery. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing April 1, 2021, by check mailed by the Trustee on each Interest Payment Date to the person whose name appears in the registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth calendar day of the month immediately preceding an interest payment date (a “Record Date”); provided, however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more. Interest on the Bonds shall be calculated based on a 360-day year consisting of twelve 30-day months.

Each Bond will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before March 15, 2021, in which event it shall bear interest from the date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside front cover of this Official Statement. Principal of and premium, if any, on the Bonds are payable upon presentation and surrender of the Bonds at the principal office of the Trustee in Los Angeles, California.

Transfer or Exchange of the Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee.

Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. If a Bond is mutilated, lost, stolen or destroyed, the Trustee, at the expense of the Owner of such Bond, will authenticate, subject to the provisions of the Indenture, a new Bond of like tenor and amount. In the case of a lost, stolen or destroyed Bond, the Trustee may require that an indemnity be furnished and payment of an appropriate fee for each new Bond delivered in replacement of such Bond, and the Authority may require payment of the expenses of the Authority, the City and the Trustee incurred in connection therewith.

Redemption Provisions

Optional Redemption Pertaining to Tax-Exempt Bonds. The Tax-Exempt Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The Tax-Exempt Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date, and by lot within any one maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Tax-Exempt Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

Optional Redemption Pertaining to Taxable Bonds. The Taxable Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The Taxable Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date, and by lot within any one maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Taxable Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

Extraordinary Redemption. The Bonds are subject to redemption prior to their respective maturity dates, upon written notice from the Authority to the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee), as a whole or in part on a pro rata basis, on any date from prepayments of Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Facilities or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Facilities or any portion thereof, under the circumstances and upon the conditions and terms prescribed herein and in the Lease (the “Extraordinary Redemption”).

Extraordinary Redemption shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. To the extent Net Proceeds are not sufficient to redeem all Outstanding Bonds, the Tax-Exempt Bonds and the Taxable Bonds shall be redeemed on a pro-rata basis, as designated pursuant to a Written Certificate of the Authority.

Mandatory Sinking Account Redemption Pertaining to Tax-Exempt Bonds. The Tax-Exempt Bonds maturing October 1, 20__ (the “20__ Tax-Exempt Term Bond”) is subject to mandatory redemption,

in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the 20__ Tax-Exempt Term Bond to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

Redemption Date
(October 1)

Principal Amount
To be Redeemed

* Maturity

Notwithstanding the foregoing, if some but not all of the Tax-Exempt Term Bonds are redeemed pursuant to the optional or special mandatory provisions of the Indenture, the aggregate principal amount of the respective Tax-Exempt Term Bonds to be prepaid in each year thereafter under shall be reduced by the aggregate principal amount of respective Tax-Exempt Term Bonds so prepaid, to be allocated among sinking fund payments on a pro rata basis in integral multiples of \$5,000.

Mandatory Sinking Account Redemption Pertaining to Taxable Bonds. The Taxable Bonds maturing October 1, 20__ (the “20__ Taxable Term Bond”) is subject to mandatory redemption, in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the 20__ Taxable Term Bond to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

Redemption Date
(October 1)

Principal Amount
To be Redeemed

* Maturity

Notwithstanding the foregoing, if some but not all of the Taxable Term Bonds are redeemed pursuant to the optional or special mandatory provisions of the Indenture, the aggregate principal amount of the respective Taxable Term Bonds to be prepaid in each year thereafter under shall be reduced by the aggregate principal amount of respective Taxable Term Bonds so prepaid, to be allocated among sinking fund payments on a pro rata basis in integral multiples of \$5,000.

Selection of Bonds for Redemption. If less than all Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed in such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, Bonds shall be deemed to be composed of \$5,000 multiples of principal and any such multiple may be separately redeemed.

Notice of Redemption. Notice of redemption shall be given by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by first class mail to each of the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee, to the Securities Depositories (as such term is defined in the Indenture) and to one or more Information Services (as such term is defined in the Indenture). Neither failure to receive any notice of redemption nor any defect in such notice of redemption so given shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Purchase in Lieu of Redemption. At any time prior to the selection of Bonds for redemption, the Trustee may, upon written direction of the City, apply amounts held for redemption of Bonds to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest payable from the Interest Account) as the City may direct the Trustee, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price of such Bonds; and provided further that in the case of optional redemption, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts for redemption may be used for payment of such Bonds to be redeemed in order of their due date as set forth in a request of the City.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to the Indenture shall be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

Rescission of Redemption. The Authority has the right to rescind any notice of optional redemption of Bonds by written notice to the Trustee 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 an Event of Default. The Authority and the Trustee have no liability to the Owners 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 the Indenture.

Book-Entry System

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in integral multiples of \$5,000,

under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial Owner with respect to the Bonds or an error or delay relating thereto. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

SECURITY FOR THE BONDS

General

This section provides summaries of the security for the Bonds and certain provisions of the Indenture and the Lease. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a more complete summary of the Indenture and the Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Revenues; Pledge of Revenues

The Bonds are special obligations of the Authority secured by a first lien on and pledge of all of the Revenues (and a pledge of all of the moneys in the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys), defined in the Indenture as all amounts received by the Authority as lessor under the Lease, including, without limiting the generality of the foregoing, scheduled Base Rental Payments, prepayments, and insurance (including rental interruption insurance) and condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. Said 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.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND AMOUNTS HELD IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE. THE OBLIGATION OF THE CITY TO MAKE BASE

RENTAL PAYMENTS 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. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE TRUSTEE DOES NOT HAVE THE RIGHT TO RESELL, RELET OR TAKE POSSESSION OF THE LEASED FACILITIES IN THE EVENT OF DEFAULT.

See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments” and “SECURITY FOR THE BONDS – Remedies on Default” herein.

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 the provisions of the Lease regarding Additional Rental Payments, advances, release and indemnification covenants, and agreement to pay attorneys’ fees, 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 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 may, 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.

Base Rental Payments

Under the Lease, subject to the provisions of Lease regarding abatement and prepayment, the City agrees to pay to the Authority, its successors and assigns, the Base Rental Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease. Each Lease Payment Date is the 25th day of the month immediately preceding the corresponding Interest Payment Date.

Under the Lease, the City agrees to make Base Rental Payments for the beneficial use of the Leased Facilities, and to take such action as is necessary to annually budget for and to appropriate such amounts. See “– Budget and Appropriation of Base Rental Payments” below.

See “THE LEASED FACILITIES” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease” herein.

The City’s obligation to make Base Rental Payments is subject to abatement in the event of substantial interference with the use and possession of all or a part of the Leased Facilities. See “BOND OWNERS’ RISKS – Abatement” herein.

The Base Rental Payments are structured to produce Revenues sufficient to pay principal and interest on the Bonds when due. Scheduled Base Rental Payments are set forth herein under the heading “Plan of Finance – Debt Service Requirements.”

Additional Rental Payments

Under the Lease, in addition to Base Rental Payments, the City has agreed to pay Additional Rental Payments in such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority’s or the Trustee’s interest in the Leased Facilities, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Facilities (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture. Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City.

Budget and Appropriation of Base Rental Payments

The Lease provides that, from and after the date on which the City takes possession of the Leased Facilities and unless the Lease is terminated, the City shall take such action as may be necessary to include all Base Rental Payments in each of its annual budgets and to make necessary appropriations for all such Base Rental Payments coming due and payable during the period covered by such budget, subject only to abatement as provided in the Lease. The amounts payable to the Trustee under the Lease are to be used to make payments of the principal of and interest on the Bonds, plus other fees, expenses and reimbursements as specified in the Indenture.

The City’s revenues are derived in part from ad valorem property taxes. Such taxes are subject to limitations under Article XIII A of the California Constitution. The City has the capacity to enter into other obligations which may constitute additional charges against its general fund revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments and Additional Rental Payments, if any, may be decreased. Appropriations of the City are subject to limitation under Article XIII B of the California Constitution. See “BOND OWNERS’ RISKS – Risks Related to Taxation in California” herein.

No Debt Service Reserve

Neither the City nor the Authority have undertaken to fund any debt service reserve to secure the payment of debt service on the Bonds.

Abatement

The Lease provides that the obligation of the City to pay Base Rental Payments will be subject to abatement during any period in which by reason of any damage, destruction or condemnation there is

substantial interference with the use and occupancy of the Leased Facilities or any portion thereof by the City. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Facilities, and ending with the substantial completion of the work of repair or replacement of the Leased Facilities, or the portion thereof so damaged or destroyed.

In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

In the case of abatement due to a partial or temporary taking of the Leased Facilities under the power of eminent domain, (i) the Lease shall continue in full force and effect with respect thereto, and (ii) the Base Rental Payments are subject to abatement in an amount determined by the City such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Facilities not damaged or destroyed. If all of the Leased Facilities are taken permanently under the power of eminent domain or sold, Base Rental Payments will cease as of the day such possession is taken.

Notwithstanding the foregoing, under the Lease, the Base Rental Payments will not be subject to abatement to the extent that amounts in the Insurance and Condemnation Fund (i.e. proceeds of insurance against accident to or destruction of the Leased Facilities collected by the City or the Authority in the event of any such accident or destruction (including rental interruption insurance)) or in the Bond Fund are available to pay Base Rental Payments which would otherwise be abated.

Insurance Coverages

Pursuant to the Lease, the City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Leased Facilities required by the Lease. Such insurance shall consist of comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Facilities. Such insurance shall afford protection with a combined single limit of not less than [\$1,000,000] per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose, subject to a deductible clause of not to exceed [\$500,000]. The City's comprehensive general liability coverage may be satisfied by self-insurance. Insurance also includes casualty insurance, throughout the term of the Lease, against loss or damage to any or all of the Leased Facilities by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and against loss of Leased Facilities by theft. Such extended coverage insurance shall, 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. The casualty insurance required by the Lease shall be in an amount not less than the principal amount of the Outstanding Bonds, if the Leased Facilities is other than streets in the City. The City's casualty insurance coverage may be satisfied by self-insurance.

The Lease also requires workers' compensation insurance to be issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Facilities

and to cover full liability for compensation under any such act; provided, however, that the City's obligations under such worker' compensation insurance may be satisfied by self-insurance. All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Authority and the Trustee. Certificates of comprehensive general liability and workers' compensation insurance shall be furnished by applicable insurers to the City, and, at least ten days prior to the expiration dates of such policies, if any, evidence of renewals shall be deposited with the Trustee. If the City elects to provide self-insurance, the City shall annually cause to be delivered to the Trustee, upon request, a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance. All policies or certificates of insurance provided for in the Lease shall name the City as a named insured and the Trustee as an additional insured. Notwithstanding the generality of the foregoing, the City shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

See APPENDIX C- "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS - THE LEASE."

Maintenance, Utilities, Taxes and Assessments

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Facilities, all maintenance and repair, ordinary or extraordinary, of the Leased Facilities shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Facilities, (b) the cost of operation of the Leased Facilities, and (c) the costs of maintenance of and repair to the Leased Facilities resulting from ordinary wear and tear or want of care on the part of the City. The City shall, at the City's sole cost and expense, keep and maintain the Leased Facilities clean and in a safe and good condition and repair. The Authority has no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Facilities or any part thereof.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Facilities. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Facilities.

The Authority and the City contemplate that the Leased Facilities will be used for public purposes by the City and, therefore, that the Leased Facilities will continue to be exempt from all taxes presently assessed and levied with respect to real and personal property. In the event that the use, possession or acquisition by the Authority or the City of the Leased Facilities is found to be subject to taxation in any form, the City will pay during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Facilities and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Facilities; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

Remedies on Default

Failure by the City to make Base Rental Payments, or failure to pay Additional Rental Payments or to observe and perform any other terms, covenants or conditions contained in the Lease or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute Events of Default under the Lease. Such events permit the Trustee or the Authority to pursue any and all available remedies. However, notwithstanding anything in the Lease or in the Indenture to the contrary, neither the Authority nor the Trustee have any right, under the Lease, the Site Lease or otherwise, to sell, repossess or re-lease the Leased Facilities, nor is there any right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments that are not then in default to be immediately due and payable. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments” herein.

Following an event of default, the Authority or the Trustee may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Base Rental Payments as they become due. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments” herein.

In the Event of Default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Lease and neither the Authority nor the Trustee are empowered to sell or re-let the Leased Facilities and use the proceeds of such sale or re-letting to redeem the Certificates or pay debt service with respect thereto.

The City will be liable only for Base Rental Payments on an annual basis and, in the Event of Default, the Authority or Trustee would be required to seek a separate judgment each year for that year’s defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that Joint Exercise of Powers Agreement dated as of May 5, 2020, by and between the City and the Industrial Development Authority of the City of Ukiah, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

The Authority was formed for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements that are of public benefit to the City. Under the Bond Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Directors (the “Board”), which consists of the members of the City Council of the City. The Mayor and the Vice Mayor of the City serve as the Chair and Vice Chair, respectively, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City’s Finance Director serves as the Treasurer of the Authority.

THE CITY

General

The City of Ukiah is the county seat and largest city in Mendocino County. City Hall is located at 300 Seminary Avenue, Ukiah, California. The Ukiah Police Department is also located at City Hall. The City encompasses approximately five square miles and is located in Mendocino County, approximately 100 miles north of San Francisco in the northern coastal region of the State on U.S. Highway 101. The area is centrally located between the San Francisco Bay area, Eureka and Sacramento. The City was incorporated in 1876 and is a general law city operating under a City Council/City Manager form of government. The City has an estimated population of approximately 16,061 people, with approximately 104,452 people living within a 30-minute drive radius. The City’s Fiscal Year begins on July 1 and ends June 30 of the following year. The City enjoys a moderate climate, with summers that are long, comfortable, arid, and mostly clear and the winters that are short, cold, wet, and partly cloudy. See “APPENDIX D – GENERAL INFORMATION REGARDING THE CITY OF UKIAH AND SURROUNDING AREA” herein.

With both City and County administrative offices within the City, Ukiah boasts a large number of public sector employment opportunities, particularly in education and social services. Outside the public sector, the City is known for strong retail and service industries and a bustling tourism industry catering to travelers and adventurers looking to explore the Ukiah Valley. Additionally, the City is surrounded by mineral rich agricultural lands capable of supporting viticulture operations. In recent years, the region has seen an increase in local vineyards opening adjacent to the City. The increase in local wine production and processing reflects the increasing popularity of the Ukiah Valley as a wine region and destination.

The City provides police, fire, street and infrastructure maintenance, storm drain, park and community recreation, museum, community development and other services to residents. The City also provides water, wastewater and electric services through the operations of its utility enterprises and operates an airport, golf course and civic center.

As described further below under the caption “CITY FINANCIAL INFORMATION—COVID-19 Pandemic,” the COVID-19 Pandemic and economic recession is expected to materially adversely impact the City’s financial condition.

Historical information set forth in this Official Statement, including Appendix D hereto, is not intended to be predictive of future results.

City Government

The City operates under a Council-City Manager structure of government. Policy making and legislative authority are vested in the City Council, which is responsible, among other matters, for passing resolutions and ordinances, adopting the City budget, appointing committees, and hiring the City Manager. The City Council is comprised of five members elected by the voters citywide, serving in staggered 4-year terms. The Mayor is appointed by the City Council to one-year terms, and the Council is elected to four-year staggered terms, with members elected every two years. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City Council of the City currently consists of the following persons:

<u>Council Member</u>	<u>Position</u>	<u>Expiration of Term</u>
Douglas Crane	Mayor	November 2020
Juan Orozco	Vice Mayor	November 2022
Steve Scalmanini	Council Member	November 2020
Jim Brown	Council Member	November 2022
Maureen Mulheren	Council Member	November 2022

Following are short biographies of the City Manager and Finance Director:

Sage Sangiacomo. Mr. Sangiacomo serves as the City Manager of the City and the Executive Director of the Authority. Mr. Sangiacomo has served as the City Manager of the City since June 2015 and has over 22 years of experience in municipal administration. In his role as City Manager, Mr. Sangiacomo serves as the administrative head of the City and is responsible for the operation of all City departments. Prior to becoming City Manager, Mr. Sangiacomo served the City as a Community Services Supervisor from 1998 to 2005, the Community Services Director from 2005 to 2009 and an Assistant City Manager from 2009 to 2015. Mr. Sangiacomo is a credentialed city manager by the International City/County Managers Association and holds a bachelor's degree from the University of California, Davis.

Daniel Buffalo. Mr. Buffalo serves as the Finance Director of the City and the Treasurer of the Authority. Mr. Buffalo was appointed by the City Council in July of 2016, after serving as Finance Director for the City of Lakeport, California. Mr. Buffalo has over fourteen years of local government experience in finance and municipal management, including debt management, continuing disclosure, financial reporting, and budgeting. He holds a bachelor's degree in Political Science from the University of California, Davis (2002); a master's degree in public administration from the University of Southern California (2005); a certificate in governmental accounting from the University of Georgia, Carl Vinson Institute of Government; and a certificate of completion of the Advanced Government Finance Institute offered by the Government Finance Officers of America (GFOA) and the University of Wisconsin, Madison. Additionally, Mr. Buffalo is a Certified Public Accountant, licensed in the State of California.

Labor Relations

The City had approximately 220 full and part-time employees as of June 30, 2020. City employees are represented by seven labor organizations. The City characterizes labor relations as being good, stable and

productive. All seven labor organizations are currently operating under a 1-year extensions of respective labor agreements, effective through June 30, 2021. The City has not experienced a major work stoppage by City employees in the last five years.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (“GAAP”) and the standards established by the Governmental Accounting Standards Board (“GASB”).

The Governmental Accounting Standards Board published its Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, on June 30, 1999 (“GASB Statement No. 34”). GASB 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) government-wide financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using both the current financial resources measurement focus and the modified accrual method of accounting (governmental funds) and funds using the economic measurement focus and the accrual basis of accounting (proprietary funds) and (iii) required supplementary information. The City’s financial statements are prepared in conformance with the requirements of GASB Statement No. 34.

In the government-wide Statement of Net Position and Statement of Activities in the City’s audited financial statements for the Fiscal Year ending June 30, 2019, both governmental and proprietary activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the government.

Impact fees are received and recognized as revenue upon project completion and inspection. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the Fiscal Year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal operations. The principal operating revenues of the enterprise and internal service funds are charges for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City's fiduciary funds consist of a private-purpose trust fund, which is reported using the economic resources measurement focus, and agency funds, which have no measurement focus, but utilizes the accrual basis for reporting assets and liabilities.

The City Council employs, at the beginning of each Fiscal Year, an independent certified public accounting firm which, at such time or times as specified by the City Council, at least annually, at such other times as such firm shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the Fiscal Year, a final audit and report is submitted by such firm to the City Council and a copy of the financial statements as of the close of the Fiscal Year is published.

COVID-19 Pandemic

The spread of the novel strain of coronavirus called SARS-CoV-2 that causes the disease known as COVID-19 (the "COVID-19," and sometimes referred to herein as the "Pandemic"), and local, state and federal actions in response to COVID-19, are having a significant impact on the City's operations and finances. In response to the increasing number of cases of COVID-19 and fatalities, health officials and experts are recommending, and some governments are mandating, a variety of responses ranging from travel bans and social distancing practices, to complete shutdowns of certain services and facilities. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the state have temporarily closed some or all school campuses in response to local and state directives or guidance. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all non-essential services.

In May 2020, the Governor outlined a phased approach to re-opening businesses in California. As a result of State and local actions taken to slow the spread of COVID-19, a number of businesses have had to close and other businesses, such as restaurants, have been permitted to stay open subject to certain conditions. These circumstances, among other market factors, have led to increased unemployment since the beginning of the COVID-19 outbreak in the United States. In addition to increased unemployment, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls.

While the effects of COVID-19 may be temporary, the outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant declines attributed to coronavirus concerns. CalPERS has reportedly lost significant value in its investments as a result of declines in the stock market and elsewhere, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23. See the caption "– Employee Retirement System" below. The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the Pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues. In addition, Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments.

In response to the Pandemic, the City has taken actions to activate its emergency operations center, temporarily close all non-essential City services, introduced teleworking as and where appropriate, implemented daily screening of all employees, and abided by all state and federal guidelines and orders. The City actively monitors the COVID-19 situation in the community and acts swiftly to issue additional executive orders to mitigate the spread of the virus. Additionally, the City has forged a strong relationship with the Mendocino County Health Department and local medical clinics to ensure timely sharing of information and coordinated responses to issues. The City has extended a moratorium on late penalties and shutoffs for nonpayment of utility bills multiple times as the COVID-19 Pandemic affects the community.

On March 27, Congress passed and the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that 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 COVID-19. The City expects to receive approximately \$150,000 in CARES Act funds through the State by the end of calendar year 2020.

The financial and operating data contained in this Official Statement are the latest available, but are “as of” dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the overall potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could lead to additional or modified public health restrictions and have an adverse effect on the City’s operations and financial condition, and the effect could be material. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current disruption to the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, may have an adverse impact on the City’s finances. See the caption “– General Fund, the Budget Process and Information” below for a discussion of the City’s fiscal year 2020-21 Adopted Budget and the potential impacts of COVID-19 on City finances.

General Fund, the Budget Process and Information

The City’s General Fund is its primary operating fund, and is where the City accounts for all its general-purpose revenues. It is distinguished from the City’s other governmental funds that are used to account for special purpose revenues, capital projects, debt service activities, and monies held for the benefit of others.

The City operates on a Fiscal Year basis that begins on the first day of July of each year and ends on the thirtieth day of June the following year. The annual budget adopted by the City Council provides for the general operation of the City. Development of the City’s annual budget is a process which generally begins in February and March and continues until the budget is adopted by the City Council in June. The General City Budget includes programs which are provided on a largely city-wide basis. The programs and services are financed primarily by the City’s share of sales tax, property tax, revenues from the State and/or federal government, and charges for services provided.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the Fiscal Year. Appropriations lapse at Fiscal Year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the Fiscal Year. The budgetary level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Long-Term Financial Planning. The City incorporates long-term financial planning into its budget process in several ways.

First, the City has established a set of financial policies that establish goals for the allocation of public resources in the manner best suited to the efficient provision of City services to citizens and visitors present within the City. Some of these policies call for maintaining adequate cash reserves and providing on-going maintenance of infrastructure and buildings, which are vital to sound fiscal management.

Second, the Council undertakes a strategic planning process to establish goals and priorities for the organization after taking into account public input. Specifically, the Council engaged the community at a public hearing and by soliciting ideas and input through a variety of means. Based on this input, the City Council adopts goals, objectives, and resources permit objectives.

Third, the City maintains a long-range capital planning process that helps drive annual capital funding decisions as well as periodic bond issues for larger investments.

Finally, all Governmental Accounting Standards Board pronouncements are monitored and implemented into the City's financial statements.

Budgetary Control Policy. The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, and internal service funds are included in the annual appropriated budget. A Five-Year Capital Improvement Plan is also adopted for the capital projects. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund.

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. Based on the City's financial management policies, the City is required to maintain a balanced operating budget, which is adopted by resolution on or before June 30th for the ensuing Fiscal Year.

Following the adoption of the budget, it is sometimes necessary to amend the budget. Appropriations in the budget may be adjusted by recommendation of the Finance Director and approval by the City Manager when the budget is not increased in total amount. Savings from appropriations in one section of a department budget may be used to fund another section of a department budget. Any increase in appropriations that increases the total adopted budget must be approved by the City Council. The City Council formally reviews the City's fiscal condition and amends appropriations, if necessary, six months after the beginning of each fiscal year.

The adopted budget for fiscal year 2020-21 was approved on June 17, 2020 (the "Adopted Budget"). The Adopted Budget projects General Fund revenues in fiscal year 2020-21 to be approximately \$20.2 million (exclusive of interfund transfers in), a decrease of approximately \$700 thousand or 3.5% from Fiscal Year 2019-20 unaudited final results.

Understanding COVID-19 will impact directly the City's finances for fiscal years 2019-20 and 2020-21, the City adopted a conservative budget for fiscal year 2020-21. In consultation with the City's revenue advisors, other professionals and supporting organizations like the League of California Cities, the City has adjusted its revenue outlook downward for the end of fiscal year 2019-20 and for all of fiscal year 2020-21 based on the expected performance of each business and revenue stream by month.

In the Adopted Budget for Fiscal Year 2020-21, the City planned for a loss in general fund revenue from certain revenue sources, most notably sales tax and transient occupancy tax (the "TOT"). When preparing the budget in May of 2020, City estimates for sales tax receipts included a 15% decline from the

prior year, or approximately \$1 million. For TOT the expected decrease was even larger, and assumed a decline of approximately 40%. Though TOT is a much smaller source of revenue to the general fund compared to sales tax, the amount was considerable, equating to roughly \$500,000. City management adjusted recommended appropriations accordingly, reducing budget requests in major cost categories, including personnel and operations. Staffing levels were reduced nearly 10%, coming mostly from vacant positions; although, a nominal layoff also was recommended. Since adoption of the Fiscal Year 2020-21 budget, sales tax receipts have exceeded budgetary estimates and have improved the City's financial outlook.

The City expects to consider an update and revision to the Adopted Budget quarterly, as the City receives more data about COVID-19's impacts on the local economy and the City's operations and finances. The City does not currently believe that the COVID-19 outbreak will materially adversely affect its ability to pay Base Rental Payments. See the caption "– COVID-19 Pandemic" above for a discussion of the potential impact of COVID-19 on the City's operations and finances.

Current Budget and Historical Budget Information. Set forth in Table 2 are the General Fund budgets that were adopted for Fiscal Years 2017-18 and 2018-19 compared to the audited actual results for Fiscal Years 2017-18 and 2018-19, respectively. Also included is the General Fund budget that was adopted for Fiscal Year 2019-20, and the estimated unaudited actual results for such Fiscal Year. On June 17, 2020, the City Council adopted a one-year budget for Fiscal Year 2020-21, which budget figures are also included in Table 2. During the course of each Fiscal Year, the budget may be amended and revised as necessary by the City Council.

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Table 2
CITY OF UKIAH
FISCAL YEARS 2017-2018 THROUGH 2019-20

GENERAL FUND BUDGETS COMPARED TO AUDITED RESULTS							
	Adopted Fiscal Year 2017-18 Budget	Fiscal Year 2017-18 Audited Results	Adopted Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Audited Results	Adopted Fiscal Year 2019-20 Budget	Estimated Fiscal Year 2019-20 Unaudited Results⁽¹⁾	Adopted Fiscal Year 2020-21 Budget
Revenues:							
Taxes and Assessments	\$16,091,539	\$15,457,682	\$17,478,674	\$16,749,212	\$18,675,230	\$17,989,246	\$15,010,410
Franchise Fees	1,580,304	1,653,146	1,612,000	1,781,141	1,700,391	1,655,060	1,625,675
Licenses and Permits	345,525	548,627	276,425	211,113	245,020	259,533	464,170
Grants and Contributions	--	--	280,000	375,300	2,790,795	170,187	236,500
Fines Penalties and Forfeitures	88,500	113,139	52,500	33,588	68,222	24,466	60,691
Facility Rental	84,000	83,632	119,800	73,362	84,306	85,346	137,122
Interest, Rents and Concessions	174,300	170,939	70,000	91,154	4,701	67,654	20,000
Intergovernmental	43,795	34,296	63,000	142,885	85,856	79,192	92,500
Charges for Services	1,289,400	1,595,402	1,450,005	1,615,737	1,498,228	1,317,597	2,194,001
Other Revenue	--	110,223	670,890	262,009	217,012	254,645	366,200
Total Revenue	\$19,613,363	\$19,767,086	\$22,073,294	\$21,335,501	\$25,369,761	\$21,902,926	\$20,207,269
Expenditures:							
General Government	\$174,869	\$136,106	\$34,193	\$45,889	\$404,217	\$848,971	\$328,729
Public Safety	10,930,316	12,571,245	12,267,629	11,768,069	12,550,850	11,302,165	11,775,861
Public Works	1,652,513	1,643,691	1,494,939	1,518,533	1,164,700	1,428,562	1,232,813
Housing and Community Develop	1,100,855	1,019,061	1,164,398	1,107,911	1,479,620	1,107,326	958,212
Recreation and Culture	1,133,947	1,250,665	1,194,767	1,292,703	1,883,308	1,785,495	1,316,497
Parks, Buildings and Grounds	1,526,402	1,412,291	1,349,170	1,461,292	1,299,000	1,323,286	1,092,340
Economic Development	159,641	146,754	177,017	178,493	111,903	201,579	18,383
Capital Outlay	9,570,842	7,904,131	5,386,028	2,152,947	2,987,986	159,461	682,000
Debt Service	63,980	63,980	298,971	350,708	304,174	350,425	304,780
Total Expenditures	\$26,313,365	\$26,147,924	\$23,367,112	\$19,876,571	\$22,185,758	\$18,507,270	\$17,709,616
Revenue Over (Under)	\$(6,700,002)	\$(6,380,838)	\$(1,293,818)	\$1,458,930	\$3,184,003	\$3,395,656	\$2,497,653
Other Financing Sources							
(Uses):							
Debt Proceeds/Restatement	\$4,000,000	\$5,125,731	\$300,000	\$6,000,000 ⁽²⁾	\$ --	\$ --	\$ --
Transfers in	2,186,703	851,338	2,637,704	166,699	429,000	4,000	129,000
Transfers out	(410,856)	(349,902)	(3,925,130)	(2,959,541)	(3,148,770)	(3,106,818)	(2,626,653)
Total Other Financing Uses	\$5,775,847	\$5,228,523	\$(987,426)	\$3,207,158	(2,719,770)	\$(3,102,818)	\$(2,497,653)
Change in Fund Balances	\$(924,155)	\$(1,152,315)	\$(2,281,244)	\$4,666,088	\$464,233	\$292,838	\$ 0
Fund Balance:							
Beginning of Fiscal Year	\$5,322,236	\$5,322,236	\$4,169,921	\$4,169,921	\$8,836,009	\$8,836,009	\$9,128,847
End of Fiscal Year	\$4,398,081	\$4,169,921	\$1,888,677	\$8,836,009	\$9,300,242	\$9,128,847	\$9,128,847

(1) As of June __, 2020.

(2) This is money received by the City resulting from a one-time reinstatement of loan from former Ukiah Redevelopment Agency.

Sources: Audited Financial Statements for Fiscal Years 2017-18 and 2018-19, Adopted Budgets for Fiscal Years 2017-18 through 2020-21 and the City's estimate of unaudited results for Fiscal Year 2019-20.

General Fund Key Revenue Sources. The four major general fund revenue sources of the City, which together accounted in Fiscal Year 2018-19 for about 85% of the general fund revenues (collectively, the “Key Revenue Sources”), are Sales Tax (56% of total general fund revenue), Property Tax (14% of total general fund revenue), Franchise Taxes (8% of total general fund revenue) and Transient Occupancy Tax (7% of total general fund revenues). See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2018-19” herein.

The City’s receipt of taxes and other revenue will likely be impacted by the economic effects of the coronavirus. See “RISK FACTORS – COVID-19 Pandemic” and “– General Fund, the Budget Process and Information” for a description of the projected impact that COVID-19 will have on the City’s finances.

The following Table 3 sets forth the audited revenues received by the City for each of the Key Revenue Sources for Fiscal Years 2014-15 through 2018-19, and the unaudited estimated revenue expected to be received by the City for each of the Key Revenue Sources for Fiscal Year 2019-20, which have been totaled and compared to the prior Fiscal Year to illustrate the amount and percent of change.

Table 3
CITY OF UKIAH
FISCAL YEARS 2014-15 THROUGH 2019-20

GENERAL FUND KEY REVENUE SOURCES AND CHANGE FROM PRIOR YEAR⁽¹⁾						
Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Transient Occupancy Taxes	Total of Key Tax Sources	% Change From Prior Year
2015	\$5,976,938	\$3,729,370	\$1,643,559	\$1,061,823	\$12,411,690	N/A
2016	7,714,762	2,641,247	1,514,800	1,229,814	13,100,623	05.55%
2017	9,805,225	1,470,323	1,551,794	1,302,336	14,129,678	07.86
2018	10,802,364	2,838,902	1,653,146	1,406,417	16,700,829	18.20
2019	11,974,379	2,984,192	1,781,141	1,496,473	18,236,185	09.19
2020 ⁽²⁾	12,571,212	3,018,115	1,655,060	1,260,808	17,986,381	<01.39>

(1) Includes transfers in from other funds.

(2) Based upon unaudited Fiscal Year End 2019-20 results, calculated by the City as of October __, 2020.

Source: The City

The following Table 4 sets forth the audited revenues received by the City for the total of Key Revenue Sources and total of Other General Fund Revenue Sources for Fiscal Years 2014-15 through 2018-19, and the unaudited estimated actual revenue expected to be received by the City for each of the Key Revenue Sources and total of Other General Fund Revenue Sources for Fiscal Year 2019-20, which have been totaled and compared to the prior Fiscal Year to illustrate the amount and percent of change.

Table 4
CITY OF UKIAH
FISCAL YEARS 2014-15 THROUGH 2019-20

SUMMARY OF GENERAL REVENUES AND CHANGE FROM PRIOR YEAR					
Fiscal Year	Total of Key Tax Sources⁽¹⁾	Other General Fund Revenues	Total General Fund Revenues	Change From Prior Year	
				Amount	Percent
2015	\$12,411,690	\$2,082,172	\$14,493,862	N/A	N/A
2016	13,100,623	2,224,056	15,324,679	\$830,817	05.73%
2017	14,129,678	2,310,720	16,440,398	1,115,719	07.28
2018	16,700,829	3,066,257	19,767,086	3,326,688	20.24
2019	18,236,185	3,099,316	21,335,501	1,568,415	07.94
2020 ⁽²⁾	17,986,381	3,916,545	21,902,926	567,425	02.66

(1) Comprised of the Transient Occupancy Tax, Sales Tax and Property Tax totals set forth in Table 3, above.

(2) Based upon unaudited Fiscal Year End 2019-20 results, calculated by the City as of October __, 2020.

Source: The City

Sales and Use Taxes

Sales taxes were the largest category of revenue source to the City, constituting approximately 56% of the City's annual General Fund income (\$11,974,379) for the 2018-19 Fiscal Year. In Fiscal Year 2017-18, the Sales Tax generated \$10,802,364 in General Fund revenues, or approximately 55% of the City's total General Fund revenue for that period. The City estimates that it received \$12,571,212 in sales tax revenues in Fiscal Year 2019-20 and has budgeted for the receipt of approximately \$10,697,430 in Fiscal Year 2020-21. The City's sales tax revenue represents the City's share of the sales and use tax, imposed on taxable transactions occurring within the City's boundaries.

The voters in the City approved "Measure P", a one-half of one percent (0.50%) transaction sales and use tax, in November of 2014 (the "Measure P") which replaced a sun-setting transaction and use tax known as Measure S. The voters in the City in November of 2016 approved "Measure Y", a one-half of one percent (0.50%) transaction sales and use tax (the "Measure Y"). Measures P and Y have no expiration date. Measures P and Y are in addition to the basic one percent (1%) collected by the City for all taxable sales in the City. All sales tax proceeds received by the City are accounted for in the City's General Fund, and may be used for any lawful purpose, as designated by the City Council. See "– City's Ten-Year Forecast of General Fund Revenues" below.

The following Table 5 sets forth the City-generated taxable sales data for Calendar Years 2010 through 2019.

Table 5
CITY OF UKIAH
CALENDAR YEARS 2008 THROUGH 2018

TAXABLE SALES DATA		
Calendar Year	Taxable Sales (Retail and Food Service)	Taxable Sales (All Outlets)
2010	325,169,000	360,699,000
2011	339,117,000	374,042,000
2012	355,957,000	393,163,000
2013	365,588,000	405,631,000
2014	371,265,000	411,570,000
2015	390,263,000	436,189,000
2016	415,019,000	467,938,000
2017	413,944,000	465,072,000
2018	432,010,000	484,816,000
2019	491,186,000	548,622,000

Source: California State BOE (2009-2016) and California Dept. of Tax and Fee Administration (2017-2019).

Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by California Department of Tax and Fee Administration (“CDTFA”)) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “Sales and Use Tax Law”). The total sales tax rate on taxable goods in the City is presently [2%].

As part of the State’s Fiscal Year 2003-04 Budget, the State Legislature authorized, and the voters of the State approved, a redirection to the State from local jurisdictions (including the City) of sales tax revenues in the amount of 0.25% of the basic 1.0% local sales tax rate, starting July 1, 2004. The State uses such revenues to pay the State’s economic recovery bonds. Under the California Economic Recovery Act, which includes legislation commonly referred to as the “Triple Flip”, the State redirected certain property taxes in the Education Augmentation Revenue Fund to local governments, including the City, to compensate for this redirection of sales taxes on a “dollar for dollar” basis. The “Triple Flip” ended in Fiscal Year 2015-16.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products: food products for home consumption; prescription medicine; newspapers and periodicals; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines and pipes. This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization’s July 2014 Publication No. 61 entitled “Sales and Use Taxes: Exemptions and Exclusions,” which can be found on the State Board of Equalization’s website at <http://www.boe.ca.gov/>. The City and the Authority do not take any responsibility

for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.

Sales Tax Collection. Collection of the State sales tax, including Measures P and Y, is administered by the CDTFA. The Taxpayer Transparency and Fairness Act of 2017 restructured the Board of Equalization into three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The CDTFA handles most of the taxes and fees previously collected by the Board of Equalization, including, as of July 1, 2017, the Measures P and Y Tax. Pursuant to its procedures, the CDTFA projects receipts of the sales and use taxes on a quarterly basis and remits receipts to the City each month based on such projection. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the second month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use taxes for the previous quarter less administration costs. CDTFA receives an administrative fee based on the cost of services 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.

On April 3, 2020, Governor Newsom issued an Executive Order that allows all businesses with less than \$5 million in annual taxable sales the ability to defer payment on up to \$50,000 in sales and use tax liability without incurring any penalties or interest. Under the program, qualifying businesses can enter into payment plans to distribute up to \$50,000 of sales tax liability over a 12-month period, interest-free. For taxpayers choosing to defer their 1st quarter 2020 liability, for example, up to \$50,000 of the obligation would now be paid in twelve equal monthly installments, with the first payment not due until July 31, 2020.

Franchise Tax

The Franchise Tax revenue is the third largest single source of revenue to the City, constituting approximately 8% of the City's annual General Fund income (\$1,781,141) for the 2018-19 Fiscal Year. In Fiscal Year 2017-18, the Transient Occupancy Tax generated \$1,653,146 in General Fund revenues, or approximately 8% of the City's total General Fund revenue for that period. The City estimates that it received \$2,068,557 in Franchise Tax revenues in Fiscal Year 2019-20 and has budgeted for the receipt of approximately \$2,089,845 in Fiscal Year 2020-21.

Franchise Taxes are not taxes, but rather rents paid by utility providers to operate on or in City rights-of-way and City property, such as roads, sidewalks, parklands, etc. The rents are established by the City Council and typically are correlated to gross revenues generated by the utility provider. Revenues from this source remain stable as electric charges from rates rise through increased usage and rate adjustments.

Transient Occupancy Tax

In general, Transient Occupancy Tax revenues are equal to 10% of the rent charged by all lodging businesses for a person exercising occupancy for 30 consecutive calendar days or less, paid monthly to the City. The Transient Occupancy Tax revenue is the fourth largest single source of revenue to the City, constituting approximately 7% of the City's annual General Fund income (\$1,496,473) for the 2018-19 Fiscal Year. In Fiscal Year 2017-18, the Transient Occupancy Tax generated \$1,406,417 in General Fund revenues, or approximately 7% of the City's total General Fund revenue for that period. The City estimates that it received \$1,260,808 in Transient Occupancy Tax revenues in Fiscal Year 2019-20 and has budgeted for the receipt of approximately \$870,000 in Fiscal Year 2020-21.

Property Taxes

Property tax revenue is the second largest source of revenue to the City, constituting approximately 14% of the City's annual General Fund income (\$2,984,192) for the 2018-19 Fiscal Year. In Fiscal Year 2017-18, the property tax levies generated \$2,838,902 in General Fund revenues, or approximately 14% of the City's total General Fund revenue for that period. The City estimates that it received \$3,032,425 in property tax revenues in Fiscal Year 2019-20 and has budgeted for the receipt of approximately \$3,099,480 in Fiscal Year 2020-21.

Tax Levies and Delinquencies. Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the City 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 property and real property having a tax lien which is sufficient, in the opinion of the 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 the Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1 of the Fiscal Year. The City has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

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, which includes the City.

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.

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 PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS.”

Future assessed valuation growth allowed under Article XIII A (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.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-1976 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 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.

Recently, State legislations have been introduced in order to assist various affected people and companies as a result of the COVID-19 outbreak. For example, Senate Bill 939 would allow under certain circumstances a commercial tenant that is a small business or is an eating or drinking establishment, place of entertainment, or performance venue that meets specified financial criteria, including experiencing a specified decline in revenue after a shelter-in-place order took effect, to terminate a lease without any liability for future rent, fees, or costs that otherwise may have been due under the lease. Also, Senate Bill 1431 would expand the provisions allowing for reassessment of property. Under existing law, property may be reassessed for damage or destruction caused by one of three specified occurrences, including a major misfortune or calamity in an area or region subsequently proclaimed by the Governor to be in a state of disaster if the property was damaged or destroyed by the misfortune or calamity that caused the Governor to proclaim the region to be in

a state of disaster. Senate Bill 1431 would specify that “damage” includes diminution in the value of property as a result of any law, order, rule, or regulation of the state or any city, county, or other political subdivisions providing tenant protections in response to the COVID-19 outbreak and would also specify that the term “major misfortune or calamity” includes the COVID-19 outbreak. It is unknown what net impact, if any, these legislative efforts or other future similar bills, if enacted, would have on the assessed values of real property within the City.

Assessed Valuation History. Table 6 below presents the assessed valuation of taxable property in the City from Fiscal Year 2010-11 through Fiscal Year 2020-21. An extended recession caused by the COVID-19 Pandemic, could impact assessed values with the City and result in decreased property tax revenues. See “– COVID-19 Pandemic” herein.

Table 6
CITY OF UKIAH
FISCAL YEARS 2010-11 THROUGH 2020-21

ASSESSED VALUATIONS OF ALL TAXABLE PROPERTY				
<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2010-11	\$1,180,790,444	\$0	\$74,074,644	\$1,254,865,088
2011-12	1,169,395,369	0	80,975,556	1,250,370,925
2012-13	1,171,599,083	0	78,474,614	1,250,073,697
2013-14	1,195,466,105	0	70,234,083	1,265,700,188
2014-15	1,224,746,468	0	69,743,046	1,294,489,514
2015-16	1,267,903,229	0	68,336,666	1,336,239,895
2016-17	1,304,711,495	0	68,027,482	1,372,738,977
2017-18	1,364,333,801	0	72,072,094	1,436,405,895
2018-19	1,424,497,607	0	74,628,367	1,499,125,974
2019-20	1,491,766,585	0	76,242,235	1,568,008,820
2020-21	1,542,790,339	0	68,242,957	1,611,033,296

Source: California Municipal Statistics Inc.

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Assessed Valuation by Land Use. Table 7 below shows land use (according to 2020-21 assessed valuation) in the City. The majority of land is used for residential purposes.

**Table 7
CITY OF UKIAH
FISCAL YEAR 2018-19**

ASSESSED VALUATION AND PARCELS BY LAND USE				
	2020-21 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$1,226,328	0.08%	7	0.14%
Commercial/Office	406,445,026	26.34	587	11.59
Vacant Commercial	17,891,875	1.16	84	1.66
Industrial	28,236,788	1.83	34	0.67
Vacant Industrial	8,152,422	0.53	12	0.24
Recreational	3,526,449	0.23	3	0.06
Government/Social/Institutional	10,329,518	0.67	209	4.13
Miscellaneous	1,307,253	0.08	50	0.99
Subtotal Non-Residential	\$476,839,751	30.93%	986	19.47%
<u>Residential:</u>				
Single-Family Residence	\$882,526,985	57.20%	3,530	69.72%
Mobile Home	5,596,008	0.36	104	2.05
Mobile Home Park	17,501,950	1.13	10	0.20
2 Residential Units/Duplex	35,028,092	2.27	149	2.94
3+ Residential Units/Apartments	109,254,196	7.08	169	3.34
Miscellaneous Residential	4,397,421	0.29	12	0.24
Vacant Residential	11,370,028	0.74	103	4.31
Subtotal Residential	\$1,065,674,680	69.07%	4,076	80.53%
Total	\$1,542,790,339	100.00%	5,063	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Per Parcel Assessed Valuation of Single-Family Homes. Table 8 below shows the per parcel assessed valuation for improved single-family homes (according to 2020-21 assessed valuation) in the City. The average assessed valuation is \$250,008, and the median assessed valuation is \$238,668.

Table 8
CITY OF UKIAH
FISCAL YEAR 2020-21

PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY HOMES					
2020-21 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	14	0.397%	\$198,139	0.022%	0.022%
\$25,000 - \$49,999	133	3.768	5,377,282	0.609	0.632
\$50,000 - \$74,999	212	6.006	13,030,143	1.476	2.108
\$75,000 - \$99,999	183	5.184	16,130,316	1.828	3.936
\$100,000 - \$124,999	190	5.382	21,352,774	2.420	6.355
\$125,000 - \$149,999	213	6.034	29,173,029	3.306	9.661
\$150,000 - \$174,999	224	6.346	36,464,751	4.132	13.793
\$175,000 - \$199,999	269	7.620	50,392,414	5.710	19.503
\$200,000 - \$224,999	211	5.977	44,728,084	5.068	24.571
\$225,000 - \$249,999	212	6.006	50,487,055	5.721	30.292
\$250,000 - \$274,999	221	6.261	58,065,734	6.579	36.871
\$275,000 - \$299,999	223	6.317	64,482,181	7.307	44.178
\$300,000 - \$324,999	220	6.232	68,624,126	7.776	51.954
\$325,000 - \$349,999	216	6.119	72,939,140	8.265	60.219
\$350,000 - \$374,999	203	5.751	73,543,731	8.333	68.552
\$375,000 - \$399,999	161	4.561	62,350,800	7.065	75.617
\$400,000 - \$424,999	108	3.059	44,444,991	5.036	80.653
\$425,000 - \$449,999	73	2.068	31,910,688	3.616	84.269
\$450,000 - \$474,999	50	1.416	23,172,072	2.626	86.895
\$475,000 - \$499,999	39	1.105	18,989,336	2.152	89.046
\$500,000 and greater	155	4.391	\$96,670,199	10.954	100.000
Total	3,530	100.000%	\$882,526,985	100.00%	100.000%

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Top Taxpayers. The top twenty taxpayers, based on local secured assessed values of taxable property in the City, as shown on the 2020-21 tax roll, are set forth in the following Table 9:

Table 9
CITY OF UKIAH

TOP 20 LARGEST 2020-21 LOCAL SECURED TAXPAYERS				
	<u>Property Owner</u>	<u>Land Use</u>	<u>Assessed Valuation</u>	<u>Percentage of Total (1)</u>
1.	Costco Wholesale Corporation	Commercial	\$23,195,851	1.50%
2.	Pear Tree REH LLC	Shopping Center	19,578,662	1.27
3.	Pear Orchard Associates	Commercial	14,630,307	0.95
4.	Savings Bank of Mendocino County	Bank	13,576,698	0.88
5.	Skycrest Properties LP	Commercial	10,724,072	0.70
6.	Wal Mart Real Estate Business Trust	Commercial	10,714,180	0.69
7.	Redwood Business Park of Ukiah	Commercial	10,456,219	0.68
8.	Robert S. Sherwood	Apartments	8,846,940	0.57
9.	Safeway Inc.	Supermarket	8,520,436	0.55
10.	Marina Bay Crossing LLC	Industrial	8,180,000	0.53
11.	S & K Inns of America Inc.	Hotel/Motel	7,917,000	0.51
12.	RCI Sierra Sunset LLC	Apartments	7,549,650	0.49
13.	FC Ranger RE Mountain View LLC	Convalescent Hospital	6,180,311	0.40
14.	Legacy Four Ukiah LLC	Commercial	5,990,203	0.39
15.	Manor Oaks Mobile Estates LLC	Mobile Home Park	5,891,238	0.38
16.	Rancho Del Rey Asset Partners LP	Mobile Home Park	5,872,940	0.38
17.	Echelon Communities LLC	Apartments	5,668,724	0.37
18.	Shami Enterprises LLC	Shopping Center	5,272,215	0.34
19.	Willcon LLC	Commercial	5,200,000	0.34
20.	Ukiah Valley Medical Plaza LP	Medical Buildings	<u>5,179,128</u>	<u>0.34</u>
	Total		\$189,144,774	12.26%

(1) 2020-21 Local Secured Assessed Valuation: \$1,542,790,339.

Source: California Municipal Statistics Inc.

Financial Statements

The City's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by GASB.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be

available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Audited Financial Statements. The City’s most recent audited financial statements for the Fiscal Year ending June 30, 2019, are attached as “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2018-19” to this Official Statement, which were prepared by the City and audited by Van Lant & Fankhanel, LLP, Certified Public Accountants, Loma Linda, California (the “Auditor”).

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain 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 the General Fund. In addition, the Auditor has not reviewed this Official Statement.

General Fund Historical Financial Data

The following Tables 10 and 11 provide a five-year history of (i) the City’s Comparative Balance Sheet for Fiscal Years 2014-15 through 2018-19, and (ii) the City’s General Fund revenues, expenditures, and changes in fund balances for Fiscal Years 2014-15 through 2018-19.

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Table 10
CITY OF UKIAH
HISTORICAL GENERAL FUND DATA
FISCAL YEARS 2014-15 THROUGH 2018-19

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE					
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
Revenues:					
Taxes and Assessments	\$11,172,306	\$11,988,346	\$12,960,958	\$15,457,682	\$16,749,212
Franchise Fees	1,643,559	1,514,800	1,638,042	1,653,146	1,781,141
Licenses and Permits	186,012	341,642	154,553	548,627	211,113
Grants and Contributions	--	--	83,390	--	375,300
Fines Penalties and Forfeitures	58,692	78,589	73,835	113,139	33,588
Facility Rental	--	--	--	--	73,362
Interest, Rents and Concessions	219,696	161,676	95,016	170,939	91,154
Intergovernmental	183,021	165,376	--	34,296	142,885
Charges for Services	882,761	713,948	1,427,085	1,679,034	1,615,737
Other Revenue	147,815	360,302	7,519	110,223	262,009
Total Revenue	\$14,493,862	\$15,324,679	\$16,440,398	\$19,767,086	\$21,335,501
Expenditures:					
General Government	\$550,658	\$258,383	\$430,390	\$136,106	\$45,889
Public Safety	9,753,881	10,828,693	11,200,362	12,571,245	11,768,069
Public Works	2,010,958	1,847,237	1,158,550	1,643,691	1,518,533
Housing and Community Develop	202,683	147,879	822,166	1,019,061	1,107,911
Recreation and Culture	1,795,372	639,604	1,036,260	1,250,665	2,753,995
Parks, Buildings and Grounds	288,233	1,441,812	1,312,208	1,412,291	26
Economic Development	--	133,476	181,387	146,754	178,493
Capital Outlay	311,333	16,575	44,479	7,904,131	2,152,947
Debt Service	--	--	16,243	63,980	350,708
Total Expenditures	\$15,099,745	\$15,313,659	\$16,202,045	\$26,147,924	\$19,876,571
Revenue Over (Under)					
Expenditures	\$(605,883)	\$11,020	\$238,353	\$(6,380,838)	\$1,458,930
Other Financing Sources					
(Uses):					
Debt Proceeds/Restatement	--	--	--	5,125,731	6,000,000 ⁽⁴⁾
Transfers in	712,151	345,445	415,601	851,338	166,699
Transfers out	(461,800)	(503,358)	(544,719)	(349,902)	(2,959,541)
Total Other Financing Uses	\$250,351	\$(157,913)	\$129,118	\$5,228,523	\$3,207,158
Change in Fund Balances	\$(355,532)	\$(146,893)	\$109,235	\$(1,152,315)	\$4,666,088
Fund Balance:					
Beginning of Fiscal Year	\$5,715,426	\$5,359,894	\$5,213,001	\$5,322,236	\$4,169,921
End of Fiscal Year	\$5,359,894	\$5,213,001	\$5,322,236	\$4,169,921	\$8,836,009

Source: City's Audited Financial Statements

Table 11
CITY OF UKIAH
HISTORICAL GENERAL FUND DATA
FISCAL YEARS 2014-2015 THROUGH 2018-19

BALANCE SHEET					
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
ASSETS					
Cash and Investments	\$3,677,677	\$2,192,367	\$1,943,148	\$4,183,781	\$140,160
Restricted Cash and Investments	--	--	--	4,035,436	797,531
Accounts Receivables	191,543	767,031	13,608	150,830	645,439
Taxes Receivable	1,230,266	1,372,646	2,019,378	2,133,052	1,801,306
Advance to Successor Agency	--	--	--	--	6,000,000
Notes Receivable	1,385	660	725	825	216
Interest Receivable	47,203	15,623	17,033	11,247	34,381
Inventories and Prepays	25,748	11,437	15,901	14,290	216
Due from Other Funds	359,286	600,156	935,266	--	48,772
Advances to Other Funds	618,595	899,246	1,115,967	1,778,132	1,590,370
Due from Other Agencies	24,718	--	--	--	103,091
Total Assets	\$6,176,421	\$5,859,166	\$6,061,026	\$12,307,593	\$11,161,482
LIABILITIES					
Accounts Payable	\$433,374	\$275,271	\$294,875	\$5,886,763	\$874,063
Accrued Payroll Liabilities	299,038	370,894	443,915	502,733	500,924
Advance from Other Funds	--	--	--	1,748,176	921,469
Total Liabilities	\$732,412	\$646,165	\$738,790	\$8,137,672	\$2,296,456
DEFERRED INFLOWS					
Unavailable revenues - grants and subventions	84,115	--	--	--	29,017
Total liabilities and deferred inflows	\$816,527	\$646,165	\$738,790	\$8,137,672	\$2,325,473
FUND BALANCE (DEFICITS)					
Restricted and/or Nonspendable	\$645,728	\$911,343	\$1,131,868	\$5,793,247	\$5,514,226
Unassigned and Assigned	4,714,166	4,301,658	4,190,368	(1,623,326)	3,321,783
Total Fund Balances	\$5,359,894	\$5,213,001	\$5,322,236	\$4,169,921	\$8,836,009
Total Liabilities and Fund Balance	\$6,176,421	\$5,859,166	\$6,061,026	\$12,307,593	\$11,161,482

Source: City's Audited Financial Statements

Relevant Fiscal Policies

The City has adopted a comprehensive set of fiscal policies to provide guidance for all fiscal activities and resource allocation decisions as defined in the Adopted Budget. The policies set forth guidelines for both current activities and long-range planning. In addition, the City Council approved or adopted several other fiscal policies including:

- Investment Policy.
- Debt Management Policy.
- Reserve Policy

The following are certain highlighted aspects of the adopted policies.

City Investment Policy. The City invests its funds in accordance with the City's Investment Policy, in accordance with Section 53600 et seq. of the State Government Code. Idle cash management and investment transactions are the responsibility of the City Manager and City Treasurer. The Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy's stated overarching purpose is to (i) ensure that public funds are invested in such a manner as to comply with state and local laws; (ii) ensure prudent money management; (iii) provide for daily cash flow requirements; and (iv) meet the objectives of the Investment Policy (per California Government Code Section 53600.5) in the following order of priority:

1. **Safety of Principal:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City strives to diversify its investments by investing funds among a variety of securities with independent returns.

2. **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Maturities of investments are selected in anticipation of disbursement needs, thereby obviating the need for forced liquidation or lost interest penalties.

3. **Return on Investments:** The City's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the City's investment risk constraints identified in the Investment Policy and the cash flow characteristics of the portfolio.

Debt Management Policy. The City's Debt Management Policy sets forth parameters for issuing debt and managing the City's debt portfolio and generally sets forth the following: (i) the purposes for which the debt proceeds may be used, (ii) the types of debt that may be issued, (iii) the relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable, (iv) policy goals related to the City's planning goals and objectives, and (v) the internal control procedures that the City has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. This policy will also assist the City in pursuing and maintaining quality credit ratings in addition to providing guidance to decision makers.

Reserve Policy. The City's Reserve Policy provides that the City strive to maintain a fund balance in the General Fund, including the General Fund's Strategic Reserve Fund, of at least twenty-five percent (25%) of budgeted General Fund operating expenditures. A 25% fund balance is equivalent to approximately three months of operating expenditures. The Reserve Policy's stated purpose of a 25% minimum fund balance is to meet cash flow requirements, to protect the City's essential service programs and funding requirements during periods of economic uncertainty, local disasters, other financial hardships or downturns in the local economy, and to provide for unforeseen operating or capital needs. The Operating Reserve contained approximately \$9.13 million as of June 30, 2020 (unaudited), which at 49.33% was above the target of 25% of budgeted General Fund expenditures (\$18.5 million for Fiscal Year 2021).

Risk Management

The City is a member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities, created pursuant to California law for liability and workers' compensation insurance services. The City pays an annual premium to the pool for its workers' compensation, general liability and property coverage. Risk of loss is retained for general liability claims by each city per occurrence. The agreement with the pool provides that it will be self-sustaining through member premiums and that excess coverage be carried for general liability claims and for workers' compensation claims in excess per insured event. The number of unpaid claims was immaterial at Fiscal Year-end.

The City of Ukiah participates in the following three REMIF programs:

General Liability Insurance. Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Ukiah self-insures for the first \$25,000 of each loss and pays 100 percent of all losses incurred under \$25,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$39,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation. Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Ukiah is self-insured for the first \$10,000 of each loss and pays 100 percent of all losses incurred under \$10,000. The City does not share or pay for losses of other cities under \$5,000.

Property Insurance. The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Ukiah has a deductible level of \$100,000 for all property, \$500,000 for wildfire, \$250,000 for high flood zones, and a coverage limit of \$400,000,000 declared value.

Separate internal service funds are maintained by the City for the City's deductibles and allocated share of pooled costs noted above. The total cash and investments held in these funds at June 30, 2019, was \$1,200,317.

Employee Retirement System; CalPERS

The following information relating to the CalPERS is primarily derived from information produced by CalPERS, its independent accountants and actuaries, as interpreted by the City and its Auditor. The City and the Authority have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS. The information under this caption is based on CalPERS reports prior to the impact of the COVID-19 Pandemic on the financial markets. The financial markets have suffered significant dislocations and losses since the date the information in this section which is likely to have a materially adverse impact on the funding status of the City's retirement plans and its required contributions to CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the City the Authority nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are forward-looking statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See "BOND OWNERS' RISKS – Pension Benefit Liability" herein.

Implementation of GASB Nos. 68 and 71. In June 2012 and November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (“GASB Statement No. 68”) and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 (“GASB Statement No. 71”), respectively. The primary objective of GASB Statement No. 68, as amended, is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 68, as amended, revised the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in fiscal year 2014-15. Based on the adoption of the new accounting standards, beginning with the fiscal year 2014-15 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB Statement No. 68, as amended, changes the reporting and disclosure requirements for financial statement accounting purposes, but it does not change the City's pension plan funding obligations and, therefore, had no effect on the City's General Fund.

Certain information shown in this section has been sourced from a CalPERS Actuarial Valuation Report which has not been prepared in accordance with GASB Statement No. 68, as amended.

Plan Description. The City contributes to CalPERS, a cost sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police), Safety (fire) and Miscellaneous (all other) Employee Pension Plans (the “Pension Plans”).

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. Benefit provisions under the Pension Plans are established pursuant to State statute and City ordinance.

CalPERS issues publicly available financial reports that include the financial statements and required supplementary information for the CalPERS. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, projections of contributions of plan participants (including the City), assumptions and membership information that can be found on the CalPERS website. Copies of CalPERS’ annual financial report may be obtained from its executive office located at 400 Q Street, Sacramento, California 95811, or via <http://www.calpers.ca.gov>.

The City participates in the Safety and Miscellaneous CalPERS cost sharing multiple-employer plans. The Safety (police) plans consist of Police Classic, and Police Public Employee Pension Reform Act (PEPRA). The Safety (fire) plans consist of Police Classic, and Police PEPRA. The Miscellaneous plans consist of Miscellaneous Classic and Miscellaneous PEPRA.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 52 years with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is of the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Effective January 1, 2013, CalPERS instituted a new pension plan as a result of PEPRA. Employees hired from that date on are subject to the new 2% at 62 benefit formula. The 2.5% at 55 benefit formula has been closed to new hires from January 1, 2013 on, unless they meet the rules for a CalPERS Classic employee. A Classic employee is already CalPERS member through prior employment and was employed by a CalPERS member within the last 6 months. See the CalPERS website for more information.

The provisions and benefits for each Pension Plan in effect at June 30, 2019, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.70% @ 55	2.00% @ 62
Benefit vesting schedule	5 years’ service	5 years’ service
Benefit payments	Monthly for life	Monthly for life

Retirement age	55	62
Monthly benefits, as a % of eligible	2.00% to 2.50%	1.00% to 2.50%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates	12.859%	6.750%

Source: City's 2018-19 Audited Financial Statements.

Safety (Fire)

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.00% @ 55	2.70% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible	2.40% to 3.00%	2.0% to 2.70%
Required employee contribution rates	9.00%	12.25%
Required employer contribution rates	20.416%	12.965%

Source: City's 2018-19 Audited Financial Statements.

Safety (Police)

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.00% @ 50	2.70% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible	3.00%	2.00% to 2.70%
Required employee contribution rates	9.00%	12.25%
Required employer contribution rates	20.346%	12.965%

Source: City's 2018-19 Audited Financial Statements.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Pension Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

The City is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The actuarially determined rates and amounts for each Pension Plan for the fiscal years ended June 30, 2019 and June 30, 2020, are as follows:

CITY'S REQUIRED EMPLOYER CONTRIBUTION RATES & PAYMENTS

Pension Plan	Fiscal Year 2020-21			Fiscal Year 2021-22		
	Employer Normal Cost Rate	Employer Normal Cost Payment	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Normal Cost Payment	Employer Payment of Unfunded Liability
Miscellaneous	12.764%	\$1,247,475	\$2,498,680	12.180%	\$1,291,806	\$2,816,117
Safety (Fire)	23.558	316,961	558,118	23.620	323,254	637,213
Safety (Police)	25.540	487,220	1,020,305	25.590	491,469	1,163,139
Safety (Fire) - PEPRA	13.884	8,635	687			
Safety (Police) - PEPRA	13.884	131,697	8,293			
Totals		\$2,191,988	\$4,086,083		\$663,961	\$1,149,677

Source: CalPERS Annual Valuation Report as of June 30, 2019.

Funding History. The funding history for the Miscellaneous Pension Plan, the Safety (Fire) Pension Plan and the Safety (Police) Pension Plan is shown in the tables below, listing for each plan the actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

MISCELLANEOUS PLAN

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/15	\$77,006,902	\$49,394,496	\$27,612,406	64.1%	\$7,718,129
06/30/16	80,026,846	48,625,338	31,401,508	60.8%	8,167,804
06/30/17	85,192,539	53,149,353	32,043,186	62.4%	8,585,871
06/30/18	93,050,082	56,829,079	36,221,003	61.1%	9,009,487
06/30/19	97,517,888	59,864,803	37,653,085	61.4%	9,776,975

Source: CalPERS Annual Valuation Report as of June 30, 2019.

SAFETY PLAN (FIRE) PLAN

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/15	\$18,778,934	\$14,123,247	\$4,655,687	75.2%	\$861,058
06/30/16	19,502,338	13,664,401	5,837,937	70.1%	872,361
06/30/17	20,415,328	14,564,518	5,850,810	71.3%	915,514
06/30/18	22,124,489	15,535,281	6,589,208	70.2%	1,240,287
06/30/19	22,910,724	16,095,947	6,814,777	70.3%	1,261,589

Source: CalPERS Annual Valuation Report as of June 30, 2019.

SAFETY PLAN (POLICE) PLAN

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/15	\$32,603,700	\$23,991,212	\$8,612,488	73.6%	\$2,014,967
06/30/16	34,518,518	23,828,491	10,690,027	69.0%	1,962,148
06/30/17	37,825,137	27,120,214	10,704,923	71.7%	2,000,942
06/30/18	42,141,491	30,036,825	12,104,666	71.3%	1,758,566
06/30/19	42,902,629	30,377,909	12,524,720	70.8%	1,770,437

Source: CalPERS Annual Valuation Report as of June 30, 2019.

Actuarial Methods and Assumptions. At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate assumption provides a more realistic assumption for the long-term investment return of the fund.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for public agencies. These new assumptions are incorporated in the actuarial valuation used by CalPERS and will impact the required contribution for FY 2020-21.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to future discount rates.

Subsequent Events. The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

The contribution requirements determined in most current CalPERS actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets

subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future retired contributions while investment returns above the assumed rate of return will decrease future retired contribution.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Analysis of Discount Rate Sensitivity. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates. Results are shown using the current discount rate of 7.0 percent as well as alternate discount rates of 6.0 percent and 8.0 percent. The rates of 6.0 percent and 8.0 percent were selected by CalPERS since they illustrate the impact of a 1 percent increase or decrease to the 7.0 percent assumption. This analysis shows the potential plan impacts if the particular plan were to realize investment returns of 6.0 percent, 7.0 percent, or 8.0 percent over the long-term.

MISCELLANEOUS PLAN

<u>As of June 30, 2019</u>	<u>Plan's Total Normal Cost</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Status</u>
6.0%	43.60%	\$37,621,930	\$14,285,088	62.0%
7.0% (current discount rate)	34.58%	33,307,111	9,970,269	70.1%
8.0%	27.72%	29,720,526	6,383,684	78.5%

SAFETY PLAN (FIRE)

<u>As of June 30, 2019</u>	<u>Plan's Total Normal Cost</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Status</u>
6.0%	40.68%	\$25,988,867	\$16,095,947	61.9%
7.0% (current discount rate)	32.61%	22,910,724	6,814,777	70.3%
8.0%	26.42%	20,391,778	4,295,831	78.9%

SAFETY PLAN (POLICE)

<u>As of June 30, 2019</u>	<u>Plan's Total Normal Cost</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Status</u>
6.0%	40.60%	\$49,011,892	\$18,633,983	61.9%
7.0% (current discount rate)	34.58%	42,902,629	12,524,720	70.3%
8.0%	27.72%	37,951,365	7,573,456	78.9%

Asset Volatility Ratio (AVR). Plans that have higher asset-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset-to-payroll ratio of 4. Shown below is the asset volatility ratio for the Miscellaneous Plan, the Safety Plan (Fire) and the Safety Plan (Police), which a measure of each plan's current contribution volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR). Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability.

For example, a plan with a liability-to-payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability-to-payroll ratio of 4. The liability volatility ratio is also shown in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as the plan matures. Since the liability volatility ratio is a long-term measure, it is shown below at the current discount rate (7 percent) as well as the discount rate the Board has adopted to determine the contribution requirement in the June 30, 2019 actuarial valuation (7.00 percent).

Rate Volatility	Miscellaneous Plan*	Safety Plan (Fire)*	Safety Plan (Police)*
1. Market Value of Assets	\$59,666,226	\$16,095,947	\$30,377,909
2. Payroll	9,776,975	1,261,589	1,770,437
3. Asset Volatility Ratio (AVR) [(1) / (2)]	6.1	12.8	17.2
4. Accrued Liability	\$97,517,888	\$22,910,724	\$42,902,629
5. Liability Volatility Ratio (LVR) [(4) / (2)]	10.0	18.2	21.0

*As of June 30, 2019

Source: CalPERS Annual Valuation Report as of June 30, 2019.

General Fund Long-Term Indebtedness

The City's primary long-term obligations payable from the General Fund currently consist of lease payments to the California Infrastructure and Economic Development Bank (I-Bank) under a \$4 million lease financing arrangement to finance roadway and other right-of-way improvements related to the Redwood Business Park. As of June 30, 2020, the aggregate outstanding principal amount of such lease payments was \$3,837,218 [verify]. The City has also entered into a lease arrangement for the purchase of fire engine totaling \$1,125,000, with a presently outstanding balance of \$869,798 [verify] as of June 30, 2020.

See Note 7 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix B for a description of all the City's outstanding indebtedness.

OVERLAPPING DEBT OF THE CITY

Direct and Overlapping Bonded Debt

The following Table 12 sets forth the statement of the City's direct and overlapping bonded indebtedness, as of September 17, 2020, and as prepared by California Municipal Statistics, Inc., Oakland, California (the "Debt Report"). 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 public agency are payable only from the general fund or other revenues of such public agency.

Table 12
CITY OF UKIAH
SERIES 2020 LEASE REVENUE BONDS

DIRECT AND OVERLAPPING BONDED DEBT		
<u>2020-21 Assessed Valuation:</u> \$1,611,033,296		
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/20</u>
Mendocino Lake Community College District	13.611%	\$ 8,364,170
Ukiah Unified School District	34.015	<u>22,055,809</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$30,419,979
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Mendocino County Certificates of Participation	12.749%	\$ 2,032,191
Mendocino County Pension Obligation Bonds	12.749	5,055,616
Ukiah Unified School District General Fund Obligations	34.015	2,334,371
City of Ukiah General Fund Obligations	100.000	<u>3,751,776</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$13,173,954
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$5,495,771
COMBINED TOTAL DEBT		\$49,089,704⁽²⁾
<u>Ratios to 2020-21 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt.....		1.89%
Combined Direct Debt (\$3,751,776).....		0.23%
Combined Total Debt		3.05%
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$736,582,222):</u>		
Total Overlapping Tax Increment Debt		0.75%

Source: California Municipal Statistics Inc.

BOND OWNERS' RISKS

The purchase of the Bonds involves investment risk. The following risk factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

COVID-19 Pandemic

The COVID-19 Pandemic is materially adversely affecting the local, state and world economies. The City cannot currently predict the extent or duration of the outbreak or what ultimate impact it may have on the City's financial condition or operations, although the City believes it will be material and adverse. See "CITY FINANCIAL INFORMATION – General Fund, the Budget Process and Information" and "– COVID-19 Pandemic" herein for a discussion of current and potential impacts of COVID-19 on the City's operations and finances.

U.S. Economic Recession

On June 8, 2020, the National Bureau of Economic Research ("NBER") declared that a recession in the United States commenced in February 2020. Reportedly, this was the fastest that NBER has declared any recession since the group began formal announcements in 1979. In announcing the recession, NBER said "[T]he unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession . . ." The City cannot predict how long the current economic recession will last or the impacts on the City's General Fund revenues, but such impacts may be material and adverse.

Future Financial Condition

No representation is made as to the future financial condition of the City. Payment of the Base Rental Payments is a general fund obligation of the City and the ability of the City to make Base Rental Payments may be adversely affected by its financial condition as of any particular time. Any such future financial conditions may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Rental Payments. See the caption "CITY FINANCIAL INFORMATION" herein.

Additional Obligations of the City

The City has a significant amount of obligations payable from its General Fund, including but not limited to debt obligations, pension obligations, lease obligations and other obligations related to post employment retirement benefits as well as certain other liabilities. The Lease and Indenture do not prohibit the City from incurring additional lease and other obligations payable from the City's General Fund. In that regard, the City from time to time incurs various General Fund obligations to finance public improvements, which may also include lease obligations payable from its General Fund. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event that the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease.

Substitution or Release of Leased Facilities

The Authority and the City may amend the Lease: (a) to substitute alternate real property for any portion of the Leased Facilities; or (b) to release a portion of the Leased Facilities from the Lease, upon compliance with certain conditions set forth in the Lease. After a substitution or release, the portion of the Leased Facilities for which the substitution or release has been effected will be released from the subleasehold encumbrance of the Lease.

The Lease requires, among other things, that the annual fair rental value of the Leased Facilities after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, as constituted after such substitution or release. Thus, a portion of the Leased Facilities could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release.

Base Rental Payments Are Not Debt

The obligation of the City to make the Base Rental Payments under the Lease 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. Neither the Bonds nor the obligation of the City to make Base Rental Payments constitute a debt of the City, the State of California or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of Base Rental Payments. The Authority has no taxing power.

The Bonds are being issued by the Authority pursuant to the Bond Law. The Supreme Court of the State in its 1998 decision of *Rider v. City of San Diego*, 18 Cal. 4th 1035, upheld the validity of a joint powers agency financing and found that bonds issued pursuant to the Bond Law and payable from lease payments made pursuant to a lease with the City of San Diego were not subject to the State constitutional provisions that require two-thirds voter approval of indebtedness incurred by a city, county or school district. No voter approval of the Bonds or the Lease has been sought.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay the Base Rental Payments from any source of legally available funds and the City has covenanted in the Lease that, for so long as the Leased Facilities are available for its use, it will make the necessary annual appropriations within its budget for the Base Rental Payments.

No Reserve Fund

No reserve fund or account will be established and maintained with respect to the Bonds. As a result, in the event of non-appropriation or non-payment of the Base Rental Payments in full when due, no other

source of funds will be available to make payments of debt service on the Bonds while remedial actions are taken with respect to such non-appropriation or non-payment.

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Leased Facilities caused by material damage, title defect, destruction to or condemnation of the Leased Facilities, Base Rental Payments will be subject to abatement. See “SECURITY FOR THE BONDS – Abatement” herein. In the event that such component of the Leased Facilities, if damaged or destroyed by an insured casualty, could not be replaced during the period of in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Leased Facilities or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full. It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Leased Facilities is substantially higher or lower than its value at the time of issuance of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Leased Facilities results in abatement of the Base Rental Payments related to such Leased Facilities and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Bonds during the period that the Leased Facilities is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Reduction in Base Rental Payments due to abatement as provided in the Lease does not constitute a default thereunder, and no remedy is available to the Bond Owners under the Lease or the Indenture for nonpayment under such circumstances. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Abatement of Rental.”

Limited Recourse on Default; No Right to Repossess; No Acceleration of Base Rental Payments

Failure by the City to make Base Rental Payments, or failure to pay Additional Rental Payments or to observe and perform any other terms, covenants or conditions contained in the Lease or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute Events of Default under the Lease. Such events permit the Trustee or the Authority to pursue any and all remedies available. However, notwithstanding anything in the Lease or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments that are not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to repossess or relet the Leased Facilities.

Following an event of default, the Authority or the Trustee may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Base Rental Payments as they become due. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease” herein.

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Lease and neither the Authority nor the Trustee are empowered to sell or relet the Leased Facilities and use the proceeds of such sale or reletting to redeem the Bonds or pay debt service with respect thereto. The City will be liable only for Base Rental Payments on an annual basis and, in the event of a default, the Authority or Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Risk of Uninsured Loss

The City covenants under the Lease to maintain certain insurance policies on the Leased Facilities. See "SECURITY FOR THE BONDS – Insurance" herein. These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. The Leased Facilities could be damaged or destroyed due to earthquake or other casualty for which the Leased Facilities is uninsured. Additionally, the Leased Facilities could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely.

There can be no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Facilities will be sufficient repair the Leased Facilities or to redeem the Bonds and any other obligations secured by Base Rental Payments.

Certain of the City's insurance policies provide for deductibles. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

Accuracy of Assumptions

The City has made certain financial forecasts and assumptions with regard certain information provided in this Official Statement. The City believes these financial forecasts and assumptions to be reasonable, but variations in the any one of the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those forecasted and such variations may be material. Accordingly, such assumptions and projections are at best educated estimates, and are not in any way a guaranty of future performance, and the City assumes no responsibility for the accuracy of such financial forecasts and projections.

Eminent Domain

If the Leased Facilities are 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 will cease as of the day possession is taken. If less than all of the Leased Facilities are taken permanently, or if the Leased

Facilities or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Facilities. The City covenants in the Lease to contest any eminent domain award which is insufficient to either: (i) prepay the Base Rental Payments in whole, if all the Leased Facilities are condemned; or (ii) prepay a pro rata share of Base Rental Payments, in the event that less than all of the Leased Facilities are condemned.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Leased Facilities. In general, the owners and lessees of the Leased Facilities may be required by law to remedy conditions of such parcel relating to release 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 similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property 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.

Further it is possible that the beneficial use of the Leased Facilities may be limited in the future resulting from the current existence on the Leased Facilities of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Leased Facilities of a substance not presently classified as hazardous but which 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 in which it is handled. All of these possibilities could significantly limit the beneficial use of the Leased Facilities. The City has not independently verified, but is unaware of the existence of hazardous substances on the Leased Facilities site which would materially interfere with the beneficial use thereof.

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment

superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease or assume the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder.

In a bankruptcy of the City, if a material unpaid liability is owed to CalPERS or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City's ability to make Base Rental Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled as issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including the cities of Stockton and San Bernardino.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Lease. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues in order to protect their interests.

The adjustment plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the Bonds. Neither the Authority

nor the City can provide any assurances about the outcome of a bankruptcy case of another California municipality or the nature of any adjustment plan if it were to file for bankruptcy.

The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Bonds by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Dependence on State for Certain Revenues

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motorvehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

The COVID-19 Pandemic is materially adversely impacting the financial condition of the State. In addition, there are a number of other budget risks that threaten the financial condition of the State, including the onset of recession and the significant unfunded liabilities of the two main retirement systems managed by State entities, CalPERS and the California State Teachers' Retirement System ("STRS"). The State also has a significant unfunded liability with respect to other post-employment benefits.

On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the "2020-21 Budget"). The following information is drawn from the DOF's summary of the 2020-21 Budget.

As with the Governor's May revision (the "May Revision") to the proposed State budget, the 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy. The ensuing recession has caused significant job losses, precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May of 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of \$54.3 billion identified by the May Revision, and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside \$2.6 billion in the State's traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 Pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget draws down \$8.8 billion in total State reserves, including \$7.8 billion from the State’s Budget Stabilization Account (the “BSA”), \$450 million from the Safety Net Reserve and all funds in the State’s Public School System Stabilization Account.
- *Triggers* – The 2020-21 Budget includes \$11.1 billion in reductions and deferrals that would be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives less than this amount, reductions and deferrals would be partially restored. The triggers includes \$6.6 billion in deferred spending on education, \$970 million in funding for the California State University and University of California systems, \$2.8 billion in State employee compensation and \$150 million for courts, as well as funding for various other State programs. The triggers would also fund an additional \$250 million for county programs to backfill revenue losses.
- *Federal Funds* – The 2020-21 Budget relies on \$10.1 billion in federal funds, including \$8.1 billion of which has already been received. This relief includes recent congressional approval for a temporary increase in the federal government’s share of Medicaid costs, a portion of the State’s Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.
- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately \$900 million of special fund borrowing is associated with reductions to State employee compensation and is subject to the triggers discussed above.
- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of \$4.3 billion in fiscal year 2020-21.
- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional \$10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision, and lower health and human services caseload costs than assumed by the May Revision.

For fiscal year 2019-20, the 2020-21 Budget projects total general fund revenues and transfers of \$137.6 billion and authorizes expenditures of \$146.9 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17 billion, including \$16.1 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projects total general fund revenues and transfers of \$137.7 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$11.4 billion, including \$2.6 billion in the traditional general fund reserve (of which \$716 million is earmarked for COVID-related responses), \$8.3 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

Current and future State budgets will be significantly affected by the COVID-19 Pandemic and other factors over which the City has no control. The City cannot determine what actions will be taken in the future by the State Legislature and the Governor to deal with the COVID-19 Pandemic and resulting changing State

revenues and expenditures. There can be no assurance that, as a result of the COVID-19 Pandemic or otherwise, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to the COVID-19 Pandemic will not materially adversely affect the financial condition of the City.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the “DOF”), <http://www.dof.ca.gov>, under the heading “California Budget.” An impartial analysis of the budget is posted by the Legislative Analyst’s Office (the “LAO”) at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. *The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Underwriter, and neither the City nor the Underwriter takes any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

Risks Related to Taxation in California

Constitutional Amendments Affecting Tax Revenues. Article XIII A of the California Constitution limits the amounts of ad valorem tax on real property to 1% of “full cash value” as determined by the county assessor. 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 period.” Furthermore, all real property valuation may be increased to reflect the inflation rate, as shown by the consumer price index, not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

Article XIII B of the California Constitution limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, special district or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the subsequent two years.

Right to Vote on Taxes Act – Proposition 218. On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act (“Proposition 218”), which added Article XIII C and XIII D to the California Constitution. Among other provisions, Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes

and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include cities. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Proposition 218 also provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing. The City does not expect Proposition 218 to have any immediate material effect on the revenues from which Base Rental Payments are expected to be appropriated.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

Implementing Legislation. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978/79 only, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

Future assessed valuation growth allowed under Article XIII A (i.e., new construction, change of ownership, and 2% annual value growth) 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” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The Authority is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above those described above, even with the approval of the affected voters.

Constitutional Challenges to Property Tax System. There have been many challenges to Article XIII A of the California Constitution. The United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. Neither the Authority nor the City can predict whether there will be any future challenges to California’s present system of property tax assessment and cannot evaluate the ultimate effect on the

Authority's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Statutory Revenue Limitations – Proposition 62. Proposition 62 is a statewide statutory initiative adopted by the voters at the November 4, 1986 general election. It added Sections 53720 to 53730 to the Government Code to require that all new local taxes be approved by the voters. The statute provides that all local taxes are either general taxes or special taxes. General taxes are imposed for general governmental purposes. Special taxes are imposed for specific purposes only. General taxes may not be imposed by local government unless approved by a two-thirds vote of the entire legislative body and a majority of the voters voting on the proposed general tax. Special taxes may not be imposed by local government unless approved by a majority of the entire legislative body and by two-thirds of the voters voting on the special tax. Soon after Proposition 62 was adopted by the voters, legal challenges to taxes adopted contrary to its provisions were filed. In 1991, in a significant case, *City of Woodlake v. Logan*, the California Court of Appeal held that the statutory voter approval requirement for general taxes was unconstitutional. The California Supreme Court refused to review *Woodlake*.

On September 28, 1995, the California Supreme Court, on a 5-2 vote, in a decision entitled *Santa Clara County Local Transportation Agency v. Guardino* (Case No. S036269), “disapproved” *Woodlake* and held that the voter approval requirements of Proposition 62 are valid. On December 14, 1995, the Supreme Court made minor nonsubstantive changes to its written opinion and denied the petition for rehearing. The decision provides that the voter approval requirements of Proposition 62 for both general and special taxes are valid. The *Guardino* case fails to say (1) whether the decision is retroactively applicable to general taxes adopted prior to the decision; (2) whether taxpayers have any remedies for refund of taxes paid under a tax ordinance that was not voter approved; (3) what statute of limitations applies to taxes adopted without voter approval prior to *Guardino*; (4) whether Proposition 62 applies only to new taxes or to tax increases as well.

The Court of Appeals in a December 15, 1997 decision entitled *McBearty v. City of Brawley* (Case No. D027877) addressed some of these issues. In *Brawley*, a taxpayer challenged the city's utility tax that was passed by the city council in 1991 without a vote of the electorate. The Court of Appeals held that (i) a three-year statute of limitations applies to challenges to a tax ordinance subject to Proposition 62; and (ii) the statute of limitations did not begin to run until September 1995 when the *Guardino* case determined that Proposition 62 was constitutional. The effect of the holding in *Brawley* is that any tax ordinances passed between November 1986 and December 1995 that were not approved by the electorate would be subject to a challenge until December 1998. The court ordered the city to either cease collecting the tax or seek voter approval to continue levying the tax. However, in *Howard Jarvis Taxpayers Association v. City of La Habra*, decided on June 4, 2001, the California Supreme Court overruled part of *McBearty*, finding that the three year statute of limitations applicable to such taxes does not run from the date of the *Guardino* decision, but rather the continued imposition and collection of such tax is an ongoing violation, upon which the limitations period begins with each new collection.

Several questions raised by the *Guardino* decision remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* tax levy allocated to that jurisdiction is reduced by \$1 for every \$1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* decision.

Neither the Authority nor the City can predict the outcome of any pending or future litigation concerning the validity of Proposition 62, nor can it predict the scope of the Guardino or Brawley decisions discussed above. Proposition 62 could affect the ability of the City to continue the imposition of, or to retain, certain taxes, and restrict the City's ability to raise revenue.

Proposition 1A. Proposition 1A ("Proposition 1A"), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004/05 and 2005-06. Proposition 1A provides 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 prohibits 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 must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any ten-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A provides that if the State reduces the vehicle license fee ("VLF") rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," 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.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a

charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID.

Proposition 26 provides that the 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. Neither the City nor the Authority expects provisions of Proposition 26 to materially impede the City's ability to pay Base Rental Payments when due.

Future Initiatives

From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above-mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund.

For example, the "Split Roll" Ballot Initiative, which will be on the November 2020 Ballot, would remove certain tax protections for commercial property currently in place under Proposition 13 (Article XIII A of the California Constitution). "Split" refers to the potential division into two parts of the County Assessor's tax roll: residential and nonresidential property. This initiative would eliminate the ceiling on commercial property taxes, which is currently capped at 1% of the purchase price of the property, and would require all commercial property taxes to be re-assessed to 2021 market values. The initiative would also require commercial and industrial properties to be re-assessed every three years and taxed at market value. No assurance can be provided regarding whether this initiative will pass or the impact to City finances, if, for example, commercial property values decline under a split roll and lead to reduced tax revenue.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Bonds and the Trustee, and the obligations incurred by the Authority and the City, respectively, may be subject to the following, among others: the limitations on legal remedies against joint powers authorities and cities in California; the federal 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; principles of equity that 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 U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. See also, "– Bankruptcy" above.

Early Redemption Risk

Early redemption of the Base Rental Payments and redemption of the Bonds may occur in whole or in part without premium, on any date if the Leased Facilities or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see “SECURITY FOR THE BONDS – Redemption – Extraordinary Redemption”), if the City exercises its right to prepay Base Rental Payments in whole or in part pursuant to the provisions of the Lease and the Indenture.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, landslide, earthquake or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of the Base Rental Payments.

The closest fault zone to the City is the Maacama Fault Zone, which is approximately 2 miles east of the City limits. In the event of an earthquake, the City would experience strong shaking with a high peak ground acceleration rating, which would result in quick acceleration of the earth. Such an earthquake can result in considerable damage to poorly built or designed structures, and slight damage to buildings designed to withstand severe ground shaking. Actual damage caused is dependent on the severity of the earthquake, the specific buildings and infrastructure involved, and other various factors. Secondary seismic hazards to the City could result from the interaction of ground shaking with existing soil conditions, and include settlement and liquefaction. The District is not obligated to maintain earthquake insurance for the Leased Facilities.

The City’s planning area is near other zones of high or very high wildfire severity to the west, southwest, and northwest, although there is less of a threat from those areas because of their relative distance from the City’s existing limits. Brush fires in the area are common during the summer but are generally extinguished before developed areas sustain much damage. While the City is not in an area of high fire hazard severity, the City’s proximity to the Mendocino Range does pose a threat of wildfire spreading into the City where the range meets the western portion of the City limits. Remote road locations and inadequate water suppression infrastructure can limit the ability of fire crews from successfully fighting fires.

Recent large fires in the surrounding area posed a threat to the City, such as the Mendocino Complex Fire (Ranch Fire). The Ranch Fire began off Highway 20 near Potter Valley just northeast of Ukiah in the summer of 2018 and was not fully extinguished until the beginning of 2019. The fire burned a total of 410,203 acres throughout Mendocino, Lake, Colusa, and Glenn counties. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. If a large wildfire were to occur within the City, it is likely that significant structural damage would occur, resulting in diminished property valuation in the City, which in turn could negatively impact the ability of the City to make the Base Rental Payments.

Major flood-related concerns in and around the City include flooding as a result of heavy storms and the potential failure of the Coyote Dam at the base of Lake Mendocino. The City is primarily susceptible to flooding on the eastern border of the city limits of the City (the “City Limits”), although localized flooding may occur in other areas. Areas within a 100-year floodplain have a 1 percent chance each year of flooding, while areas in a 500-year floodplain have a 0.2 percent chance each year of flooding. The 100-year and 500-

year floodplain extends the length of Russian River from the northeastern City Limits through the southeastern City Limits of Ukiah. Areas within the City Limits along Gibson Creek and Doolin Creek are in the 100-year and 500-year floodplain as well.

The occurrence of natural disasters in the City could result in substantial damage to the City or the Leased Facilities which, in turn, could substantially reduce general fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Bonds. Furthermore, any uninsured natural disaster event that causes damage to the Leased Facilities could result in abatement of Base Rental Payments under the Lease. See “BOND OWNERS’ RISKS – Abatement” above.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Leased Facilities. However, it is possible such substances do currently or potentially exist and that the City is not aware of them.

Owners and operators of real property may be required by law to remedy conditions of the property 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 whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. 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 and adversely affect the operations and finances of the City, may result in the reduction in the assessed value of property, and therefor property tax revenue.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the City’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City. The City does not carry separate cybersecurity insurance.

Possible Insufficiency of Insurance Proceeds

The Lease obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Leased Facilities in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill

its obligations under any insurance policy obtained pursuant to the Lease. Also, no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered by insurance under the Lease. See the captions “SECURITY FOR THE BONDS – Insurance” herein.

Pension Benefit Liability

Many factors influence the amount of the City’s pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable law, changes in the levels of benefits provided or in the contribution rate of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods and differences between actual and anticipated investment experience of the CalPERS. Any of these factors could give rise to additional liability of the City to CalPERS as a result of which the City would be obligated to make additional payments to CalPERS over the amortization schedule for full funding of the City’s obligations to CalPERS. The City expects its pension benefit liability to increase in future years as a result of the CalPERS Board-approved new investment return methodology. See also “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2018-19” hereto.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Tax-Exempt Bonds could fail to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”) from the gross income of the owners thereof for purposes of federal income taxation, in some cases retroactive to the date of execution and delivery of the Tax-Exempt Bonds, as a result of future acts or omissions of the Authority or the City in violation of certain covenants contained in the Indenture or the Lease, respectively. Should such an event of taxability occur, the Tax-Exempt Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed pursuant to the Indenture.

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The City can provide no assurance that federal tax law will not change while the Tax-Exempt Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. If the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Tax-Exempt Bonds would be adversely impacted.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to): fluctuations in living patterns, consumer prices, financial markets, or unemployment rates; technological advancements; shortages

or surpluses in natural resources or energy supplies; changes in law; social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism; environmental damage; and natural disasters.

IRS Audit of Tax-Exempt Bonds

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Tax-Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Tax-Exempt Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Secondary Market Risk

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

FINANCIAL REPORT

The City's financial statements for the Fiscal Year ended June 30, 2019 were prepared by the City and audited by Van Lant & Fankhanel, LLP, Certified Public Accountants, Loma Linda, California, and excerpts from such report are contained in APPENDIX B hereto. The financial report should be read in its entirety. At the time of the execution and delivery of the Bonds, the City will certify that there has been no material adverse change in the City's financial position since June 30, 2019. The information set forth herein does not purport to be a summary of the City's financial report.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel, subject, however to the qualifications set forth below, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest (and original issue discount) on the Tax-Exempt 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 imposed on individuals. In the further opinion of Bond Counsel, the Tax-Exempt Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Code, and the interest on the Tax-Exempt Bonds is exempt from State of California personal income tax.

The opinions set forth in the preceding paragraph are based upon certain representations of fact and certifications made by the City and Authority, and is subject to the condition that the City and Authority comply with all requirements of Code that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds to assure that interest on the Tax-Exempt Bonds will not become includable in gross income for federal

income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The City and Authority have each covenanted to comply with all such requirements.

The difference between the issue price of a Tax-Exempt Bond (the first price at which a substantial amount of the Tax-Exempt Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Tax-Exempt Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Tax-Exempt Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Tax-Exempt Bond Owner will increase the Tax-Exempt Bond Owner's basis in the applicable Tax-Exempt Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Tax-Exempt Bond Owner is excluded from gross income of such Tax-Exempt Bond Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Tax-Exempt Bond Owner is exempt from State of California personal income tax.

The amount by which a Tax-Exempt Bond Owner's original basis for determining loss on sale or exchange in the applicable Tax-Exempt Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Tax-Exempt Bond Owner's basis in the applicable Tax-Exempt Bond (and the amount of tax-exempt interest received with respect to the Tax-Exempt Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Tax-Exempt Bond Owner realizing a taxable gain when a Tax-Exempt Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Tax-Exempt Bond to the Owner. Purchasers of the Tax-Exempt Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Tax-Exempt Bonds will be selected for audit by the IRS. It is also possible that the market value of the Tax-Exempt Bonds might be affected as a result of such an audit of the Tax-Exempt Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Tax-Exempt Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Tax-Exempt Bonds constituting interest or the market values of the Tax-Exempt Bonds.

It is possible that subsequent to the issuance of the Tax-Exempt Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Tax-Exempt Bonds or the market value of the Tax-Exempt Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Tax-Exempt Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Tax-Exempt Bonds. No assurance can be given that subsequent to the issuance of the Tax-Exempt Bonds such changes (or other changes) will not be introduced

or enacted or interpretations will not occur. Before purchasing any of the Tax-Exempt Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Tax-Exempt Bonds.

Bond Counsel's opinion with respect to the Tax-Exempt Bonds, respectively, may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Tax-Exempt Bond constituting interest if any such action is taken or omitted based upon the advice of counsel other than The Weist Law Firm, Los Gatos, California.

Although Bond Counsel has rendered an opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes provided that the City and Authority continue to comply with certain requirements of the Code, the ownership of the Tax-Exempt Bonds and the accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Tax-Exempt Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Tax-Exempt Bonds.

Taxable Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but interest on the Taxable Bonds is exempt from State of California personal income tax.

The amount by which a Taxable Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Taxable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which a Taxable Bond Owner may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Taxable Bond Owner's basis in the applicable Taxable Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Taxable Bond Owner realizing a taxable gain when a Taxable Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Taxable Bond to the Owner. Purchasers of Taxable Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Except for certain exceptions, the difference between the issue price of a Taxable Bond (the first price at which a substantial amount of the Taxable Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Taxable Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Taxable Bond Owner will increase the Taxable Bond Owner's basis in the Taxable Bond. Original issue discount will constitute taxable interest income to an Owner of the Taxable Bonds in accordance with the regular method

of accounting. Taxable Bond Owners should consult their own tax advisor with respect to taking into account any original issue discount on the Taxable Bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the Taxable Bonds is included for general information only and may not be applicable depending upon a Taxable Bond Owner's particular situation. The ownership and disposal of a Taxable Bond and the accrual or receipt of interest with respect to the Taxable Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Taxable Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Taxable Bonds.

CERTAIN LEGAL MATTERS

The Weist Law Firm, Los Gatos, California, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the Authority and the City by The Weist Law Firm as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE

Pursuant to the Rule, the City has covenanted in the Continuing Disclosure Certificate to provide the Annual Report by not later than nine months following the end of the City's Fiscal Year (currently, the City's Fiscal Year commences on July 1 and ends on June 30 of each year), commencing with the Annual Report for the Fiscal Year ended June 30, 2020 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such Annual Reports are required to be filed with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter in complying with the Rule.

The City and its related governmental entities have previously entered into several disclosure undertakings under the Rule in connection with the issuance of long-term obligations.

During the past five years, the City and its related entities _____.

The City and its related governmental entities have made additional filings to provide certain previously omitted information and believe that they are currently in compliance with their respective existing undertakings under the Rule. In order to promote compliance by with continuing disclosure undertakings in the future, the City has retained NHA Advisors, San Rafael, California, to serve as the dissemination agent for its outstanding bonded indebtedness which are subject to the Rule.

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds, the Indenture, the Lease, the Leased Facilities or any other agreements or actions undertaken in connection with the issuance of the Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture, the Lease or the Site Lease or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims that from time to time are pending against the City. In the opinion of the City Attorney, taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City that will materially affect the City's finances or impair its ability to make the Base Rental Payments under the Lease or the debt service payments on the Bonds.

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "___" to the Bonds. Such rating reflects only the view of S&P, and an explanation of the significance of such rating, and any outlook assigned to or associated with such 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 and the Authority have provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

MUNICIPAL ADVISOR

NHA Advisors, LLC (the "Municipal Advisor") has assisted the City and Authority with various matters relating to the planning, structuring and delivery of the Bonds. The Municipal Advisor is a municipal advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter") pursuant to a Bond Purchase Contract, dated October __, 2020, by and among the City, Authority and Underwriter (the "Bond

Purchase Contract”). The Underwriter has agreed to purchase the Tax-Exempt Bonds at a price of \$_____ (which price is equal to the \$_____ aggregate principal amount of the Tax-Exempt Bonds, [plus][less] original issue [premium][discount] of \$_____, and less an underwriter’s discount of \$_____). The Underwriter has agreed to purchase the Taxable Bonds at a price of \$_____ (which price is equal to the \$_____ aggregate principal amount of the Taxable Bonds, [plus][less] original issue [premium][discount] of \$_____, and less an underwriter’s discount of \$_____).

The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Contract, including the approval of certain legal matters by counsel and certain other conditions. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside front cover page of this Official Statement. After the initial public offering, the public offering prices may be varied from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement (“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 Distribution Agreement, CS&Co will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co sells.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and interested parties must refer to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City. The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the City, including a summary of significant accounting policies, for the Fiscal Year ended June 30, 2019 is contained in APPENDIX B.

The execution of this Official Statement and its delivery have been authorized by the Authority and the City.

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Treasurer

CITY OF UKIAH, CALIFORNIA

By: _____
City Manager

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Lease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2018-19

APPENDIX C

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of October 1, 2020, is executed and delivered by the City of Ukiah (the “City”) in connection with the issuance by the Ukiah Public Financing Authority (the “Authority”) of its (i) Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project) in the aggregate principal amount of \$ _____ (the “Tax-Exempt Bonds”), and (ii) Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) in the aggregate principal amount of \$ _____ (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”), in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”). The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2020, by and between The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Authority (the “Indenture”).

The City and the Disclosure Dissemination Agent covenant and agree as follows:

SECTION 1. 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 Financial Information*” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Certificate.

“*Annual Report*” means an Annual Report described in and consistent with Section 3 of this Disclosure Certificate.

“*Annual Filing Date*” means the date, set forth in Section 2(a) and Section 2(f), by which the Annual Report is to be filed with the MSRB.

“*Audited Financial Statements*” means the financial statements (if any) of the City for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Certificate.

“*Authority*” means the Ukiah Public Financing Authority, a joint powers authority and public body duly organized and existing under the laws of the State of California.

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

“*Bonds*” means, collectively, the Tax-Exempt Bonds and the Taxable Bonds.

“*Certification*” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice, required to be submitted to the MSRB under this Disclosure Certificate. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the City and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“*City*” means the City of Ukiah, California.

“*Disclosure Representative*” means the Finance Director of the City or his or her designee, or such other person as the City shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“*Disclosure Dissemination Agent*” means NHA Advisors, LLC, San Rafael, California, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the City.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Failure to File Event*” means the City’s failure to file an Annual Report on or before the Annual Filing Date.

“*Financial Obligation*” means a debt obligation; derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term financial obligation excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

“*Force Majeure Event*” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Certificate.

“*Indenture*” means the Indenture of Trust, dated as of October 1, 2020 (the “*Indenture*”), by and between the City and the Trustee.

“*Information*” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, and the Failure to File Event notices.

“*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 which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Notice Event*” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Certificate.

“*Obligated Person*” means any person, including the City, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). With respect to the Bonds, only the City constitutes the Obligated Person.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Piper Sandler & Co., the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” means the State of California.

“*Taxable Bonds*” means the \$ _____ Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project), issued pursuant to the Indenture.

“*Tax-Exempt Bonds*” means the \$ _____ Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project), issued pursuant to the Indenture.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor Trustee designated in writing by the City.

SECTION 2. Provision of Annual Reports and Other Disclosures.

(a) The City shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent 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), commencing with the Annual Report for the Fiscal Year ended June 30, 2020. Such date and each anniversary thereof is the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide such Annual Report to the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Certificate.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the City of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the City will not be able to file the Annual Report within the time required under this Disclosure Certificate, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the City irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report.

(d) If Audited Financial Statements of the City are prepared but not available prior to the Annual Filing Date, the City shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file a notice of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the City pursuant to Section 4(a) or 4(b)(ii) when filing pursuant to Section 4(c) of this Disclosure Certificate; and

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Certificate, as applicable), promptly file a completed copy of Exhibit A to this Disclosure Certificate with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Certificate.

(f) The City may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Certificate and that is accompanied by a Certification and all other information required by the terms of this Disclosure Certificate will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) To the extent not included in the Audited Financial Statements provided pursuant to Section 3(b) below, each Annual Report shall contain Annual Financial Information consisting of updated information comparable to the following information appearing in Official Statement:

1. An update of the information contained in Tables 3, 6, 10 and 11 of the Official Statement.
2. A list of the City's Top 10 Principal Property Taxpayers, including the current Fiscal Year assessed valuation and percent of total assessed valuation.
3. The outstanding principal amount of the Bonds as of June 30 of the most recently completed fiscal year.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as described in the Official Statement will also be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an Obligated Person, which have been previously filed with the Securities and Exchange Commission or available to the public on the MSRB Internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

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 Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person (*Note to subsection (a)(12) of this Section 4*: For the purposes of the event described in this subsection (a)(12) of Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing 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 Obligated Person);
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the 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; and

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.

The City shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Certificate), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the City or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event in a timely manner not later than the tenth business day after the occurrence of the Notice Event, if the City determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Certificate), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the City as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, and Failure to File Event notices, the City shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that the failure of the Disclosure Dissemination Agent to so advise the City shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Certificate. The City acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Certificate.

SECTION 7. Voluntary Filings. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Certificate or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice, in addition to that required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice 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, Audited Financial Statements, Notice Event notice, or Failure to File Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the City and the Disclosure Dissemination Agent under this Disclosure Certificate shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the City is no longer an Obligated Person with respect to such Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required with respect to such Bonds.

SECTION 9. Disclosure Dissemination Agent. The City has appointed NHA Advisors, San Rafael, California, as the initial Disclosure Dissemination Agent under this Disclosure Certificate. The City may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of the Disclosure Dissemination Agent, whether by notice of the City or the Disclosure Dissemination Agent, the City agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

SECTION 10. Remedies in Event of Default. In the event of a failure of the City or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Certificate, the Beneficial Owners' rights to enforce the provisions of this Disclosure Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Certificate. Any failure by a party to perform in accordance with this Disclosure Certificate shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) Article VII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Disclosure Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the City agrees to indemnify and save the Disclosure Dissemination Agent, the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Certificate or 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 Disclosure

Dissemination Agent's negligence or willful misconduct. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the City has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Certificate. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Beneficial Owners of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the City has complied with this Disclosure Certificate. The Disclosure Dissemination Agent may conclusively rely upon certifications of the City at all times.

The obligations of the City under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the City.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Certificate shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City and the Disclosure Dissemination Agent may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the City and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Beneficial Owners of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the City nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Certificate necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the City. No such amendment shall become effective until counsel expert in federal securities laws determines in writing that such amendments are necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission, or if the City shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee of the Bonds, the Disclosure Dissemination Agent, the participating underwriters (as defined in the Rule), and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the City have caused this Disclosure Certificate to be executed, on the date first written above, by their respective officers duly authorized.

CITY OF UKIAH,
As Obligated Person

By: _____
Finance Director

NHA ADVISORS,
As Disclosure Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Ukiah Public Financing Authority

Obligated Person: City of Ukiah

Name of Issue: \$ _____
 Ukiah Public Financing Authority
 Lease Revenue Bonds, Series 2020A
 (Community Facilities Improvement Project)

And/or

\$ _____
 Ukiah Public Financing Authority
 Taxable Lease Revenue Bonds, Series 2020B
 (CalPERS Prepayment Project)

Date of Issuance: October __, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate between the City and the Disclosure Dissemination Agent named therein. The City has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

NHA ADVISORS,
 as Disclosure Dissemination Agent
 on behalf of the City

APPENDIX D

GENERAL INFORMATION REGARDING THE CITY OF UKIAH AND SURROUNDING AREA

Disclaimer

The following information, unless otherwise cited, was directly transcribed from material provided by the City of Ukiah (the “City”), the County of Mendocino (the “County”), and the area Chamber of Commerce. The following information is not incorporated herein, but rather is intended to merely provide the reader with a better understanding of certain socioeconomic and demographic characteristics of the City, the County and surrounding area. The information set forth in this Appendix “D” has not been researched for accuracy or veracity, and therefore it must not be relied upon when making an investment decision. The Bonds are not a debt of the City, the County or the State of California (the “State”) or any of the State’s Political Subdivisions (other than the Authority); and neither the City, the County, the State nor any of the State’s Political Subdivisions (other than the Authority) are liable therefore.

The economic and demographic data contained in this Appendix D are the latest available, but are “as of” dates and for periods before the economic impact of the COVID 19 Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City, the County or the surrounding area or of expected revenues to the General Fund.

City and County in General

The City encompasses approximately five square miles and is located in Mendocino County (the “County”), approximately 60 miles north of Santa Rosa and approximately 100 miles north of San Francisco in the northern coastal region of the State of California (the “State”) on U.S. Highway 101. The area is centrally located between the San Francisco Bay area, Eureka and Sacramento. The City has an estimated population of approximately 16,075 people, with approximately 104,452 people living within a 30-minute drive radius. Ukiah’s economy, although modest in size compared to the Bay Area and other denser urban regions to the south, is the employment hub of both the Lake and Mendocino County regions.

The City provides police, fire, street and infrastructure maintenance, storm drain, park and community recreation, museum, community development and other services to residents. The City also provides water, wastewater and electric services through the operations of its utility enterprises and operates an airport, golf course and civic center.

The City was incorporated in 1876 and is a general law city operating under a City Council/City Manager form of government. The City Council is composed of five members elected biennially at-large to four-year overlapping terms. The Mayor is selected annually by the City Council members to serve a one-year term. The City Manager is appointed by the City Council to supervise the day-to-day operations of the City.

The County was created in 1850 by the State Legislature and was one of the State’s original 27 counties. Mendocino County is bordered by Sonoma County to the south, Glenn, Lake, and Tehama Counties to the east, Humboldt and Trinity Counties to the north, and the Pacific Ocean to the west. The County encompasses a large, rural area located 100 miles north of San Francisco. With a total area of approximately 3,510 square miles, it is geographically the fifteenth largest county in the State.

Topography and Climate

The City and County offers a great variety of elevations and terrain. Geographic features of the County include elevations ranging from sea level to almost 7,000 feet, 130 miles of coastline, a coastal mountain range, and vast tracts of timberland. The climate in the area is generally characterized by mostly dry summers and cool, wet winters. The area climate can be classified as hot-summer Mediterranean climate according to the Köppen climate classification system.

The mountains to the west along with a significant influence of mild Pacific air cause the general area of the District to have a cool winter and hot day/cool night summer climate. Average January temperatures range from 32 °F (0 °C) to 55 °F (13 °C). Average July temperatures range from 47 °F (8 °C) to 85 °F (29 °C). There are an average of 34.5 days with highs of 90 °F (32 °C) or higher, and an average of 80.3 days with lows of 32 °F (0 °C) or lower.

Annual precipitation averages 51.7 inches. The wettest year on record was 1983 with 91.58 inches and the driest year on record was 2013 with 16.68 inches. The most precipitation in one month was 31.41 inches (798 mm) in December 1964. The most precipitation in 24 hours was 8.80 inches (224 mm) on December 22, 1964. There are an average of 94 days with measurable precipitation. There are occasional snow falls in the City each year, with an average of 3.6 inches of snow annually.

Population

The following sets forth the population estimates for the City and all other incorporated cities (and unincorporated area) in the County, as of January 1 for the years 2013 to 2020:

CITY OF UKIAH AND COUNTY OF MENDOCINO Population Estimates (As of January 1)

City / County	2013	2014	2015	2016	2017	2018	2019	2020
Fort Bragg	7,326	7,313	7,377	7,440	7,449	7,512	7,471	7,427
Point Arena	438	437	427	429	437	448	441	451
Ukiah	15,887	15,845	15,785	15,796	15,889	16,226	16,029	16,061
Willits	4,980	4,994	5,028	5,088	5,092	5,128	5,117	5,072
Balance of County	59,575	59,605	59,598	59,968	60,225	59,985	59,330	58,935
County Total	88,206	88,194	88,215	88,721	89,092	89,299	88,388	87,946

Source: State of California, Department of Finance, Demographic Research Unit.

Commercial Activity

Commercial activity and taxable transactions for Fiscal Years 2019-20 and 2020-21 have been impacted by Covid-19 and the associated stay at home orders. See “CITY FINANCIAL INFORMATION – COVID-19 Pandemic” and “BOND OWNERS’ RISKS – COVID-19 Pandemic” herein for further discussion of the present and potential future financial impacts of Covid-19.

The following table summarizes the volume of taxable retail sales and the number of retail sales permits for the City over the past 5 years for which records are available. Total taxable sales during the calendar year 2019 in the City were reported to be \$548,622,000 which represents a 13% increase from the total taxable sales reported during the calendar year 2018 of \$485,110,000. Annual figures are not yet available for 2020 or beyond.

CITY OF UKIAH
Taxable Transactions
(dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	448	\$390,263	723	\$436,189
2016	478	415,019	775	467,938
2017	469	413,944	774	465,072
2018	457	432,010	803	485,110
2019	455	491,186	807	548,622

⁽¹⁾ Detail may not compute to total due to rounding.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

A five-year history of taxable transactions by type of business for the City are shown in the table below. Annual figures are not yet available for 2020 or beyond.

CITY OF UKIAH
Taxable Retail Sales⁽¹⁾
Valuation of Taxable Transactions
(dollars in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Retail and Food Services					
Motor Vehicle and Parts Dealers	\$51,338	\$62,394	\$61,905	\$56,593	\$72,440
Home Furnish and Appliance Stores	11,378	10,035	9,103	8,676	8,661
Bldg. Mat'l. & Garden Equip/Supplies	78,826	88,765	88,474	87,792	95,755
Food and Beverage Stores	28,271	28,967	29,803	28,963	25,368
Gasoline Stations	38,398	33,397	38,403	39,213	31,693
Clothing and Accessories Stores	18,492	19,790	19,864	20,242	20,788
General Merchandise Stores	73,432	73,990	72,632	97,700	139,862
Food Services and Drinking Places	49,395	52,716	51,346	50,806	52,748
Other Retail Group	40,735	44,965	42,415	42,237	43,871
Total Retail and Food Services	\$390,263	\$415,019	\$413,944	\$432,223	\$491,186
All Other Outlets	45,926	52,919	51,128	52,887	57,436
Total All Outlets	\$436,189	\$467,938	\$465,072	\$485,110	\$548,622
Permits – All Outlets	723	775	774	803	807

⁽¹⁾ Detail may not compute to total due to rounding.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

A five-year history of taxable transactions by type of business for the County are shown in the table below. Total taxable sales during the calendar year 2019 in the County were reported to be \$1,602,967,000 which represents a 7.5% increase from the total taxable sales reported during the calendar year 2018 of \$1,490,850,000. Annual figures are not yet available for 2020 or beyond.

COUNTY OF MENDOCINO
Taxable Retail Sales⁽¹⁾
(dollars in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Retail and Food Services					
Motor Vehicle and Parts Dealers	\$159,233	\$179,664	\$184,284	\$179,092	\$199,126
Home Furnish and Appliance Stores	29,469	30,007	27,221	27,479	26,786
Bldg. Mat'l. & Garden Equip/Supplies	159,925	177,288	177,514	167,170	183,663
Food and Beverage Stores	112,682	115,157	117,030	116,464	113,045
Gasoline Stations	181,590	159,688	188,363	208,947	203,402
Clothing and Accessories Stores	37,493	39,303	38,916	39,895	41,659
General Merchandise Stores	85,890	87,556	87,285	114,438	157,984
Food Services and Drinking Places	133,848	143,642	145,197	143,580	146,559
Other Retail Group	135,015	143,552	146,071	153,767	172,868
Total Retail and Food Services	\$1,035,146	\$1,075,855	\$1,111,880	\$1,150,832	\$1,245,091
All Other Outlets	343,626	349,507	355,762	340,018	357,876
Total All Outlets	\$1,378,772	\$1,425,362	\$1,467,642	\$1,490,850	\$1,602,967
Permits – All Outlets	3956	4089	4460	4796	5046

⁽¹⁾ Detail may not compute to total due to rounding.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Employment

According to the State of California Employment Development Department, the average annual calendar year 2019 estimated unemployment rates for the City, the County and the State were 4.6 percent, 5.7 percent and 4.8 percent, respectively. The following table shows certain employment statistics for the City, County and State for calendar years (annual averages) 2011 through 2019. As a result of the COVID-19 Pandemic the City anticipates that the unemployment rate in the City, County and State will increase above these levels and the increase may be significant.

CITY OF UKIAH
City and County Employment Statistics
Calendar Years 2013 through 2019⁽¹⁾
(Annual Averages)

Year	City		County	State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate
2013	7,040	6,170	12.3%	8.3%
2014	6,930	6,210	10.4	7.0
2015	6,800	6,210	8.7	5.8
2016	6,760	6,760	7.9	5.2
2017	7,430	7,010	5.7	4.5
2018	7,400	7,030	5.1	4.0
2019	7,300	6,930	5.0	4.0

(1) Not seasonally adjusted. March 2019 benchmark.

Source: State of California, Employment Development Department.

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Major Employers

The following table provides a list of the top twenty-five employers in the County, listed in alphabetical order.

COUNTY OF MENDOCINO Top Twenty-Five Employers April 2019

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health Ukiah Vly	Ukiah	Government Offices-State
California Department-Forestry	Willits	Government Offices-City
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Ukiah	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Frank R Howard Memorial Hosp	Willits	Hospitals
Howard Memorial Hosp Med Imgng	Willits	Diagnostic Imaging Centers
Mendocino Coast District Hosp	Fort Bragg	Hospitals
Mendocino Community Health	Ukiah	Clinics
Mendocino County Office-Edu	Ukiah	Government Offices-County
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Redwood Co LLC	Calpella	Nonclassified Establishments
Metalfx	Willits	Sheet Metal Fabricators (mfrs)
Oak Point Ranch	Potter Valley	Vineyards
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Redwood Empire Packing Inc	Ukiah	Fruits & Vegetables
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills (mfrs)
Sho-Ka-Wah Casino	Hopland	Casinos
Ukiah City Civic Ctr	Ukiah	Government Offices-City
Ukiah VALLEY Med Ctr	Ukiah	Hospitals
Ukiah Valley Medical Ctr	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

Source: Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Regional Setting

Located 45 miles north of Healdsburg and 155 miles south of Eureka, the City of Ukiah spans more than 3,000 acres (4.6 square miles). The City is regionally significant, serving as the seat of Mendocino County and the largest city in the County. It functions as a center for commerce, recreation, medical and social services, and cultural events. The Ukiah Valley is approximately nine miles long, running north to south, comprising more than 40,000 acres along U.S. Route 101.

The Russian River follows the Ukiah Valley, winding through agricultural lands just outside of the City to the east. The Ukiah Valley is approximately 630 feet in elevation, with the hills of the Mendocino and Mayacamas ranges that flank the Ukiah Valley reaching up to 3,000 feet in elevation.

The nearest major city to Ukiah is Santa Rosa, a city of 175,000, which is located approximately 60 miles to the south. Larger urban centers including San Francisco and Sacramento are approximately 100 miles to the south and southeast. Ukiah's relative isolation from major population centers increases its importance as a regional center. Closer to the City, there are several small unincorporated communities in the Ukiah Valley, as well as in the neighboring Redwood Valley to the north. In 2019, the region surrounding the City is best known for its natural and scenic beauty. Once called the "Gateway to the Redwoods," the City is a short drive from some of the largest redwood forests in California. These massive trees grow natively in the City and on the hills above the Ukiah Valley.

Electric Utilities

The City of Ukiah owns and operates its own electric utility and does not participate in deregulation. Because of this Ukiah boosts electricity rates that are 20% lower than PG&E and power that is comprised of approximately 70% green renewable energy. The City-owned utility operates the Lake Mendocino Hydroelectric Plant, one of the City's major sources of electricity. The electric utility serves 6,100 residential and 2,100 commercial customers and has sufficient capacity to meet power needs for the foreseeable future.

Wastewater

Ukiah's Department of Public Works provides wastewater collection and treatment for about two-thirds of the City, and operates its own wastewater treatment plant. A separate agency, the Ukiah Valley Sanitation District (UVSD) serves the remaining portions of Ukiah, as well as communities in the sphere of influence. Operated by the City, one wastewater treatment plant serves both the City and UVSD. The treatment plant has a current (2019) capacity to add nearly 1,603 equivalent sewer service units (ESSUs) before reaching capacity. One ESSU is equivalent to 210 gallons per day of typical domestic use.

Water

Ukiah's Department of Public Works operates the domestic water system for the City. The City draws its water from the Russian River and three active groundwater wells. Millview County Water District provides water to North Ukiah, and an unincorporated area bordering the City to the north. Willow County Water District provides water to South Ukiah and an unincorporated area bordering the City to the south. Finally, Calpella County Water District provides water to the community of Calpella. All four agencies are expected to adequately meet existing and future demands for water, including in the event of a dry year or multiple dry years.

According to annual water quality testing reports, the City's water quality is considered to be safe and reliable. During emergencies, the City has the ability to purchase water from neighboring water systems. As of 2019, the City reported that the water that it produces and distributes meets and exceeds State and Federal standards for drinking water quality. These results are published each year in the Annual Water Quality Report.

Water Recycling

Water recycling is reusing treated wastewater for beneficial purposes such as agricultural and landscape irrigation, industrial processes, toilet flushing, and replenishing a ground water basin (referred to as ground water recharge). By providing an additional source of water, water recycling can decrease the diversion of water from sensitive ecosystems, decrease wastewater discharges, and reduce pollution. Recycled water can also be used to create or enhance wetlands and riparian habitats. The City has finished construction of its recycled water system. Phases 1-3 are complete and produce recycled water for customers including agriculture, industrial uses, and landscaping, including a variety of municipal agencies. Phases 1-3 can return approximately two-thirds of the plant's capacity to beneficial use. Phase 4 has been designed and funding is being identified to complete this final phase. Phase 4 is designed to subscribe 100 percent of the treatment plant's capacity.

Education

There are twelve school districts in the County. The largest public education systems in the County are the Ukiah Unified School District (UUSD), Willits Unified School District, and Fort Bragg Unified School District. The UUSD offers traditional elementary, middle school and high school public education, including four preschools, six elementary schools, three middle schools, two high school and an adult school. There is also a Spanish-immersion elementary school, a Montessori-based charter school, a Waldorf-based charter school, and an independent study-focused charter school. The Mendocino County Superintendent of Schools also maintains four special schools at various locations in the County. There are also a variety of private and charter schools in the County.

Post-secondary public instruction is available at two community colleges, which offer both academic and vocational courses in a two-year curriculum. Mendocino College is administered by the Mendocino-Lake Community College District. Sonoma State University offers an upper-division extension program in Ukiah leading to a Bachelor of Arts in Liberal Studies, with an emphasis on American Studies. Marymount, a California University, has a campus approximately 30 minutes from Ukiah. This university offers specialty programs, Bachelors' Degrees, and Masters' Degrees programs.

Law Enforcement

The City of Ukiah Police Department (UPD) provides law enforcement and dispatch services from a single station located within the City Hall complex. UPD currently employs 34 sworn personnel. In 2018, UPD made 945 misdemeanor arrests, 427 felony arrests, 125 Driving Under the Influence arrests, and issued 875 traffic citations. In general UPD handles over 70 calls for service per day.

Fire Protection and Emergency Medical Response

Fire protection and emergency medical response services are provided by the Ukiah Valley Fire Authority (UVFA), which provides service to approximately 90 square miles in and around the City, with a resident population of approximately 30,000. Within its boundaries are historic downtown buildings, county governmental buildings, Mendocino Community College, Dharma Realm Buddhist University, a regional hospital, and all residential and commercial developments within the service area. UVFA is also responsible

for the lower half of Lake Mendocino, including the Coyote Dam, expansive wildland urban interface areas, the Ukiah Municipal Airport, US 101, and State Route 253.

UVFA is staffed by 19 full-time safety employees (Fire Chief, 3 Division Chiefs, 6 Captains, 6 Engineers and 3 Firefighters), one full-time administrative-clerical employee, and up to 25 dedicated volunteer firefighters, including a Volunteer Division Chief. UVFA maintains four fire stations (two staffed with career personnel) with the daily staffing consisting of a minimum of two/two person crews cross staffing Type I (Structural) and Type II/III (Wildland Interface) Engines and an on-call Duty Officer.

CAL FIRE, the State fire agency, is responsible for the forested areas in the hills west of the city, including those within the Planning Area. CAL FIRE's Mendocino Unit is stationed in Ukiah at 2690 North State Street.

Solid Waste Disposal

Currently, there are no operating landfills in the City or immediate vicinity. Solid waste generated in the City and surrounding area is exported for disposal to the Potrero Hills Landfill in Solano County. The City's solid waste disposal system consists of a large volume transfer station that receives waste for export. This transfer station is privately owned and operated under agreements with the City and other local government agencies. The Mendocino Solid Waste Management Authority, a Joint Powers Agency formed in 1990 by the City and County, identifies transfer stations, recycling processing facilities, and composting facilities necessary to implement each jurisdiction's waste diversion goals. The transfer station is designed to receive 200 tons of waste per day, and currently receives an average of 120 to 130 tons per day.

General Hospitals

There are a total of three general hospitals in the cities of Ukiah, Willits and Fort Bragg, all with complete medical, surgical, pediatric, and special services available in the metropolitan areas. Ukiah Valley Medical Center is located in the City of Ukiah, and includes two acute care facilities, two critical access hospitals and a center for behavioral health. Services include advanced diagnostic imaging, 24-hour emergency care and trauma center, cardiac care, intensive care, maternity including a Level II Intensive Care Nursery, pediatrics, physical rehabilitation, rapid care, surgery, women's services and advanced wound care.

Transportation

Two major railroads, a modern system of highways and six public use airports have contributed to the industrial, commercial and residential growth of the City and County. The City has approximately 9 miles of bike lanes and an extensive sidewalk network throughout the downtown and surrounding areas. Amtrak operates a daily bus service to and from the Cities of Ukiah and Willits. The City owns and operates the Ukiah Regional Airport. The airport is comprised of one 4,400 ft. runway and taxiway, 160 acres in size, and has 87 aircraft based on site. The Airport provides a myriad of air services including daily passenger travel, freight operations and emergency services such as fire suppression and medevac.

The primary transportation corridors through the County are U.S. Route 101, which travels through the middle of the City and County, and State Route 1, which travels along the Pacific Coast. In addition, State Route 128 connects the City of Cloverdale to the Pacific Coast and continues through the State's Central

Valley region. State Highways 20 and 175 connect the Highway 101 corridor with Lake County and other points east of the County.

Current opportunities for public transit within the county are limited, due largely to the county's geographically dispersed population and exacerbated by the County's sheer size (3,510 square miles). The Mendocino Transit Authority (MTA) is the public bus system which serves the most densely populated areas of the County. The MTA operates routes which make connections to Amtrak, Golden Gate Transit, Sonoma County Transit, Greyhound, Santa Rosa City Bus, and Airport Express with service to the San Francisco and Oakland airports.

Harbors

The County has three harbors which are responsible for the majority of commercial and recreational harbor activity within the County. Noyo Harbor is a public marine facility. It has three ramps and numerous support facilities for commercial fishing fleets. The Point Arena Harbor provides marine facilities and includes a pier used by the commercial fishing industry. The Albion Harbor offers fishing and access to numerous recreational opportunities, such as limited fishing charters and whale watching excursions. In March 2011, due to the tsunami which resulted from several earthquakes in Japan, damages were sustained at the Fort Bragg harbor and Noyo Harbor, among other places in the County.

Community Services, Cultural and Recreational Amenities

The Mendocino County Library System maintains six branches in the County, with one being located in the City. The County System is supplemented by municipal libraries in various communities throughout the County. The Russian River provides various recreational opportunities, such as swimming, fishing, inner tubing and picnicking.

The Grace Hudson Museum is located in the City, highlighting regional art, culture and natural history in the tradition of an extraordinary family – that of Ukiah native and nationally admired artist Grace Carpenter Hudson (1865-1937), her ethnologist husband, Dr. John W. Hudson (1857-1936) and their pioneering forebears.

The City operates thirteen (13) parks and six (6) recreational facilities, ranging in size, totaling approximately 260 acres of parkland, recreational areas, and city facilities that function as community gathering places. Additionally, the County operates an 80-acre open space park in the City. The City's Parks and Recreation Department operates the parks and recreation facilities and offers a variety of classes under topics such as pet training, dance, music, art, and health and fitness. The Parks and Recreation Department also organizes sports leagues for a variety of ages throughout the year, which includes organized activities such as ping pong, tennis, soccer, baseball and softball, pickleball, and more. The Ukiah Municipal Swimming Pool is located at Todd Grove Park where residents can take swim lessons and exercise or water recreation classes. Paddle board yoga is also offered on Lake Mendocino during the summer months.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Ukiah Public Financing Authority
 One Civic Center Drive
 Ukiah, CA 95066

OPINION: \$ _____ Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A
 (Community Facilities Improvement Project)
 and
 \$ _____ Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series
 2020B (CalPERS Prepayment Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Ukiah Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of its Lease Revenue Bonds, Series 2020A (Community Facilities Improvement Project) in the aggregate principal amount of \$ _____ (the “Tax-Exempt Bonds”), and the Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) in the aggregate principal amount of \$ _____ (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and an Indenture, dated as of October 1, 2020 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and pursuant to an authorizing Resolution of the Authority adopted August 19, 2020. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The Bonds are payable from Revenues, as defined in the Indenture, consisting primarily of Base Rental Payments to be made by the City of Ukiah (the “City”) pursuant to a Lease Agreement, dated as of October 1, 2020 (the “Lease”), by and between the Authority and the City. The City has leased real property and improvements thereon to the Authority pursuant to a Site and Facilities Lease, dated as of October 1, 2020 (the “Site Lease”), by and between the City and the Authority. Certain rights of the Authority under the Lease are assigned to the Trustee under an Assignment Agreement, dated as of October 1, 2020 (the “Assignment Agreement”), by and between the Authority and the Trustee.

In such connection, we have reviewed the Lease, the Site Lease, the Assignment Agreement, the Indenture; the Tax Certificate of the Authority, dated the date hereof (the “Tax Certificate”); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Site Lease, the Lease, the Assignment Agreement, the Tax Certificate and other relevant documents may be

changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Site Lease, the Lease, the Assignment Agreement, the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Site Lease, the Lease, the Assignment Agreement, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Site Lease, the Lease, the Assignment Agreement or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except for the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Lease has been duly and validly authorized, executed and delivered by the Authority and the City and constitutes the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with its terms.

4. The Site Lease has been duly and validly authorized, executed and delivered by the Authority and the City and constitutes the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with its terms.

5. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Authority and constitutes the legally valid and binding obligations of the Authority, enforceable against the Authority in accordance with its terms.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

7. Under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Tax-Exempt 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 imposed on individuals.

8. The Tax-Exempt Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the “Code”).

9. Interest on the Bonds is exempt from State of California personal income tax.

10. The difference between the issue price of a Tax-Exempt Bond (the first price at which a substantial amount of the Tax-Exempt Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Tax-Exempt Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Owner of the Tax-Exempt Bond before receipt of cash attributable to such excludable income (with respect to the Tax-Exempt Bonds). The amount of original issue discount deemed received by the Owner of a Tax-Exempt Bond will increase the Owner’s basis in the Tax-Exempt Bond. In the opinion of Bond Counsel the amount of original issue discount that accrues to the Owner of a Tax-Exempt Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

11. The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Tax-Exempt Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the “Code”) by Owners of the Tax-Exempt Bonds and which may at the election of owners of the Taxable Bonds be amortized under Section 171 of the Code. With respect to the Tax-Exempt Bonds, such amortizable bond premium reduces the Owner’s basis in the applicable Tax-Exempt Bond (and the amount of tax-exempt interest received), and is

not deductible for federal income tax purposes. With respect to the Taxable Bonds, such amortizable bond premium reduces the Owner's basis in the applicable Taxable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed herein as to the exclusion from gross income of interest on the Tax-Exempt Bonds are based upon certain representations of fact and certifications made by the Authority and the City and are subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds to assure that such interest on the Tax-Exempt Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The Authority and the City have each covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Tax-Exempt Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes with respect to any Tax-Exempt Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Tax-Exempt Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds 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 of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Faithfully yours,

THE WEIST LAW FIRM

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

1. The Depository Trust Company (“DTC”), New York, New York, acts as securities depository for the Bonds. The Bonds were 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 bond certificate was issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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”). 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 will 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 Authority 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. The Authority 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 Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but neither the City, the Authority nor the Underwriter takes no responsibility for the accuracy thereof.

\$ _____
Ukiah Public Financing Authority
Lease Revenue Bonds, Series 2020A
(Ukiah Community Facilities Acquisition
and Improvement Project)

\$ _____
Ukiah Public Financing Authority
Taxable Lease Revenue Bonds, Series 2020B
(CalPERS Prepayment Project)

BOND PURCHASE AGREEMENT

October ____, 2020

Ukiah Public Financing Authority
300 Seminary Avenue
Ukiah, CA 95482

City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

Ladies and Gentlemen:

The undersigned Piper Jaffray & Co. (the “Underwriter”) offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the Ukiah Public Financing Authority (the “Authority”) and the City of Ukiah, California (the “City”), which, upon the acceptance by 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., California 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 (defined herein).

Section 1. Purchase and Sale. Upon the terms and conditions and on 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 Ukiah Public Financing Authority Lease Revenue Bonds, Series 2020A (the “Tax-Exempt Bonds”) and the Taxable Lease Revenue Bonds, Series 2020B (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds shall be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on April 1 and October 1 of each year (each an “Interest Payment Date”), commencing April 1, 2021 and will bear interest at the rates and on the dates as set forth in Exhibit A hereto.

The purchase price for the Tax-Exempt Bonds shall be \$ _____ (which represents the principal amount of the Tax-Exempt Bonds in the amount of \$ _____, [plus/minus] a [net] [premium/discount] in the amount of \$ _____, less an Underwriter’s discount of \$ _____).

The purchase price for the Taxable Bonds shall be \$_____ (which represents the principal amount of the Taxable Bonds in the amount of \$_____, [plus/minus] a [net] [premium/discount] in the amount of \$_____, less an Underwriter's discount of \$_____).

The City and 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 among the City, the Authority 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 a principal and is not acting as a municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor or fiduciary; (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or the 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 the Authority on other matters); and (iv) the City and the Authority have consulted their own legal, financial, municipal and other advisors to the extent they have deemed appropriate.

Section 2. The Bonds. The Bonds shall be secured by the Revenues (as defined in the Indenture, dated as of October 1, 2020 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee")) consisting primarily of base rental payments ("Base Rental Payments") to be paid by the City pursuant to the Lease Agreement, dated as of October 1, 2020 (the "Lease Agreement"), by and between the Authority and the City. The Authority's right to receive the Base Rental Payments due under the Lease Agreement and to exercise remedies upon default under such Lease Agreement shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to an Assignment Agreement, dated as of October 1, 2020 (the "Assignment Agreement"), by and between the Authority and the Trustee.

The Tax-Exempt Bonds are being issued for the purpose of funding (i) certain costs of the Ukiah Community Facilities Acquisition and Improvement Project, as described in the Official Statement; (ii) a reserve fund for the Bonds; and (iii) the costs of issuance associated with the issuance and sale of the Tax-Exempt Bonds.

The Taxable Bonds are being issued for the purpose of funding (i) certain costs of the CalPERS Prepayment Project, as described in the Official Statement; (ii) a reserve fund for the Bonds; and (iii) the costs of issuance associated with the issuance and sale of the Taxable Bonds.

Section 3. Public Offering and Establishment of Issue Price. The Underwriter agrees to make a *bona fide* initial public offering of all the Tax-Exempt 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 they deem necessary in connection with the marketing of the Tax-Exempt Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Tax-Exempt Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

The Underwriter agrees to assist the Authority in establishing the issue price of the Tax-Exempt Bonds and shall execute and deliver to the Authority at Closing (as defined below) 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 (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Tax-Exempt Bonds.

The Authority will treat the first price at which 10% of each maturity of the Tax-Exempt Bonds (the “10% test”), identified as “10% Test Used” in Exhibit A, 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 Tax-Exempt Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Tax-Exempt Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Tax-Exempt Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or until all Tax-Exempt Bonds of that maturity have been sold to the public.

The Underwriter confirms that it has offered the Tax-Exempt 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 attached hereto, 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 Tax-Exempt 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 Tax-Exempt Bonds, the Underwriter will neither offer nor sell unsold Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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.

The Underwriter acknowledges that sales of any Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds to the public);

(iii) a purchaser of any of the Tax-Exempt Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 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 their acceptance of this Purchase Agreement, 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 _____, 2020 (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 and the Authority 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 omissions 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 (7) 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, 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 Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

Section 5. Closing. At 8:30 a.m., California time, on October ___, 2020, or at such other time or date as the Authority, the City and the Underwriter mutually agree upon, the Authority shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered through the facilities of The Depository Trust Company, New York New York (“DTC”), the Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Bonds, the Authority and the City shall deliver the documents hereinafter mentioned at the offices of The Weist Law Firm, Los Gatos, 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 referenced herein, is called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of \$5,000 and any integral multiple thereof, and shall be made available to the Underwriter at least one (1) business day before the Closing for purposes of inspection and packaging. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter 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 and will be at the date of Closing a joint exercise of powers authority organized and existing under the laws of the State of California (the “State”), including Section 6500 *et seq.* of the Government Code of the State of California (the “JPA Act”) with all necessary power and authority to enter into and perform its duties under the Site and Facility Lease, dated as of October 1, 2020 (the “Site Lease”), by and between the City and the Authority, the Lease Agreement, the Indenture, the Assignment Agreement, and this Purchase Agreement (collectively, the “Authority Documents”).

(b) The Authority has complied with all filing requirements of the JPA Act.

(c) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement (including in electronic form), 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. When executed and delivered, each Authority Document will constitute the legal, valid and binding obligation of the Authority enforceable in accordance with its 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.

(d) Prior to the date hereof, the Authority has provided to the Underwriter for its review the Preliminary Official Statement that an authorized officer of the Authority has deemed final for purposes of Rule 15c2-12, has approved the distribution of the Preliminary Official Statement and the Official Statement and has duly authorized the execution and delivery of the Official Statement (including in electronic form). The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to the Bond Insurer or DTC and its book-entry system, as to which no view is expressed), in light of the circumstances under which they were made, not misleading. As of the date hereof and on the Closing, the final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to the Bond Insurer or DTC and its book-entry system, as to which no view is expressed), in light of the circumstances under which they were made, not misleading.

(e) The execution and delivery by the Authority of the Authority Documents and the approval and execution by the Authority of the Official Statement and compliance with the provisions on the Authority’s part contained in the Authority Documents, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is

a party or is otherwise subject to, which conflict, breach or default has or may have a material adverse effect on the ability of the Authority to carry out its obligations under the Authority Documents, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(f) The Authority 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 Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(g) The Authority is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, 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 an event of default under any such instrument, in each case 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.

(h) As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending with respect to which the Authority has been served or, to the best knowledge of the officers of the Authority, threatened (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 execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the Authority Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes or contesting the powers of the Authority to enter into the Authority Documents or (iii) 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 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 there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clause (i) through (iii) of this sentence.

(i) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the issuance, 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.

(j) The Authority will apply the proceeds of the Bonds in accordance with the Indenture.

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 and will be at the date of Closing a municipal corporation and charter city duly organized and existing pursuant to and under the Constitution and laws of the State and has all necessary power and authority to enter into and perform its duties under the Continuing Disclosure Certificate relating to the Bonds (the “Continuing Disclosure Certificate”), the Site Lease, the Lease Agreement, the Indenture and this Purchase Agreement (collectively, the “City Documents” and, together with the Authority Documents, the “Legal Documents”) and has by official action 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.

(b) By official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement (including in electronic form), 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. When executed and delivered, each City Document will constitute the legally valid and binding obligation of the City enforceable in accordance with its 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.

(c) The Preliminary Official Statement heretofore delivered to the Underwriter is hereby deemed final by the City as of its date and as of the date hereof, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to the Bond Insurer or DTC and its book-entry system, as to which no view is expressed), in the light of the circumstances under which they were made, not misleading. As of the date hereof and on the Closing, the final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to the Bond Insurer or DTC and its book-entry system, as to which no view is expressed), in the light of the circumstances under which they were made, not misleading.

(d) The execution and delivery by the City of the City Documents and the approval by the City of the Official Statement and compliance with the provisions on the City’s part contained in the City Documents, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject to, which conflict, breach or default has or may have a material adverse effect on the ability of the City to carry out its obligations under the City Documents, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(e) 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 authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(f) The City is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America 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 or is otherwise subject, 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 an event of default under any such instrument, in each case 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.

(g) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2019 as set forth in the Official Statement fairly represent the receipts, expenditures and cash balances of the General Fund. Except as disclosed in the Preliminary Official Statement, 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 General Fund or in its operations since June 30, 2019 and, except as disclosed in the Preliminary Official Statement, the Official Statement or otherwise disclosed in writing to the Underwriter, there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(h) As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the knowledge of the officers of the City, threatened (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 execution or delivery of any of 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 contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes or contesting the power of the City to enter into the City Documents; (iii) which may result in any material adverse change to the financial condition of the City or to its ability to pay the Base Rental Payments when due; 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 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 there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clause (i) through (iv) of this sentence.

(i) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Except as otherwise disclosed in the Preliminary Official Statement, the City has not failed to comply in all material respects with any previous

undertakings with regard to the Rule 15c2-12 to provide annual reports or notices of enumerated events in the past five years.

(j) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the issuance, 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.

(k) As of the date hereof, the City does not have any material obligations secured by payments from the General Fund of the City, except as disclosed in the Official Statement.

(l) The exceptions set forth in the title insurance policy for the Leased Property insuring, subject only to Permitted Encumbrances, the fee interest of the City in the Leased Property, the Authority's leasehold estate in the Leased Property under the Site Lease, and the City's leasehold estate in the Leased Property under the Lease Agreement, do not materially impair the use of the Leased Property, the existing facilities and the sites thereof for the purposes for which they are or may reasonably be expected to be held.

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 date of the Closing shall be subject, at the option of the Underwriter, to the accuracy in all 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, Disclosure 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 date of the Closing; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing;

(b) At the time of Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the Legal 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, and all such reasonable actions as, in the opinion of Bond Counsel, shall reasonably deem necessary in connection with the transactions contemplated hereby;

(c) At the time of the Closing, no default shall have occurred or be existing under the Authority Documents, the City 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 adversely impact the ability of the City to make the Base Rental 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 absolute 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 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 reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States of America or by any legislation in or by the Congress of the United States of America 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 of America, 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 of America, the Treasury Department of the United States of America, 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 of America, or the favorable reporting for passage of legislation to either House of the Congress of the United States of America 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 introduced in, or be enacted by any governmental body, department or agency 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 agency 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 of America, or a decision by a court of the United States of America 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 America 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 to proceed with the purchase or delivery of the Bonds as contemplated by the final 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 reasonable 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(h) 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) all resolutions relating to the Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the execution and delivery of the Bonds, the Authority Documents and the Official Statement;

(ii) all resolutions relating to the Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement;

(iii) the Legal 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 date of Closing and addressed to the Authority and the City, in substantially the form attached as Appendix E to the Official Statement, together with a reliance letter thereon addressed to the Underwriter;

(v) a supplemental opinion of Bond Counsel dated the date of Closing 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 BONDS,” “SECURITY FOR THE BONDS,” and “TAX MATTERS,” and in APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” and APPENDIX E – “FORM OF OPINION OF BOND COUNSEL,” and 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 Bonds, the Site Lease, the Lease Agreement, the Assignment Agreement, the Indenture, and Bond Counsel’s final opinion concerning the Bonds, are accurate in all material respects as of the date of Closing.

(B) the Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City and is the valid, legal and binding agreement of the Authority and the City enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement 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.

(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.

(vi) the Official Statement, executed on behalf of the Authority and the City;

(vii) evidence that the Bonds have received an underlying rating of “A” by S&P Global Ratings;

(viii) a certificate, dated the date of Closing, 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 date of Closing with the same effect as if made on the date of the Closing by the Authority, and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the date of Closing; (ii) to the best of such officer's knowledge, 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; (iii) the information and statements contained in the Official Statement (other than information relating to DTC and its book-entry 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 Authority is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America 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 such a default or an event of default under any such instrument;

(ix) a certificate, dated the date of Closing, 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 date of Closing with the same effect as if made on the date of the Closing by the City, and the City has complied with all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the date of Closing; (ii) to the best of such officer's knowledge, 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 relating to DTC and its book-entry 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; (iv) the City is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Lease Agreement) 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 an event of default under any such instrument; and (v) no further consent is required for inclusion of its audited financial statements in the Official Statement;

(x) an opinion dated the date of Closing and addressed to the Underwriter, the Trustee and Bond Counsel, of the Office of the City Attorney of the City, as Counsel to the Authority, to the effect that:

(A) the Authority is a joint exercise of powers authority organized and existing under the laws of the State of California;

(B) the resolution of the Authority approving and authorizing the execution and delivery of the Authority Documents, the Bonds and the Official Statement and other actions of the Authority was duly adopted at a meeting of the governing body of the Authority 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 resolution is now in full force and effect and has not been amended or superseded in any way;

(C) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the Authority has been served or, to the best of such counsel's knowledge, threatened against or affecting the Authority, except as may be disclosed in the Official Statement, which would materially adversely impact the Authority's ability to complete the transactions contemplated by the Authority Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease Agreement, or in any way contesting or affecting the validity of the Bonds, the Official Statement, the Authority Documents or the transactions described in and contemplated thereby wherein an unfavorable decision, ruling or finding would materially adversely affect the validity and enforceability of the Bonds or the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority;

(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

(E) no authorization, approval, consent, or other order of the State of California or any other governmental body within the State of California is required for the valid authorization, execution and delivery of the Authority Documents or the Official Statement by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

(xi) an opinion dated the date of Closing and addressed to the Underwriter, the Trustee and the Bond Counsel, of the Office of the City Attorney of the City, to the effect that:

(A) the City is a municipal corporation and a charter city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the resolution of the City approving and authorizing the execution and delivery of the City Documents and approving and authorizing the issuance of the Bonds and the delivery of the Official Statement and other actions of the City was duly adopted at a meeting of the governing body of the City 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 resolution is now in full force and effect and has not been amended or superseded in any way;

(C) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the City has been served or, to the best of such City Attorney's knowledge, threatened against or affecting the City, except as may be disclosed in the Official Statement, which would materially adversely impact the City's ability to complete the transactions contemplated by the City Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease Agreement, or in any way contesting or affecting the validity of the Bonds, the Official Statement or the City Documents;

(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

(E) no authorization, approval, consent, or other order of the State of California or any other governmental body within the State of California is required for the valid authorization, execution and delivery of the City Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

(xii) an opinion of The Weist Law Firm, Los Gatos, California, Disclosure Counsel to the Authority and the City dated the date of Closing and addressed to the Authority, the City, the Underwriter in the form set forth in Exhibit C;

(xiii) an opinion of counsel to the Trustee, addressed to the Underwriter and the Authority, dated the date of the Closing, to the effect that:

(A) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Indenture;

(B) the Indenture and the Assignment Agreement (together, the “Trustee Documents”) have each been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the Trustee Documents constitute the valid, legal and binding obligations of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) the Trustee has duly authenticated the Bonds upon the order of Authority;

(D) the Trustee’s actions in executing and delivering the Trustee Documents are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel’s knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound;

(E) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Trustee Documents; and

(F) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending or, to the best of such counsel’s knowledge, threatened against or affecting the Trustee, which would materially adversely impact the Trustee’s ability to complete the transactions contemplated by the Trustee Documents.

(xiv) a certificate, dated the date of Closing, signed by a duly authorized officer of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Trustee Documents;

(B) the Trustee is duly authorized to enter into the Trustee Documents and has duly executed and delivered the Trustee Documents, and assuming due authorization and execution by the other parties thereto, the Trustee Documents are legal, valid and binding upon the Trustee and enforceable against such party in accordance with its terms;

(C) the Trustee has duly authenticated the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriter;

(D) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Trustee Documents; and

(E) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending or, to the best of such counsel's knowledge, threatened against or affecting the Trustee, which would materially adversely impact the Trustee's ability to complete the transactions contemplated by the Trustee Documents.

(xv) the preliminary and final forms required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code of the State of California and Section 8855(i) and (j) of the Government Code;

(xvi) a copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xvii) the tax and nonarbitrage certificate by the Authority and the City in form and substance to the reasonable satisfaction of Bond Counsel, the Underwriter and Norton Rose Fulbright US LLP ("Underwriter's Counsel");

(xviii) a Certificate of the City's engineer documenting the value of the streets serving as the Leased Facilities in form and substance acceptable to the Underwriter;

(xix) an opinion of Underwriter's Counsel in form and substance acceptable to the Underwriter;

(xx) a Rule 15c2-12 certificate, dated the date of the Preliminary Official Statement, of the City;

(xxi) a Rule 15c2-12 certificate, dated the date of the Preliminary Official Statement, of the Authority;

(xxii) a certified copies of the Joint Exercise of Powers Agreement establishing the Authority, and all amendments thereto, and related certificates issued by the Secretary of State of the State; and

(xxiii) such additional legal opinions, Bonds, proceedings, instruments or other documents as the Underwriter or Underwriter's Counsel may reasonably request.

Section 9. Changes in Official Statement. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12), 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 reasonable 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 date of Closing unless the Underwriter otherwise notifies the City in writing that it still owns some or all of the Bonds.

Section 10. Expenses. (a) Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, it shall be under no obligation to pay, and the Authority shall pay, or cause the City to pay, out of the proceeds of the Bonds or any other legally available funds of the City or the Authority, all expenses incidental to the performance of the Authority's obligations hereunder, including but not limited to the cost of printing and delivering the Legal Documents to the Underwriter; the costs of printing and shipping and electronic distribution of the Preliminary Official Statement and the Official Statement in reasonable quantities; the fees and disbursements of the Authority, the Trustee and its counsel, Bond Counsel, Authority Counsel, the City Attorney, accountants, engineers, appraisers, economic consultants and any other experts or consultants retained by the City or the Authority in connection with the issuance and sale of the Bonds; rating agency fees; advertising expenses; and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with the issuance and sale of the Bonds. The Authority shall pay, or cause the City to pay out of the proceeds of the Bonds, for any expenses incurred by the Underwriter on behalf of the City's or the Authority's employees and representatives which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, and lodging of those employees and representatives.

(b) Whether or not the Bonds are delivered to the Underwriter as set for herein, the Authority shall be under no obligation to pay, and the Underwriter shall be responsible for and pay (which may be included as an expense component of the Underwriter's discount), MSRB, CUSIP Bureau and CDIAC fees and expenses to qualify the Bonds for sale under any "blue sky" laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds not specifically enumerated in paragraph (a) of this Section, including the cost of preparing this Purchase Contract and other Underwriter documents, travel expenses and the fees and disbursements of Underwriter's Counsel.

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 Jaffray & Co., 50 California Street, Suite 3100, San Francisco, CA 94111, Attention: Ralph J. Holmes,

Managing Director. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the City at the address below, Attention: Executive 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 Ukiah, 300 Seminary Avenue, Ukiah, CA 95482, Attention: City Manager. All notices or communications hereunder by any party shall be given and served upon each other party.

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. 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.

[Remainder of page intentionally left blank.]

Section 14. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

PIPER JAFFRAY & CO.

By: _____
Ralph J. Holmes
Managing Director

Accepted:

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

Time of Execution: ____:____

Accepted:

CITY OF UKIAH

By: _____
City Manager

Time of Execution: ____:____

EXHIBIT A
MATURITY SCHEDULE

Tax-Exempt Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>10% Test</u> <u>Used</u>	<u>Hold-the-</u> <u>Offering</u> <u>Price Rule</u> <u>Used</u>
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\$ _____ – __.____% Term Bonds due October 1, 20__ Yield: __.____%, Price: __.____%

Taxable Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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\$ _____ – __.____% Term Bonds due October 1, 20__ Yield: __.____%, Price: __.____%

EXHIBIT B

\$ _____
**UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2020A
(UKIAH COMMUNITY FACILITIES ACQUISITION
AND IMPROVEMENT PROJECT)**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Piper Jaffray & Co. (the “**Underwriter**”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “**Bonds**”).

1. Sale of the [Bonds][10% Maturities]. As of the date of this Certificate, for each Maturity of the [Bonds][10% Maturities], the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the [Bonds][Undersold Maturities].

(a) The Underwriter offered the [Bonds][Undersold 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, the Underwriter has agreed in writing that, for each Maturity of the [Bonds][Undersold 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 Offering Period for such Maturity, nor would it permit a related party to do so. Pursuant to such agreement, the Underwriter has neither offered nor sold any Maturity of the [Bonds][Undersold Maturities] at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. Defined Terms.

[(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”]

(b) *Issuer* means Ukiah Public Financing Authority.

(c) *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.

[(d) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2020), or (ii) the date on which the Underwriter has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.]

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Regulatory Underwriter or a related party to a Regulatory 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.

(f) *Regulatory 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).

(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 _____, 2020.

(h) *Substantial Amount* means ten percent.

[(i) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “Undersold Maturities.”]

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 and Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by The Weist Law Firm 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 Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

PIPER JAFFRAY & CO., as Underwriter

By: _____

Name: _____

Dated: _____, 2020

EXHIBIT C
FORM OF DISCLOSURE COUNSEL OPINION