



AGENDA

REGULAR MEETING OF THE LAKEPORT CITY COUNCIL

(ALSO MEETS AS THE CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT, THE LAKEPORT INDUSTRIAL DEVELOPMENT AUTHORITY, THE MUNICIPAL FINANCING AGENCY OF LAKEPORT and THE SUCCESSOR AGENCY TO THE FORMER LAKEPORT REDEVELOPMENT AGENCY)

Tuesday, September 7, 2021 6:00 p.m.

City Council Chambers, 225 Park Street, Lakeport, California 95453

See Teleconferencing Instructions Below

In accordance with updated guidelines from the State of California and revised Cal OSHA Emergency Temporary Standards, persons that are NOT fully vaccinated for COVID-19 are required to wear a face covering at this meeting.

Pursuant to Section 3 of Executive Order N-08-21, issued by Governor Newsom on June 11, 2021, the regular meeting of the City Council for **September 7, 2021** will be conducted both in person, and telephonically through Zoom.

If you cannot attend in person, and would like to speak on an agenda item, you can access the **Zoom** meeting remotely:

Join from a PC, Mac, iPad, iPhone or Android device:

Please click this URL to join. <https://zoom.us/j/97368201787?pwd=a2NvVnN6MEFjQ2Exc2pTZkpldU1sQT09>

Passcode: 477973

Or join by phone:

Dial (for higher quality, dial a number based on your current location):

US: +1 669 900 9128 or +1 346 248 7799 or +1 253 215 8782 or +1 646 558 8656 or +1 301 715 8592 or +1 312 626 6799

Webinar ID: 973 6820 1787

Passcode: 477973

International numbers available: <https://zoom.us/u/abNyiaqY1I>

The City wants you to know that you can also submit your comments by email to virtualhost@cityoflakeport.com.

To give the City Clerk adequate time to print out your comments for consideration at the meeting, please submit your written comments prior to **3:30 p.m. on Tuesday, September 7, 2021.**

Please indicate in the email Subject Line "FOR PUBLIC COMMENT" and list the item number you wish to comment on.

Comments that you want read to the Council will be subject to the three minute time limitation (approximately 350 words).

Written comments that are only to be provided to Council and not read at the meeting will be distributed to the Council prior to the meeting.

The City of Lakeport thanks you in advance for taking all precautions to prevent spreading the COVID-19 virus.



AGENDA

REGULAR MEETING OF THE LAKEPORT CITY COUNCIL (ALSO MEETS AS THE CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT, THE LAKEPORT INDUSTRIAL DEVELOPMENT AUTHORITY, THE MUNICIPAL FINANCING AGENCY OF LAKEPORT and THE SUCCESSOR AGENCY TO THE FORMER LAKEPORT REDEVELOPMENT AGENCY)

Tuesday, September 7, 2021, 6:00 p.m.

City Council Chambers, 225 Park Street, Lakeport, California 95453

6:00 p.m.

I. CALL TO ORDER & ROLL CALL:

II. PLEDGE OF ALLEGIANCE:

III. ACCEPTANCE OF AGENDA/ URGENCY ITEMS:

Move to accept agenda as posted, or move to add or delete items.

To add item, Council is required to make a majority decision that an urgency exists (as defined in the Brown Act) and a 2/3rds determination that the need to take action arose subsequent to the Agenda being posted.

The following Consent Agenda items are expected to be routine and noncontroversial. They will be acted upon by the Council at one time without any discussion. Any Council Member may request that any item be removed from the Consent Agenda for discussion under the regular Agenda. Removed items will be considered following the Consent Calendar portion of this agenda.

IV. CONSENT AGENDA:

A. Ordinances:

Waive reading except by title, of any ordinances under consideration at this meeting for either introduction or passage per *Government Code* Section 36934.

B. Minutes:

Approve minutes of the City Council regular meeting of August 3, 2021, and the special meeting of August 10, 2021.

C. Application 2021-004 (Amended):

Approve event application 2021-004, amended to request reserved parking on Third Street, for the 2021 Home Amateur Winemakers Winefest on September 18, 2021.

D. Notice of Completion: Silveira
Community Center Kitchen:

Adopt the resolution accepting construction of the Community Center Kitchen Remodel Project by Bridges Construction and authorize the filing of the Notice of Completion.

E. Notice of Completion: Sewer
Main Rehabilitation Project:

Adopt the resolution accepting construction of the 2021 Sewer Main Rehabilitation Project by Ghilotti Construction Company and authorize the filing of the Notice of Completion.

F. Unrepresented Employees
Compensation and Benefits
Program:

Adopt a resolution approving the Compensation and Benefits Program for the City of Lakeport Unrepresented Employees for the period of July 1, 2021 through June 30, 2024.

V. PUBLIC PRESENTATIONS/REQUESTS:

A. Public Input:

Any person may speak for 3 minutes about any subject within the authority of the City Council, provided that the subject is not already on tonight's agenda. Per Government Code §54954.3(a), the City Council cannot take action or express a consensus of approval or disapproval on any public comments regarding matters which do not appear on the printed agenda

B. New Employee Introduction::

Introduction of new Public Works employees Todd Starkovich, and Connie Warthen.

VI. COUNCIL BUSINESS:

A. City Manager

1. CLERC Presentation and Carnegie Lease Agreement:

1. Direct staff to develop a lease agreement with the Clear Lake Environmental Research Center CLERC for the reuse of the Carnegie Library building, located at 200 Park Street, for the development of an environmental research center and associated labs and offices.

VI.SW SPECIAL WORKSHOP: HOMELESSNESS AND MENTAL HEALTH SERVICES:

- 1. Homelessness & Mental Health Related Services Update and Discussion: Receive update from staff on current homelessness and mental health programs and discuss available opportunities in addressing this important community issue.
- 2. Grand Jury Response: Review and file 2020 - 2021 Civil Grand Jury Report Response for section entitled "Homeless – Not Hopeless".
- 3. Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV1): Adopt the proposed resolution to amend the original State Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV1) application to include Program Income.

COUNCIL BUSINESS (continued):

B. City Manager

- 1. 2021 League of California Cities Annual Conference Resolutions:
 - 1. Direct the City of Lakeport’s voting delegate to the League of California Cities Annual Conference to (support/oppose/abstain) Resolution #1, calling on the State Legislature to pass legislation in regards to distribution of the Bradley Burns local sales tax, as provided in the 2021 Annual Conference Resolutions Packet.
 - 2. Direct the City of Lakeport’s voting delegate to the League of California Cities Annual Conference to (support/oppose/abstain) Resolution #2, calling on the Governor and Legislature to provide funding for the California Public Utilities Commission to inspect railroad lines for illegal dumping, graffiti and homeless encampments along railroad rights-of-way, as provided in the 2021 Annual Conference Resolutions Packet.

C. Community Development Director

- 1. Permanent Local Housing Grant Application: Adopt the Resolution authorizing the City of Lakeport to submit an application to the California Department of Housing and Community Development for funding under the Competitive Permanent Local Housing Allocation Program (CPLHA), and if selected, authorize the City Manager to execute a Standard Agreement, any amendments thereto, and any related documents necessary to participate in the CPLHA Competitive Permanent Local Housing Allocation Program.

D. Utilities Superintendent

- 1. Small Community Drought Relief Program: Approve the resolution to submit an application to the Small Community Drought Relief Program for the replacement of our 4” Well.

E. Assistant City Manager

Reserve/Pension Policy Adoption, Investment Policy Amendment, Presentation on Recommendation of Pension Obligation Bonds (POB) options and Authorization to Issue Pension Obligation Bonds (POB): Adopt the Pension and Reserve Policy, amendments to the Investment Policy and the proposed resolution confirming the issuance of POBs and related documents.

VII. CITY COUNCIL COMMUNICATIONS:

- A. Travel, Calendar, and
Miscellaneous Reports, if any:

VIII. ADJOURNMENT:

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 225 Park Street, Lakeport, California, during normal business hours. Such documents are also available on the City of Lakeport's website, www.cityoflakeport.com, subject to staff's ability to post the documents before the meeting.

The City of Lakeport, in complying with the *Americans with Disabilities Act (ADA)*, requests individuals who require special accommodations to access, attend and/or participate in the City meeting due to disability, to please contact the City Clerk's Office, (707) 263-5615, 72 hours prior to the scheduled meeting to ensure reasonable accommodations are provided.

Hilary Britton, Deputy City Clerk



MINUTES

REGULAR MEETING OF THE LAKEPORT CITY COUNCIL (ALSO MEETS AS THE CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT, THE LAKEPORT INDUSTRIAL DEVELOPMENT AUTHORITY, THE MUNICIPAL FINANCING AGENCY OF LAKEPORT and THE SUCCESSOR AGENCY TO THE FORMER LAKEPORT REDEVELOPMENT AGENCY)

Tuesday, August 17, 2021, 6:00 p.m.

City Council Chambers, 225 Park Street, Lakeport, California 95453

Mayor Parlet called the meeting to order at 6:00 p.m., with Council Members Froio, Green, Mattina, Turner present in the Council Chamber and Mayor Parlet present via Zoom.

I. CALL TO ORDER & ROLL CALL:

II. PLEDGE OF ALLEGIANCE:

The Pledge of Allegiance was led by City Manager Ingram.

III. ACCEPTANCE OF AGENDA/ URGENCY ITEMS:

A motion was made by Council Member Mattina, seconded by Council Member Turner, and passed 5-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to accept agenda as posted.

IV. CONSENT AGENDA:

The following Consent Agenda items are expected to be routine and noncontroversial. They will be acted upon by the Council at one time without any discussion. Any Council Member may request that any item be removed from the Consent Agenda for discussion under the regular Agenda. Removed items will be considered following the Consent Calendar portion of this agenda.

A. Ordinances:

Waive reading except by title, of any ordinances under consideration at this meeting for either introduction or passage per *Government Code* Section 36934.

B. Minutes:

Approve minutes of the City Council regular meeting of August 3, 2021, and the special meeting of August 10, 2021.

C. Warrants:

Approve the warrant register of August 10, 2021.

D. Application 2021-019:

Approve event application 2021-019, with staff recommendations, for the 2021 Konocti Challenge on October 2, 2021.

Vote on Consent Agenda:

A motion was made by Council Member Froio, seconded by Council Member Green, and passed 5-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve the Consent Agenda, items A-D.

V. PUBLIC PRESENTATIONS/REQUESTS:

A. Public Input:

There was no input offered by the public.

B. Proclamation and Presentation:

Mayor Parlet presented a proclamation designating August 31, 2021 as International Overdose Awareness Day, followed by a video presentation by Dr. Bob Gardiner, MAT Provider at Lucerne Community Clinic. Additionally, Chief Rasmussen commented on the opioid crisis and various programs the Police Department has implemented in response. He further spoke on the dangers of fentanyl.

Val Goldenbrook asked questions of the Chief regarding safeguards for officers including the use of Narcan.

Leila Romero stated that Safe RX will be hosting an overdose awareness event on August 31 in Library Park.

C. Presentation:

John Speka, of the Lake Area Planning Council, gave a presentation on the Regional Transportation Plan.

VI. PUBLIC HEARINGS:

- A. Travel Expense Ordinance: The staff report was presented by Administrative Services Director Buendia.
- Mayor Parlet opened the public hearing at 6:46 p.m. With no comment offered from the public, Mayor Parlet closed the public hearing at 6:46 p.m.
- A motion was made by Council Member Turner, seconded by Council Member Mattina, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to adopt the proposed ordinance amending section 2.36 of the Lakeport Municipal Code.
- A motion was made by Council Member Mattina, seconded by Council Member Green, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve a resolution adopting a Travel Expense Authorization and Reimbursement Policy for Officers and Employees.

VII. COUNCIL BUSINESS:

- A. Assistant City Manager
1. Water and Wastewater Utility Rate Study and Initiation of the Proposition 218 Process:

The staff report was presented by Assistant City Manager Walker. Daryll Parker of Willdan Financial Services gave an overview of the study.

Nathan Maxman asked about the impacts of water conservation on rates.

Council gave staff direction to bring back another study in four years.

A motion was made by Council Member Froio, seconded by Council Member Turner, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve a resolution declaring the intention to adopt increased water and sewer rates, setting a public hearing for October 19, 2021, directing staff to provide notice pursuant to Proposition 218;

A motion was made by Council Member Froio, seconded by Council Member Turner, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve a resolution establishing guidelines for the submission and tabulation of protests in connection with rate hearings conducted pursuant to Article XIID, Section 6 of the California Constitution.
- B. Police Chief
1. Fourth of July Fireworks After Action Report:

The staff report was presented by Chief of Police Rasmussen.

A motion was made by Council Member Mattina, seconded by Council Member Green, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve and file the 2021 police after action report on the Independence Day Fireworks Operations.
- C. Community Development Director
1. Community Development Block Grant (CDBG) CV 2 & 3 – Public Facilities and Infrastructure:

The staff report was presented by Community Development Director Byers.

A motion was made by Council Member Froio, seconded by Council Member Mattina, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to adopt the draft Resolution authorizing the City Manager to sign the statement of assurances and submit an application for the State Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act, Rounds 2 and 3.

2. Community Development Block Grant (CDBG) 2017 and Program Income (PI): The staff report presented by Community Development Director Byers.
- A motion was made by Council Member Turner, seconded by Council Member Froio, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to adopt the proposed resolution approving the amendment to Resolution 2640 (2017) to include the use of Program Income for the Forbes Creek Neighborhood Study in the City of Lakeport’s 2017 CDBG Application
3. Surplus Property Declaration: The staff report was presented by Community Development Director Byers.
- Nathan Maxman asked a question about the Lakefront Revitalization plan.
- A motion was made by Council Member Froio, seconded by Council Member Turner, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to approve the amended Resolution declaring property owned by the City of Lakeport as Surplus and Exempt Surplus Land, and direct staff to distribute the Notice of Availability to HCD, agencies and interested entities.

D. City Manager:

1. Lake County Community Risk Reduction Authority (RRA): The staff report was presented by City Manager Ingram.
- A motion was made by Council Member Mattina, seconded by Council Member Green, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to authorize the City Manager to sign the third amendment to the JPA, joining the Lake County Community Risk Reduction Authority and designated Council Member Mireya Turner as representative on the RRA.

E. Public Works Director:

1. Contract Award: The staff report was presented by Public Works Superintendent Ladd.
- A motion was made by Council Member Mattina, seconded by Council Member Froio, and passed 5-0-0-0 by the following roll call vote: Froio – aye; Green – aye; Mattina – aye; Turner – aye; Parlet – aye to award a construction contract to Argonaut Constructors for the North Main Street Paving Project.

VIII. CITY COUNCIL COMMUNICATIONS:

- A. Travel, Calendar, and Miscellaneous Reports, if any: Council Member Froio asked about ongoing pavement projects being performed on Main Street prior or at the same time as the Lakefront Park is being constructed. City Manager Ingram advised that there are contractual guarantees from the park developers to repair any possible damages that might occur.
- Council Member Mattina offered no report.
- Mayor Parlet offered no report.
- Council Member Turner offered no report.
- Council Member Green commented on the current surge of the Delta variant of Covid-19.
- Administrative Services Director Buendia offered no report.
- City Attorney Ruderman offered no report.
- City Manager Ingram reported that staff is monitoring an expected PSPS event. Lakeport is still outside the area. He participated in a Cal-OES meeting and fire

conditions are extreme with high winds and heat. Resources are very limited due to fires in other states and countries. Staff is very focused on the drought.

Community Development Director Byers offered no report.

Assistant City Manager Walker offered no report.

Police Chief Rasmussen offered no report.

IX. ADJOURNMENT:

Mayor Parlet adjourned the meeting at 8:49 p.m.

Attest:

Kenneth Parlet, II, Mayor

Kelly Buendia, City Clerk



CITY OF LAKEPORT

225 Park Street
Lakeport, CA 95453

Please Note:
Bounce Houses and Waterslides are prohibited

Phone: (707) 263-5615, Ext. 102
Fax: (707) 263-8584

APPLICATION FOR USE OF PUBLIC AREAS

Please note: City Council meetings are held the **FIRST** and **THIRD TUESDAY** of the month. Application forms require City Council approval and must be completed and submitted to the City Clerk at least ten working days before the Council meeting at which they will be considered.

This section to be completed by City:

Application Received (Date):	Application No. 2021-004 - Revised
<input type="checkbox"/> \$15.00 Application Fee Paid	For Council Meeting of (Date): 09/07/2021

This section to be completed by Applicant (please answer all questions):

Applicant Name: David Velasquez		Organization Name: Lake County Symphony Ass'n
Address: 1490 N. Main St., Lakeport, CA 95453		Address: PO Box 974, Lakeport, CA 95453
Home Phone:	Work Phone:	Mobile Phone: 651-238-2833
Email Address: djvelasquez@citlink.net		
Other Contact: Deborah Welch		Phone for Other Contact: 818-613-2597
Organization is: <input checked="" type="checkbox"/> Nonprofit Organization <input type="checkbox"/> For Profit Organization		

Name of Event: Home Amateur Winemakers Winefest
Description of Event: Tasting of amateur beer and wine with food/arts and crafts; annual fundraiser for the Lake County Symphony Association
Specific Location of Event (Map Must be Attached): Library Park, Lakeport
Does this use involve public right of way, streets, or sidewalk? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please indicate specific location:
If requesting closure of streets, sidewalk, etc., please describe notification procedure for affected businesses and/or residences:

Date(s) of Event: September 18, 2021	Total Number of Days: 1	Set Up Time: 10 AM
		Time of Event: 12-5 PM
		Tear Down Time: 5 PM

Specify anticipated number of people (both participants and the public): **300**

Will any vendors be present? Yes No

Will any food booths be present? Yes No

Requirements:

- Electricity (cannot be guaranteed by City)
- Barricades
- Street/Sidewalk Closures
- No irrigation in park prior to event
- Other (please specify): **Gazebo electricity**

Coordination of these requirements must be made through the Public Works Department: (707) 263-0751

Specific City Staff Needs:

- Police
- Public Works
- Parks
- Other (please specify):

The City reserves the right to bill applicant for related City costs.

Insurance Information:

Specify Insurance Company: **Lincoln-Leavit/Nova Casualty Co.**

Policy Number: **CF1-ML-10000646** Expiration Date: **4/15/21 will renew** Limits of Coverage: **\$2,000,000**

INSURANCE CERTIFICATE REQUIRED

Note: The insurance certificate provided to the City by your organization's insurance company must name the City of Lakeport as an additional insured for the event specified in this application and must include a copy of any endorsements. The minimum coverage amount required is \$2,000,000. The certificate and endorsements must also be in a form acceptable to risk management and available for review 15 working days prior to the scheduled event.

USE OF ALCOHOL: Is a permit for alcoholic beverages requested? Yes No
 If you have checked yes, you must obtain a signed permit from the Lakeport Police Department and attach it to this application. This will allow for consumption of alcoholic beverages in connection with the event but will NOT allow for the SALE of alcoholic beverages. If alcoholic beverages are going to be sold or included with the price of any ticket or admission to the event, then the applicant is required to obtain a one-day license from the California Department of Alcoholic Beverage Control. This one-day permit would be required in addition to a permit by the Lakeport Police Department.

HOLD HARMLESS AGREEMENT

In consideration of allowing the event(s) specified in this application, and to the fullest extent permitted by law, I/we agree to indemnify and hold harmless the City of Lakeport and its agents and "employees" from and against any injury, damage, claims, actions or suits arising out of the herein described Event, including those caused by negligence of the parties being indemnified and/or any dangerous condition of property of the parties being indemnified, and further agrees to defend and indemnify the City of Lakeport from and against any injury, damage, claims, actions or suits arising out of or connected with the foregoing event(s).

Signature of Applicant
 Responsible Official of Applicant Organization

Dated:

STAFF RESPONSE

This section to be completed by City and Other Affected Agencies:

Staff Name:		Department:	
<input type="checkbox"/> No Fiscal Impact	<input type="checkbox"/> Fiscal Impact (Describe/Include Estimated Costs)	<input type="checkbox"/> Police <input type="checkbox"/> Public Works <input type="checkbox"/> Parks	<input type="checkbox"/> Other (please specify):

The following will be Required:

<input type="checkbox"/> Business License	<input type="checkbox"/> Health Department Permit
<input type="checkbox"/> ABC License	<input type="checkbox"/> Other (Specify):

Staff Comments:

Application has been revised to request:
 reserved parking on Third Street between Park Street and the Lake
 reserved parking on Park Street, between Third and Second Streets
 No street closure requested
 Applicant has been advised plastic glasses for beverages only

This section to be completed by City Clerk following Council meeting:

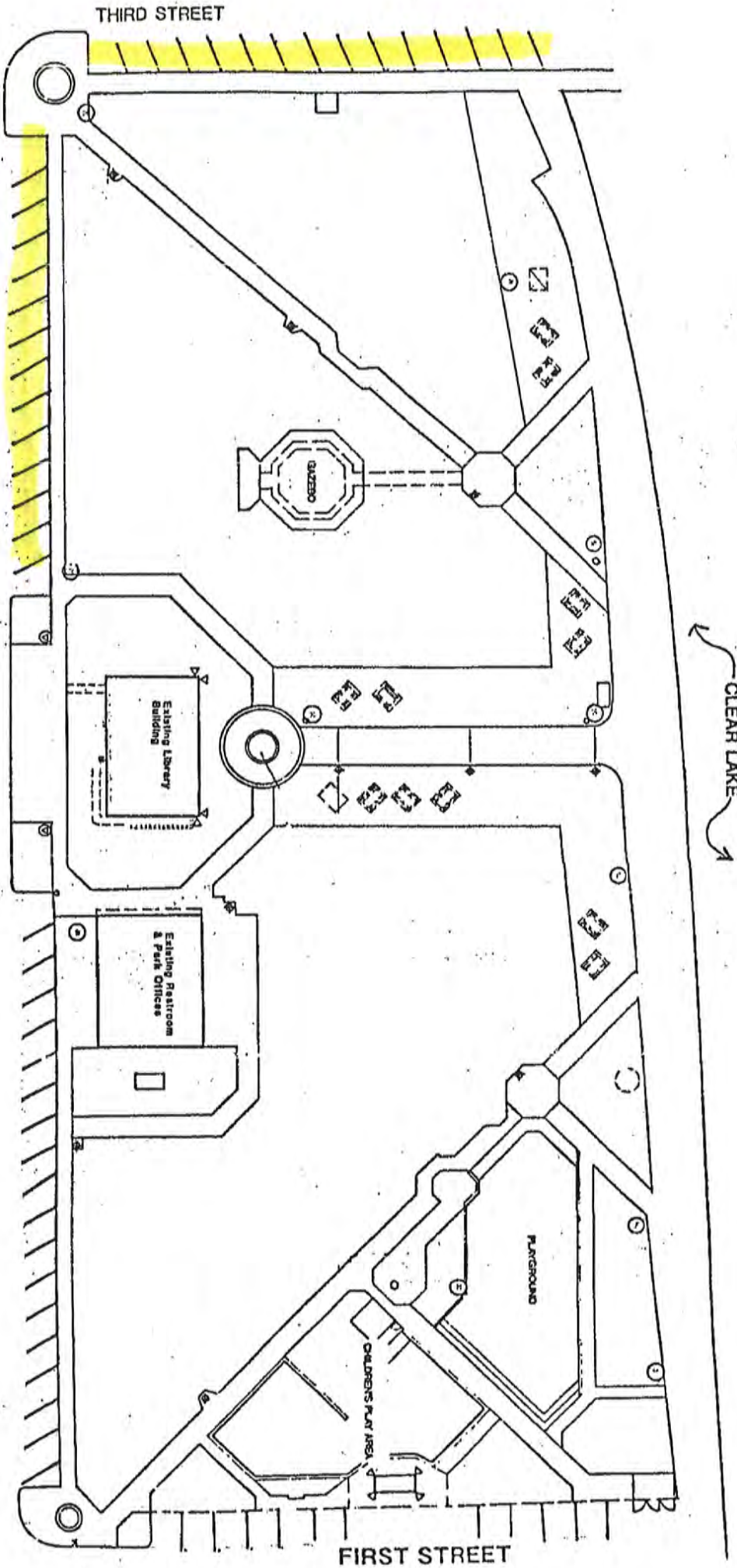
Considered at Council Meeting (Date):	<input type="checkbox"/> Application Approved <input type="checkbox"/> Application Denied <input type="checkbox"/> Application Approved With Conditions (See Below)
--	--

Conditions of Approval:

Attachments (specify):

Author: *Henry Boston*

LIBRARY PARK CITY OF LAKEPORT



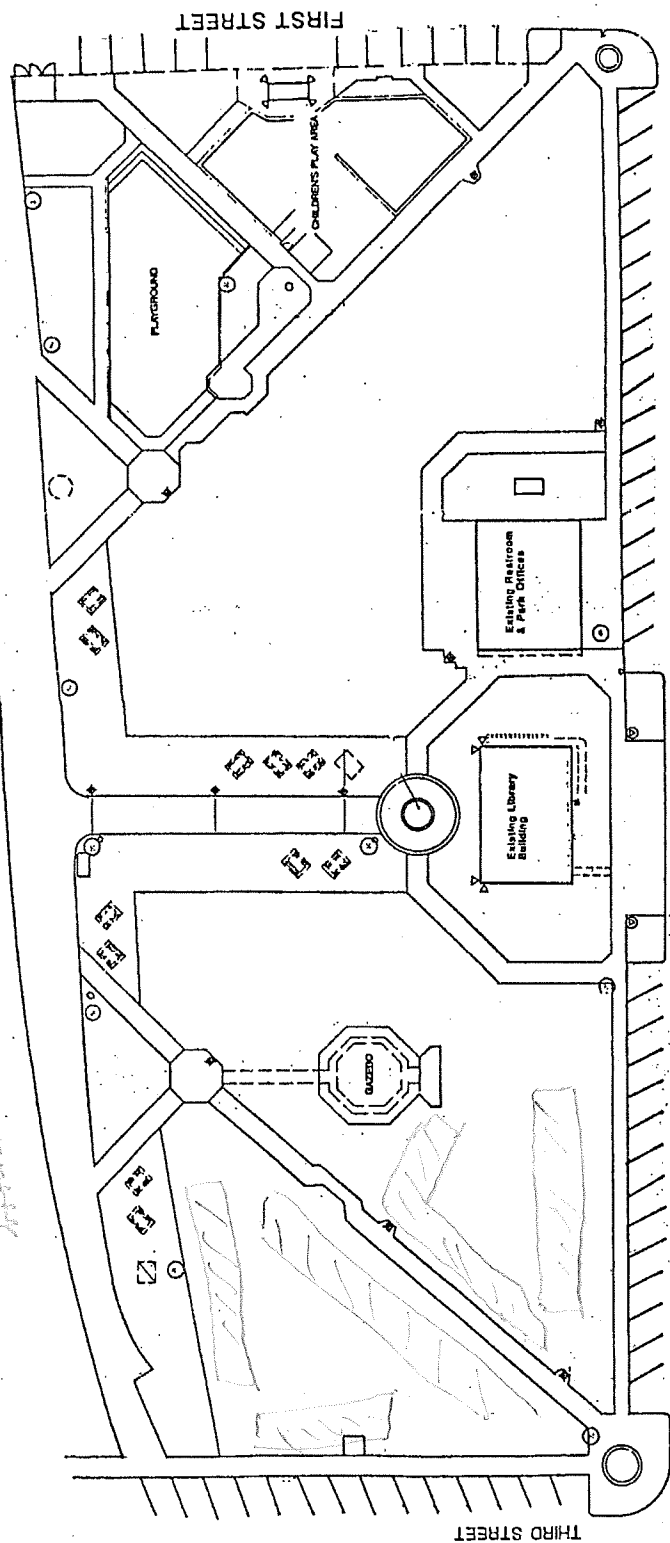
N
NO SCALE

requested parking space shaded off for Lake County Department Order Numbered, Sept 18, 2021

LIBRARY PARK CITY OF LAKEPORT

*Vendors
tables*

CLEAR LAKE



N
NO SCALE



Lake County Health Services
COVID-19 REOPENING PLAN

California Executive Order N-33-20 and Lake County Public Health Order C20-3 required the closure of all non-essential businesses to protect Lake County from the spread of COVID-19. To help your business plan to reopen, you must document measures implemented to minimize danger to employees and the public by providing a COVID-19 Reopening Plan.

Your Reopening Plan shall establish and explain the necessary policies, practices and conditions implemented to ensure the safety of employees and customers by meeting CDPH, CDC and OSHA guidelines (see Appendix A for guidance resources). Plans should show evaluation of current practices and adjust to prioritize public and employee safety.

Reopening/resumption of services should be approached in phases, starting with resuming lower risk activities in phase 1 and as restrictions are lifted, increasing activity/service levels in phases 2 and 3. Phase 4 is return to normal activity.

Complete the plan below and email it to MHOAC@lakecountycalifornia.gov.

Business Information:

Date:

Name of Applicant	David Velasquez
Name of Business	Lake County Symphony Ass'n
Business Address (Street Address)	PO Box 974, Lakeport, CA 95453
Business Phone	
Cell Phone	651-238-2833
Email Address	djvelasquez@citlink.net
Type of Business	non-profit
Number of Employees	0

How many customers/clients do you serve in an average day?

Infection prevention measures for employees:

CDPH Guidelines in effect at the time of the event will be followed, e.g. masks required, social distancing mandated, and hand sanitizer available

Measures for prompt identification and isolation of sick employees and/or sick customers:

Staff or participants who exhibit symptoms of illness will be asked to leave the area. Staff and participants will provide name and phone number to enable contact tracing.

Controls for social distancing of employees and customers/clients:

CDPH Guidelines in effect at the time of the event will be followed, including signage and reminders from staff to participants

Schedule for cleaning, disinfecting and decontamination:

CDPH Guidelines in effect at the time of the event will be followed

Describe any other measures that will be implemented for the safety of your employees and customers/clients:

CDPH Guidelines in effect at the time of the event will be followed, including signage, disinfectant availability and communication with staff and participants reinforcing guidelines in place

Phased reopening/resumption of services:

Phase 1:

N/A

Phase 2:

N/A

Phase 3:

N/A

Phase 4: Return to normal activities.

Applicant Signature

Appendix A – Guidance for developing a COVID-19 Reopening Plan

General

Site	Website
Centers for Disease Control	www.cdc.gov/coronavirus/2019-nCoV
	https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html?deliveryName=USCDC_248-DM22547
	https://www.cdc.gov/nceh/ehs/?deliveryName=USCDC_248-DM22547
California Department of Public Health	https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/ncov2019.aspx
	https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Guidance.aspx
	https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/ncov2019.aspx#Protect%20Yourself
	https://www.cdc.gov/nceh/ehs/?deliveryName=USCDC_248-DM22547
Cal OSHA	https://www.dir.ca.gov/dosh/coronavirus/Health-Care-General-Industry.html
Department of Industrial Relations	https://www.dir.ca.gov/
California Coronavirus Response	https://covid19.ca.gov/img/wp/listos-tips-for-public-health-emergencies-en-1_03.pdf

Handwashing

Site	Website
Centers for Disease Control	www.cdc.gov/handwashing/when-how-handwashing.html
	www.cdc.gov/handwashing

Respiratory Etiquette: Cover your Cough or Sneeze

Site	Website
Centers for Disease Control	www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html
	www.cdc.gov/healthywater/hygiene/etiquette/coughing_sneezing.html

Social Distancing

Site	Website
Centers for Disease Control	www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html
	https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/diy-cloth-face-coverings.html

Appendix A – Guidance for developing a COVID-19 Reopening Plan

Housekeeping

Site	Website
Centers for Disease Control	https://www.cdc.gov/coronavirus/2019-ncov/community/reopen-guidance.html?deliveryName=USCDC_248-DM22547
	www.cdc.gov/coronavirus/2019-ncov/community/disinfecting-building-facility.html
	www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/disinfecting-your-home.html
	www.cdc.gov/coronavirus/2019-ncov/community/organizations/cleaning-disinfection.html
Environmental Protection Agency	www.epa.gov/pesticide-registration/list-n-disinfectants-use-against-sars-cov-2

Employees exhibiting signs and symptoms of COVID-19

Site	Website
Centers for Disease Control	www.cdc.gov/coronavirus/2019-ncov/if-you-are-sick/steps-when-sick.html
California Coronavirus Response	https://covid19.ca.gov/symptoms-and-risks/

Training

Site	Website
Centers for Disease Control	www.cdc.gov/coronavirus/2019-ncov/community/guidance-small-business.html
Occupational Safety and Health Administration (OSHA)	https://www.osha.gov/Publications/OSHA3990.pdf

Industry Specific Guidance

Site	Website
Centers for Disease Control Healthcare	https://www.cdc.gov/coronavirus/2019-ncov/hcp/index.html
Centers for Disease Control Meat & Poultry	https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/meat-poultry-processing-workers-employers.html?deliveryName=USCDC_248-DM22547
Centers for Disease Control Grocery and Food Retail	https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/grocery-food-retail-workers.html?deliveryName=USCDC_248-DM22547
Centers for Disease Control Environmental Health Practitioners	https://www.cdc.gov/coronavirus/2019-ncov/community/eh-practitioners.html?deliveryName=USCDC_248-DM22547

From: brasmussen.lakeportpolice.org
To: [Hilary Britton](#)
Cc: [Kelly Buendia](#); [Kevin Ingram](#); [Doug Grider](#); [Dale Stoebe](#)
Subject: Re: Application 2021-004 - Home Winemakers Winefest - LCSA
Date: Wednesday, March 31, 2021 10:49:28 AM
Attachments: [image002.png](#)

Police Comments:

1. Follow Health Orders in place at time of event.
2. Any Required Alcoholic Beverage Control Permits shall be obtained prior to event.

Brad Rasmussen

Chief of Police

Lakeport Police Department

2025 South Main Street

Lakeport, CA 95453

707-263-5491 EXT 101

www.lakeportpolice.org

@LakeportPoliceDepartment on Facebook, Twitter, Nextdoor, Instagram & Nixle

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On March 31, 2021 10:28 AM Hilary Britton <hbritton@cityoflakeport.com> wrote:

Hi all,

Please find attached application 2021-004 for the annual Home Winemakers Winefest for your review and comments.

We would like to submit this for City Council approval at the Council meeting of

04/20/2021, so please have your comments back to me by 04/08/2021.

Thank you for your input.

Hilary Britton

Deputy City Clerk/Records Supervisor

City of Lakeport

225 Park Street

Lakeport, CA 95453

(707) 263-5615 x102

hbritton@cityoflakeport.com

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(Click button to register online)

From: [Lake County Public Health](#)
To: [Hilary Britton](#)
Subject: RE: Covid-19 Mitigation Plan - 2021 Home Winemakers Winefest
Date: Friday, April 02, 2021 4:49:46 PM
Attachments: [image004.png](#)
[image006.png](#)

Good afternoon, Ms. Britton,

Thank you for sending your COVID-19 Mitigation Plan.

In reviewing your plan, it looks fine. We do ask that you are mindful of the different tiers and any changes, and are ready to adjust your plan for the tier in effect at the time of your event. Tier information can be found at: <https://covid19.ca.gov/safer-economy/#tier-assignments>

Best,

MHOAC@lakecountyca.gov



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From: Hilary Britton [mailto:hbritton@cityoflakeport.com]
Sent: Wednesday, March 31, 2021 10:35 AM
To: Lake County Public Health <MHOAC@lakecountyca.gov>
Subject: [EXTERNAL] Covid-19 Mitigation Plan - 2021 Home Winemakers Winefest

Hi,

Please find attached the Covid-19 mitigation plan for the 2021 annual Home Winemakers Winefest for your review.

Please let me know if you need additional information.

Hilary Britton
Deputy City Clerk/Records Supervisor
City of Lakeport
225 Park Street
Lakeport, CA 95453
(707) 263-5615 x102
hbritton@cityoflakeport.com

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(Click button to register online)



LAKE COUNTY SHERIFF'S OFFICE

1220 Martin Street • P.O. Box 489 • Lakeport, California 95453

Administration
(707) 262-4200

Central Dispatch
(707) 263-2690

Coroner
(707) 262-4215

Corrections
(707) 262-4240

Patrol/Investigation
(707) 262-4200

Substation
(707) 994-6433

To : Hilary Britton
Deputy City Clerk/Records Supervisor
City of Lakeport

From : Lieutenant Luke Bingham
Lake County Sheriff's Office

Date : April 7th, 2021

Subject : Application for Use of Public Areas #2021-004

I have reviewed the Application for Use of Public Areas, received by the Lake County Sheriff's Office on March 31st, 2021 (attached). I do not believe these events would have a significant impact on the services provided by our office and the Sheriff's Office supports the issuance of the permits.

If you have any questions, please contact me at 707-262-4082.

LJB/ljb

From: [Tina Rubin](#)
To: [Hilary Britton](#)
Cc: [Cheryl Bennett](#)
Subject: RE: Application 2021-004 - Home Winemakers Winefest - LCSA
Date: Thursday, April 08, 2021 4:42:48 PM
Attachments: [image002.png](#)

All Covid 19 protocols must be observed during the event including mask requirements and social distancing if still in place when September arrives. All food vendors and sponsor of the event must submit a temporary health permit application and pay appropriate fees to Environmental Health in order to participate in the event.

At this time temporary events are limited due to Covid 19. However, this may change by September when the state relaxes the restrictions.

Tina Dawn-Rubin

Environmental Health Aide

County of Lake

Department of Health Services
Environmental Health Division
922 Bevins Ct, Lakeport, CA 95453
Tel: 707-263-1164 Fax: 707-263-1681

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From: Hilary Britton [mailto:hbritton@cityoflakeport.com]
Sent: Wednesday, March 31, 2021 10:28 AM
To: Dean Eichelmann <Dean.Eichelmann@lakecountyca.gov>; Cheryl Bennett <Cheryl.Bennett@lakecountyca.gov>; Dale Stoebe <dstoebe@lakeportpolice.org>; Daniel Chance <dchance@cityoflakeport.com>; Doug Grider <dgrider@cityoflakeport.com>; Executive Management <executivemanagement@cityoflakeport.com>; Jim Kennedy <jkennedy@cityoflakeport.com>; Linda Sobieraj <lsobieraj@cityoflakeport.com>; 'Lisa Davey-Bates' <ldaveybates@dbcteam.net>; Lori Price <Lori.Price@lakecountyca.gov>; Matt Hartzog <mhartzog@cityoflakeport.com>; Michelle Humphrey <mhumphrey@cityoflakeport.com>; Mike Sobieraj <msobieraj@lakeportpolice.org>; Pheakdey Preciado <Pheakdey.Preciado@lakecountyca.gov>; Ron Ladd <rladd@cityoflakeport.com>; records@lakecountyca.gov; Tina Rubin <Tina.Rubin@lakecountyca.gov>; 'Wanda Gray'

<WLG@paratransit.net>

Subject: [EXTERNAL] Application 2021-004 - Home Winemakers Winefest - LCSA

Hi all,

Please find attached application 2021-004 for the annual Home Winemakers Winefest for your review and comments.

We would like to submit this for City Council approval at the Council meeting of 04/20/2021, so please have your comments back to me by 04/08/2021.

Thank you for your input.

Hilary Britton
Deputy City Clerk/Records Supervisor
City of Lakeport
225 Park Street
Lakeport, CA 95453
(707) 263-5615 x102
hbritton@cityoflakeport.com

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CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Notice of Completion for Community Center Kitchen Remodel Project, Bid No. 20-06	MEETING DATE: 9/7/2021
SUBMITTED BY: Nicholas Walker, ACM/ Finance Director	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt a resolution accepting the Community Center Kitchen Remodel Project, Bid No. 20-06, as complete and authorize the City Manager to file a Notice of Completion.

BACKGROUND/DISCUSSION:

On October 5, 2020, the City Council awarded a construction contract to Bridges Construction, for the Community Center Kitchen Remodel Project, Bid No. 20-06, in the amount of \$89,163.23.

The City of Lakeport Public Works Department has reviewed the project and determined that it has been completed in substantial compliance with the project plans and specifications. The total cost of the construction contract came out to \$121,347.22. The additional cost involved asbestos abatement, commercial hood installation adjustments and various other minor changes during construction.

OPTIONS:

No other options recommended

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments:

SUGGESTED MOTIONS:

Move to adopt the resolution accepting construction of the Community Center Kitchen Remodel Project by Bridges Construction and authorize the filing of the Notice of Completion.

- Attachments:** 1) Resolution
2) Notice of Completion

RESOLUTION NO. XXX___ (2021)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT ACCEPTING
CONSTRUCTION OF THE COMMUNITY CENTER KITCHEN REMODEL PROJECT, BID NO. 20-06,
AND AUTHORIZING THE FILING OF THE NOTICE OF COMPLETION**

WHEREAS, the final inspection of the Community Center Kitchen Remodel Project, Bid No 20-06, was made by the City of Lakeport's Community Development Department; and

WHEREAS, it was determined that the work for this project has been completed in substantial compliance with the project plans and specifications.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKEPORT AS
FOLLOWS:**

1. The City Council hereby accepts the work as completed on the Community Center Kitchen Remodel Project, Bid No 20-06.
2. The City Manager is authorized and directed to execute the Notice of Completion to be filed with the County of Lake.

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Lakeport held on the on the 7th day of September, 2021 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

APPROVED:

Mayor
City of Lakeport

ATTEST:

Kelly Buendia, City Clerk
City of Lakeport

**RECORDING REQUESTED BY
City of lakeport**

**AND WHEN RECORDED MAIL THIS DEED,
UNLESS OTHERWISE SHOWN BELOW.
MAIL TAX STATEMENTS TO:**

City of Lakeport Attn: Olivia Grupp
225 Park Street
Lakeport, CA 95453
Complimentary recording request pursuant to
government code § 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Notice of Completion

NOTICE is hereby given that:

1. The Undersigned is owner of the interest stated below in the property hereinafter described:
2. The NAME (including that of the undersigned), ADDRESS and NATURE OF TITLE of every person owning any interest in such property is as follows:

City of Lakeport

225 Park St, Lakeport, CA 95453

Fee Simple

(NAME OF UNDERSIGNED)

3. The names and addresses of the transferors of the undersigned owner: (to be shown if the undersigned is a successor in interest of the owner who caused the improvement to be constructed, etc.)

4. A work of improvement on the property hereinafter described was COMPLETED ON 7/12/2021

5. The name of the CONTRACTOR for such work of improvement was Bridges Construction

(If no Contractor, insert "NONE")

6. The property on which said work of improvement was completed is in the City of Lakeport,
county of Lake State of California, and is described as follows:
Design and installation of a commercial kitchen facility

7. The street address of said property is: 500 North Main Street

Dated: 9/7/2021

Signature of
Owner or Owners }

Kevin Ingram, City Manager

Verification for NON-INDIVIDUAL owner: I, the undersigned, declare under penalty of perjury under the laws of the State of California that I am the City Manager of the aforesaid interest or estate in
("PRESIDENT, PARTNER, MANAGER, AGENT, ETC.")

the property described in the above notice; that I have read the said notice, that I know and understand the contents thereof, and that the facts stated therein are true and correct.

Date and Place

(Signature of person signing on behalf of owner))



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Notice of Completion for the 2021 Sewer Main Rehabilitation Project, Bid No. 21-05	MEETING DATE: 09/07/2021
SUBMITTED BY: Douglas Grider, Public Works Director	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt a resolution accepting the 2021 Sewer Main Rehabilitation Project, Bid No. 21-05, as complete and authorize the City Manager to file a Notice of Completion.

BACKGROUND/DISCUSSION:

On May 4, 2021, the City Council awarded a Construction Contract to Ghilotti Construction Company, for the 2021 Sewer Main Rehabilitation Project, Bid No. 21-05, in the amount of \$650,316.00.

The City of Lakeport Public Works Department has reviewed the project and determined that it has been completed in substantial compliance with the project plans and specifications. The total cost of the construction contract came out to \$616,766.34.

OPTIONS:

No other options recommended

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments:

SUGGESTED MOTIONS:

Move to adopt the resolution accepting construction of the 2021 Sewer Main Rehabilitation Project by Ghilotti Construction Company and authorize the filing of the Notice of Completion.

- Attachments:**
1. Resolution
 2. Notice of Completion

RESOLUTION NO. ~~XXX~~___ (2021)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT ACCEPTING
CONSTRUCTION OF THE 2021 SEWER MAIN REHABILITATION PROJECT, BID NO. 21-05, AND
AUTHORIZING THE FILING OF THE NOTICE OF COMPLETION**

WHEREAS, the final inspection of the 2021 Sewer Main Rehabilitation Project, Bid No 21-05, was made by the City of Lakeport's Public Works Department; and

WHEREAS, it was determined that the work for this project has been completed in substantial compliance with the project plans and specifications.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKEPORT AS
FOLLOWS:**

1. The City Council hereby accepts the work as completed on the 2021 Sewer Main Rehabilitation Project, Bid No 21-05.
2. The City Manager is authorized and directed to execute the Notice of Completion to be filed with the County of Lake.

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Lakeport held on the on the 7th day of September, 2021 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

APPROVED:

Mayor
City of Lakeport

ATTEST:

Hilary Britton , Deputy City Clerk
City of Lakeport

**RECORDING REQUESTED BY
City of lakeport**

**AND WHEN RECORDED MAIL THIS DEED,
UNLESS OTHERWISE SHOWN BELOW.
MAIL TAX STATEMENTS TO:**

City of Lakeport Attn: Olivia Grupp
225 Park Street
Lakeport, CA 95453
Complimentary recording request pursuant to
government code § 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Notice of Completion

NOTICE is hereby given that:

1. The Undersigned is owner of the interest stated below in the property hereinafter described:
2. The NAME (including that of the undersigned), ADDRESS and NATURE OF TITLE of every person owning any interest in such property is as follows:

City of Lakeport

225 Park St, Lakeport, CA 95453

Fee Simple

(NAME OF UNDERSIGNED)

3. The names and addresses of the transferors of the undersigned owner: (to be shown if the undersigned is a successor in interest of the owner who caused the improvement to be constructed, etc.)
4. A work of improvement on the property hereinafter described was COMPLETED ON 8/9/2021
5. The name of the CONTRACTOR for such work of improvement was Ghilotti Construction Company
(If no Contractor, insert "NONE")
6. The property on which said work of improvement was completed is in the City of Lakeport, county of Lake State of California, and is described as follows: Replacement of sewer main lines, manholes, laterals and rodding inlets on various residential streets.
7. The street address of said property is: 9th Street, Crawford St, Tunis St, Estep St, 2nd St and Lange St.

Dated: 9/7/2021

Signature of
Owner or Owners }

Kevin Ingram, City Manager

Verification for NON-INDIVIDUAL owner: I, the undersigned, declare under penalty of perjury under the laws of the State of California that I am the City Manager of the aforesaid interest or estate in
("PRESIDENT, PARTNER, MANAGER, AGENT, ETC.")

the property described in the above notice; that I have read the said notice, that I know and understand the contents thereof, and that the facts stated therein are true and correct.

Date and Place

(Signature of person signing on behalf of owner))



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Resolution Approving City of Lakeport Unrepresented Employees Compensation and Benefits Program	MEETING DATE: 09/07/2021
SUBMITTED BY: Kevin M. Ingram, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL:

The City Council is being asked to adopt a resolution approving the Compensation and Benefits Program for the City of Lakeport Unrepresented Employees for the period of July 1, 2021 through June 30, 2024.

BACKGROUND/DISCUSSION:

The City of Lakeport entered into negotiations with the Lakeport Unrepresented Employees in late June of 2021. This unit consists of at-will management and mid-management employees. Prior to negotiations an informal salary survey was completed including the County of Lake and several cities in Lakeport’s market area. In order to recruit and retain qualified employees, the City negotiated to bring the salaries to within 5% of the County of Lake or 5% of the broader survey group, whichever was higher. The City negotiated a COLA for positions that were at or above the market survey.

Due to the uncertainty of the COVID-19 pandemic this group did not request any salary adjustments in 2020-21, with the last adjustment taking place on 7/1/2019.

The MOU runs through June 30, 2024 and includes the following:

1. Either a market salary adjustment or a 3% COLA in Year 1.
2. A 3% COLA in Year 2.
3. A 3% COLA in Year 3.
4. A one-time technology stipend in the amount of \$1500 for both Executive and Mid Management positions.

Should the City Council approve this item, the Administrative Services Director will bring back an updated Master Salary Schedule for approval at an upcoming regular meeting.

OPTIONS:

1. Adopt the proposed City of Lakeport Unrepresented Employees Compensation and Benefits Program.
2. Direct staff to make modifications or revisions to the proposed program.
3. Take no action or take action to approve the proposed program.

FISCAL IMPACT:

None \$40,290 for 21/22. Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s):

The costs in the schedule below are cumulative cost by affected fund for each year of the agreement.

	General Fund	Water Fund	Sewer Fund	Successor Agency	Total
21/22	26,680	11,100	1,100	1,410	40,290
22/23	46,120	17,660	17,660	2,940	84,380
23/24	66,480	25,020	25,020	4,470	120,990

SUGGESTED MOTION:

Move to adopt a resolution approving the Compensation and Benefits Program for the City of Lakeport Unrepresented Employees for the period of July 1, 2021 through June 30, 2024.

- Attachments:**
1. Compensation and Benefits Program – strikethrough
 2. Resolution
 3. Compensation and Benefits Program (clean copy)

**CITY OF LAKEPORT
UNREPRESENTED EMPLOYEES**

**COMPENSATION AND
BENEFITS PROGRAM**

July 1, ~~2020-2021~~ through June 30, ~~2021~~2024

Adopted

**CITY OF LAKEPORT
UNREPRESENTED EMPLOYEE COMPENSATION PROGRAM**

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SECTION 1: INTRODUCTION

1.1 Employee Definitions:

At-Will Management Employee – an employee who serves at the will of the City Manager and who has responsibility for formulating, administering, and/or managing City policies and programs. In the City, this would typically be Department Heads.

Mid-Management Employee – an employee who reports to the Department Head and who assists in administering policies and programs while engaging in day to day operations and supervision.

1.2 Purpose of the Unrepresented Employee Compensation and Benefits Program

For At-Will Management and Mid-Management employees, this Program is adopted to promote the development of a stronger, more effective Management Team, not merely for purposes of employer-employee relations but also as a means of recognizing outstanding management performance in all public service areas. These general purposes may be achieved through several means, notably: training, more effective communication among departments, clear identification of goals and objectives, and by relating effective job performance to an incentive program. Also inherent in such a program is the means of retaining good Department Heads and strengthening the managers (if any) whose effectiveness and performances fall short of reasonable levels of expectation.

1.3 Employees Covered

Employees covered under this program shall include the following:

- A. At-Will Management
 - Administrative Services Director/City Clerk
 - Assistant City Manager
 - City Engineer/Public Works Director
 - Community Development Director
 - Finance Director/Manager
 - Police Chief
- B. Mid-Management

- Utilities Superintendent I/II
- Police Lieutenant/Captain
- Planning Services Manager
- Chief Building Official
- Public Works Superintendent I/II
- Compliance Officer I/II
- Government Accountant

Additional job classes may be added to the Unrepresented Program from time to time, based upon the creation of additional City departments/divisions, the addition of new positions, or by the reclassification of existing positions to either At-Will Management or Mid-Management, based upon the nature of the work.

1.4 Exempt Status of Employees Covered

Based upon the nature of the work, it is expressly understood that the At-Will Management and Mid-Management employees covered under this program are exempt from the overtime provisions of the Federal Fair Labor Standards Act.

1.5 Term

This document shall be in effect during the period of July 1, ~~2020-2021~~ through June 30, ~~2021-2024~~

SECTION 2: EMPLOYMENT CONTRACTS

The At-Will Management employees may, at the discretion of the City Manager, enter into an employment contract, confirming the "At Will" status of the employee and setting forth any special pay or benefits such as severance pay. Employment contracts with all At-Will Management employees will be approved by the City Manager. Where there are conflicting terms and conditions between this resolution and an employment contract, the greater benefit shall apply.

SECTION 3: EMPLOYEE COMPENSATION, WORK DAY & WORK WEEK

3.1 Salary Schedule

- A. ~~There shall be no Cost of Living Adjustment (COLA) for the term of this agreement~~The salary range for each classification from Step 1 through Step 5 shall be as shown in Attachment "A" which is attached hereto and incorporated by reference herein and reflects the following adjustments:
- a. Starting the September —4, 2021 pay period, the salaries shall be increased as follows:-
 - i. Community Development Director: 14%
 - ii. Administrative Svcs Dir/Clerk :12%

- iii. Public Works Director: 7%
- iv. Police Chief: 4%
- v. Building Official: 14%
- vi. City Engineer/Public Works Director: 25%
- vii. Finance Director: 12%
- viii. All Other Positions: 3%

~~b. Starting the Effective the first pay period after July 1, 2022, all salaries shall be increased 3%.~~

~~a-c. Starting Effective the first pay period after July 1, 2023, all salaries shall be increased 3%.~~

B. _____ Salary Schedules are attached to this agreement.

3.2 Merit Adjustments

Typically, where there exists an adopted salary schedule, merit adjustments may be made by the City Manager upon recommendation of the direct supervisor and department head policy based on the employee's performance. Performance reviews with the potential for merit increases will occur no less frequently than annually on an employee's anniversary date. Additional merit increases may be approved by the City Manager for documented exceptional performance.

Merit increases from step A to step B shall occur at the twelve month anniversary, conditioned upon satisfactory performance review.

3.3 Recruitment/Retention Adjustments

On occasion, situations may occur when adjustments may be necessary to At-Will Management or Mid-Management salary ranges for documented recruitment or retention problems. The City Manager is authorized to adjust the salary range of a management position up to 10% without Council approval if one of the following conditions is met:

Recruitment Problem – If the City makes an extensive effort to recruit qualified candidates including outreach, advertising, and procuring the services of an executive recruiter and that recruitment is not successful based upon the City's compensation package, then the City Manager can authorize an adjustment to the salary to attract qualified candidates.

Retention Problem – In rare cases, it may be necessary for the City to increase a manager's pay for retention purposes. This would require that the manager have a bona fide offer, in writing, from another organization with a significant increase in pay or other similar justification.

3.4 Acting Pay Assignments:

- A. When an Unrepresented Employee is assigned to work in a higher classification for which the compensation is greater than that to which the employee is regularly assigned, and the employee works in such assignment for more than 15 work days, the employee shall receive compensation for such work retroactive to the first day of the assignment at the rate of pay established for the higher classification, under the following conditions:

1. The Unrepresented Employee is assigned to a program, service or activity established by the City Council which is reflected in an authorized position which has been classified and assigned to the Salary Schedule and such authorized position has become vacant due to the temporary or permanent absence of the position's incumbent. A copy of the department head's written approval of this assignment must be submitted to the Administrative Services Director at the start of the assignment.
 2. The nature of the departmental assignment is such that the Unrepresented Employee in the lower classification becomes fully responsible for the duties of the position of the higher classification.
- B. Notwithstanding Paragraph A. 1. above, in an exceptional circumstance when a vacancy does not exist but an employee has been assigned to perform duties which exceed the scope of that Unrepresented Employee's classification, and when determined and justified by the City Manager, in his/her sole discretion, an employee will be entitled to pay for a higher classification, which shall not be less than 5% of the employee's base salary.
 - C. Unrepresented Employees selected for the assignment will normally be expected to meet the minimum qualifications for the higher classification.
 - D. Pay for work in a higher classification shall not be utilized as a substitute for regular promotional procedures provided in this agreement.
 - E. Higher pay assignments shall not exceed six (6) months except through reauthorization.
 - F. If approval is granted for pay for work in a higher classification and the assignment is terminated and later re-approved for the same employee within thirty (30) days, no additional waiting period will be required.
 - G. Allowable work location differentials will be paid on the basis of the rate of pay for the higher class.

3.5 Work Day / Work Week:

City agrees to the continuation of the "9-80" work schedule. Work days will be nine (9) hours or eight (8) hours, depending upon the schedule. The "9-80" schedule is to be applied to Management and Mid-Management. For purposes of overtime calculations, the work week is 40 hours beginning at noon on Friday and running until noon the next Friday. Friday is referred to as the "flex" day. For example:

Week 1: M 9 T 9 W 9 Th 9 F 8
 Week 2: M 9 T 9 W 9 Th 9 F off

At the request of the City, the parties agree to meet and confer regarding a change in the workday/workweek and associated overtime.

A. Payday

The first pay period following ratification of similar language with the other City bargaining units, Employees shall be paid bi-weekly on every other Friday. Payment will reflect the number of hours worked at the employee's hourly rate. It is the employee's responsibility to submit their timesheet at the end of each pay period and failure to do so may result in a delay in processing the employee's pay check.

3.6 Overtime:

Overtime is applied to employees considered non-exempt under the Fair Labor Standards Act. Under the "9-80" schedule, overtime will be paid for hours in excess of what was scheduled that day at a rate of one and one-half times the regular rate of pay. For example when scheduled to work a nine hour day, overtime would be paid after nine hours. The City Council, City Manager or Department Head must approve all overtime.

3.7 Absenteeism:

An employee may be disciplined, up to and including termination, for excessive absenteeism or tardiness (excused or not) which affects the employee's ability to perform assigned duties, interferes with the efficient or effective operation of City programs, or establishes a pattern of abuse or neglect. Excessive absenteeism or tardiness is determined by the City Manager and each employee shall be evaluated on a case-by-case basis, subject to applicable law.

3.8 Emergency Service Worker Pay:

The City shall provide (FLSA exempt) members of this unit with straight time reimbursement for additional hours worked over members' normal schedule during declared emergency situations where members are required to work as emergency service or disaster relief personnel. (Side letter adopted 09.24.2018).

SECTION 4: RETIREMENT BENEFITS

4.1 Retirement

The City shall provide retirement benefits under the Public Employees' Retirement System plan commonly known as 2.5% @ 55. City shall also provide highest final year compensation factor (Section 20042) and conversion of unused sick leave to service credit. IRS provision 414 (h) (2) shall also be implemented to provide for payment of employees share of PERS premium from non-taxed dollars.

The Police Chief and Lieutenant shall be enrolled in the PERS plan offered to City of Lakeport public safety officers.

The Public Employees' Pension Reform Act of 2013 (PEPRA) and related Public Employees' Retirement law amendments in Assembly Bill 340 became law on September 12, 2012 and the provisions were effective January 1, 2013.

The City and Unrepresented Employees agree to implement all PEPRA provisions, and all applicable amendments thereto. Effective January 1, 2013 all employees defined by PEPRA as "new members" shall pay 50% of the total normal cost for the new Miscellaneous PERS pension formula 2% at 62, which is currently 6.25% of reportable compensation, with a three-year final compensation period. "Classic members" (employees hired prior to January 1, 2013) will retain the 2.5%@55 Miscellaneous PERS formula, which is 8% employee contribution with a one-year final compensation period.

Effective January 1, 2013 all employees defined by PEPRA as "new members" shall pay 50% of the total normal cost for the new Safety PERS pension formula 2.7%@57, which is currently 11.5% of reportable compensation, with a three-year final compensation period. "Classic members" (employees hired prior to January 1, 2013) will retain the 3%@55 Safety PERS formula, which is a 9% employee contribution, with a one-year final compensation period.

The PEPRA defines a "new member" as : a) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any California public retirement system; b) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013 and who is not eligible for reciprocity with another California public retirement system; c) A member who first established CalPERS membership prior to January 1, 2013, and who is rehired by a different CalPERS employer after a break in service of greater than six months.

4.2 Retirement Medical Benefit

To be eligible to continue in the City group medical plans, employees must have ten (10) or more years of continuous service with the City.

4.2.1 For regular, full-time employees hired before April 5, 1999, retiring from the City of Lakeport with Service or Industrial Injury Retirement, City agrees to offer and provide/pay the appropriate premium(s) for retiree and eligible dependent(s) medical insurance under the following conditions:

To be eligible the retiree and dependent(s) must have been enrolled in the City's medical plan for a period of one year and/or in accordance with REMIF policy prior to the effective date of retirement and provide annual proof of dependent eligibility

Retirement as used in this document shall mean separation from city service due to, voluntary retirement, retirement due to the employee's sustaining an industrial injury or retirement

through a reduction in force (layoff) where the employee otherwise meets all requirements for receipt of retiree health benefits under these rules. This addition is not changing the rule that an involuntary termination from city service as a result of discipline precludes the entitlement to any retiree benefits under this section but to further define involuntary separations from service where retiree health benefits may be paid.

To be eligible the retiree and dependent(s) must elect to continue with such to coverage within thirty (30) days of the eligible employee's retirement date. Thereafter retiree and dependent(s) are ineligible to participate in the City's offered program.

At the inception of retiree coverage the eligible dependents are only those who prior to the subscriber/employee retirement from city service were covered under the city sponsored health plan. This means that should the retiree remarry, adopt or otherwise acquire new dependents, City shall have no obligation to pay any portion of the health care premiums for such new dependents. The retiree (if they are otherwise eligible to participate in the health plan) may enroll at his or her own cost these new dependents.

To continue eligibility retiree and dependent(s) shall enroll in Medicare and/or MediCal or any other welfare benefit program for which eligible as soon as eligible. The City does not pay for Medicare A or B but will continue contribution to the health insurance program offered through City's primary health insurance plan provided the employee enrolls in relevant public health benefit program described above and for prescription drug coverage enrolls through Blue Cross in Medicare Part D. This requirement shall also apply to eligible dependent(s).

Under the Consolidate Omnibus Budget Reconciliation Act (COBRA) of 1985, certain "qualifying events" allow qualified retiree eligible dependents to continue enrollment in a group health benefit, for a specific limited time. This is separate from the retiree health care program. Nevertheless, the City will fully comply with the COBRA requirements should a retiree's dependents become eligible.

If the City changes the primary health insurance plan after effective retirement date of eligible retiree, retiree and dependent(s) must change to new plan or lose retiree coverage benefit. (Note: employees represented by Lakeport Safety Officers Association unit have been provided permission to enroll in Operating Engineer's medical program and retirees from that unit meeting above criteria would be allowed to remain in that program as long as continuing unit represented employees stay in that program. All other current City employees and eligible retirees are enrolled in REMIF administered Blue Cross program.)

City contribution toward retiree and dependent(s) premiums shall not exceed the maximum premium that the City contributes for the City sponsored plan for active employees.

The benefits provided under this section will continue for such retired employees and their legal dependent(s), if any, while said retired employee is alive. In the event of the retired employee's death, coverage will continue for the spouse until the spouse dies or remarries. In

addition, the benefits provided under this section will continue for said retired or deceased employee's legal dependent children who qualify as an Internal Revenue Service dependent until such children reach the age of disqualifications as stated in the current health plan contract or the spouse remarries, whichever occurs earliest.

Continuous service is defined as consecutive years of regular, full-time employment with the City. Any separation from City employment will void any previous accrual towards length of continuous service for purposes of this section, unless otherwise waived by the City Manager and due to extenuating circumstances. Layoffs with subsequent restoration and approved City paid or unpaid leaves do not constitute separation from City service for the purpose of this section.

Any retired employee who, after retirement from City, becomes employed elsewhere and is covered by medical insurance by his/her new employer, said coverage provided by City to the retired employee will be considered secondary to the coverage provided by his/her new employer, his/her new employer's coverage shall be considered primary.

Any spouse of a deceased employee or deceased retired employee who is receiving benefit coverage as provided under this section, becomes employed and is covered by medical benefits by his/her employer, said coverage provided by City will be considered secondary to the coverage provided by the spouse's employer, and his/her employer's coverage shall be considered primary.

For the term of this program, active employees, early retirees and retirees will receive the following city contribution for a city-selected health plan:

Seventy-six percent (76%) of the monthly premiums will be paid by the city, rounded up or down to the closest dollar.

The city contribution for early retirees and retirees shall not exceed the contribution for an active employee.

4.2.2 For regular, full-time employees hired after April 5, 1999, but before July 1, 2005, retiring from the City of Lakeport with Service or Industrial Injury Retirement, City agrees to offer and provide/pay towards the appropriate premium(s) for retiree and eligible dependent(s) medical insurance as stated in 4.2.1 with the following exception:

At the inception of retiree coverage the eligible dependents are only those who prior to City contribution towards retiree and dependent(s) medical coverage benefit for those retiring with Service Retirement is based on the following formula:

<u>Years of Continuous Service</u>	<u>% of Cost Covered by City</u>
12	40
15	60

18	80
21	100

City contribution towards retiree and dependent(s) medical coverage benefit for those retiring as a result of industrial injury is based on the following formula:

<u>Years of Continuous Service</u>	<u>% of Cost Covered by City</u>
5 plus	50
10 plus	100

4.2.3 For employees hired after July 1, 2005, and retiring from the City of Lakeport under Service or Industrial Injury retirement provisions, City agrees to allow enrollment in City group medical plans at retiree’s sole expense. This option shall cease upon death of retiree, though dependent(s) shall be provided COBRA or other legally required notice and benefits if they choose to stay in City group medical plan for the period of such COBRA benefit. All other terms and conditions stated 4.2.1 shall apply.

No Retiree Medical Benefit will be provided to those employees hired after July 1, 2005, other than described above.

SECTION 5: INSURANCE BENEFITS

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

5.1 Health Insurance

For the REMIF administered medical insurance plan, the City will contribute seventy-six percent (76%) of the monthly premiums and employees twenty-four percent (24%) of the monthly premiums.

For the term of this program it is agreed that the City paid portion of the premiums will be calculated as a percentage of the premium for the selected plan rounded up or down to the closest dollar. The 24% of premium cost shall be made by way of payroll deduction from each bi-monthly check as has been the standard past practice.

City agrees to inform the unrepresented employees of plan changes/discontinuances upon the city’s receipt of the same from REMIF. City agrees to meet and discuss regarding any plan changes/discontinuances made during the term of this program.

5.1 Health Insurance Opt Out Program

Employees hired after January 1, 2018 are not eligible for Opt Out benefits.

On January 1, 2020, employees hired prior to July 1, 2014, will start receiving the following Opt-Out benefits: will be paid monthly \$250 for those eligible for single enrollment; \$400 for those eligible for double enrollment; and \$500 for those eligible for family enrollment. On January 1,

2018, these employees will receive 2/3 the difference between what they are receiving on January 1, 2018 and what they will receive on January 1, 2020. On January 1, 2019, these employees will receive 1/3 the difference between what they are receiving on January 1, 2018 and what they will receive on January 1, 2020.

Those employees (couple and family) participating in the Opt Out program prior to January 1, 2018, upon proof of coverage under an alternate medical insurance program an employee choosing to drop medical insurance coverage under the REMIF-sponsored plan will be paid monthly \$250 for those eligible for single enrollment; \$400 for those eligible for double enrollment; and \$500 for those eligible for family enrollment. Single category employees who applied for the Opt Out Program as of 7/1/2014 will be paid an amount equal to 75% of the city's cost of the single rate effective upon adoption of the MOU.

For employees hired prior to July 1, 2014 and who are participating in the Opt Out program, if an employees' salary less on January 1, 2020 than it is at ratification of the MOU as a result of the elimination of Tier 1, those employees will receive a step increase (5%) on January 1, 2018.

Under REMIF rules as of 7/1/2016, married couples may not cover each other under each other's plan when they both work for the same agency. The city will be enforcing the following: (1) married couples may each enroll in individual coverage or (2) one spouse may enroll in the plan and list the other as a dependent. Regardless of which option, the City will not offer an opt-out stipend, since alternate insurance is not available.

Should the IRS (or other state or federal agency) adopt rulings or regulations that place the City at great risk of penalty for offering the stipend for opting out of medical insurance, the City reserves the right to delete the Stipend for Opting out of City Medical Insurance.

5.2 Dental Insurance

For the REMIF administered dental plan, the City will contribute the entire premium for the duration of this MOU.

The City shall supplement the existing Dental plan orthodontic maximum lifetime benefit of \$1,000 per enrollee to the sum of \$2,000 per enrollee.

5.3 Vision Insurance

For the vision insurance plan, the City will contribute the entire premium for the duration of this MOU.

5.4 Life Insurance

For the REMIF administered Life & AD&D Insurance Plan and the Long Term Disability Insurance Plan currently, the City will contribute the entire premium for the duration of this MOU.

The Life and AD&D plan currently provides benefits based on one times Basic Annual Earnings, rounded to the next higher \$1,000, subject to a maximum of \$100,000.

The Long-Term Disability Insurance plan currently provides benefits up to maximum of \$6,000 monthly based on two-thirds of salary with an elimination period of 90 calendar days of disability within a 180 calendar day period.

5.5 Employee Assistance Program (EAP)

For the REMIF administered Employee Assistance Program; the City will contribute the entire premium for the duration of this program.

SECTION 6: HOLIDAYS

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

All unrepresented employees shall receive the following paid holidays:

- New Years' Day
- Martin Luther Kings' Day
- President's Day
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veteran's Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve
- Christmas Day
- New Year's Eve

It is the intent of this resolution that all full-time employees receive paid holidays regardless of their assigned workweek. When a holiday falls on a Saturday, the proceeding Friday shall be deemed a holiday. When a holiday falls on a Sunday, the following Monday shall be deemed a holiday. When an employee is required to work on a holiday, he/she may select another day as holiday leave with pay during the fiscal year with the consent of the City Manager.

SECTION 7: VACATION LEAVE

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

7.1 Policy and Intent

In recognition of the fact that many management personnel are recruited from outside the City, that the average tenure for top management personnel is substantially lower that of

nonexempt personnel, and that at least two (2) to seven (7) years' prior experience is required, the following vacation leave policy for At-Will Management and Mid-Management employees shall be implemented. For the purpose of recruitment, the City Manager may start employees in a higher category; however, the employee shall not advance from that category until years of service have been accomplished.

7.2 Vacation Entitlement

At-Will Management employees shall accumulate vacation in accordance with the following vacation entitlement schedule:

<u>Years of Continuous Service</u>	<u>Vacation Days Earned/Year</u>
0 through 5 years	15 days (120 hours)
6 through 10 years	20 days (160 hours)
11 or more years	Employees will accrue 1 additional vacation day above 20 for each year of additional service up to the maximum vacation time equal to 200 hours of vacation for each full calendar year of service

Mid-Management employees shall accumulate vacation in accordance with the following vacation entitlement schedule:

<u>Years of Continuous Service</u>	<u>Vacation Days Earned/Year</u>
0 through 4 years	10 days (80 hours)
5 through 10 years	15 days (120 hours)
11 through 20 years	20 days (160 hours)
21 or more years	Employees will accrue 1 additional vacation day above 20 for each year of additional service up to the maximum vacation time equal to 200 hours of vacation for each full calendar year of service

7.3 Vacation Accrual

At-Will Management and Mid-Management employees shall begin earning vacation upon the first day of employment. Vacation leave time shall be accrued as it is earned; Vacation time shall not be taken until earned and shall be subject to other provisions of this resolution. When an employee is on a leave without pay status, s/he shall not be entitled to earn vacation.

SECTION 8: MANAGEMENT LEAVE

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

In recognition of the extra hours required to perform at the level of top At-Will management, including attendance at numerous meetings outside normal working hours and the fact that employees who are exempt from FLSA are not compensated for overtime work, the following management leave policy shall be implemented:

At-Will Management employees shall receive eighty (80) hours Management Leave annually to be used at the discretion of the City Manager. Mid-Management Employees classified as exempt and not eligible for overtime shall receive forty (40) hours to be used at the discretion of their Department Head. Hours will be credited on July 1 each fiscal year and may be forfeited if not used by the end of the same fiscal year.

At-Will and Mid-Management shall be entitled to request a cash-out payment of their Management Leave equal to forty (40) hours in lieu of using it as paid time off. At-Will and Mid-Management who have attained ten (10) years of service with the City shall be entitled to request a cash-out payment of their Management Leave equal to 100% of the leave (40 to 80 hours). Cash-out payments are allowed provided they have not already exhausted their annual allowance, which they may request and receive at any time, in full or in partial amount, during the fiscal year. The City Manager shall be responsible for approving such requests and the Finance Department shall track the use and availability of Management Leave accordingly.

Mid-management may be eligible for up to an additional 40 hours (for a total of no more than 80 hours) at the discretion of the City Manager based upon extenuating circumstances within the Mid-manager's department.

Employees eligible for Management Leave who are on sick leave or unpaid leave of 4 consecutive work weeks or more in a single fiscal year shall have their Management Leave, including annual cash-out, reduced by a pro-rata share of the time off work versus the Management Leave they are entitled to. For example, an employee who is eligible for 80 hours Management Leave and is on sick leave for 3 consecutive months would have their Management leave reduced by 25% to 60 hours., including cash-out.

SECTION 9: OTHER LEAVES OF ABSENCE

All other leaves such as sick, family care, leave without pay, jury duty, subpoena, military or bereavement shall be taken in accordance with the City of Lakeport Rules and Regulations.

9.1 Bereavement Leave

An employee shall receive bereavement leave of 3 days for an in-state incident, or 5 days for an out-of-state incident, due to the death of his or her parent, stepparent, mother-in-law, father-in-law, spouse, child, stepchild, adopted child, son-in-law, daughter-in-law, grandchild, grandparent, sister, brother, sister-in-law, brother-in-law, aunt, uncle, niece, nephew, grandfather-in-law, grandmother-in-law, or the death of any person residing in the immediate household of the employee at the time of death.

Bereavement leave is not subject to accrual and the leave allowed pursuant to this provision must be used for any single incident of bereavement within seven (7) days of the time the employee first takes bereavement leave for said incident.

Said bereavement leave is separate and shall not be credited against other forms of leave. The employee shall use bereavement leave before he/she makes use of accrued sick time.

9.2 Compensation for Unused Sick Leave

Upon termination, retirement, or death of an employee, the City shall pay for unused sick leave as follows:

<u>Completed Service</u>	<u>Sick Leave Paid Off</u>
5 through 10 years continuous service	10.0%
Start of 11th year through completion of year 15	20.0%
Start of 16th year through completion of year 20	35.0%
Start of year 21 and thereafter	50.0%

Buy-out of sick leave hours is at the employee's normal rate of pay at the time of separation. If employment is terminated due to death, the sick leave buy-out benefit will be paid as designated in writing by the employee or as otherwise provided by law. The maximum pay-out of 50% of accumulated unused sick leave at the time of separation of service as defined above remains at a cash value not to exceed 800 hours.

9.3 Integration/Coordination of Leaves with Disability Insurance

For leaves qualifying for State Disability Insurance or Paid Family Leave, the City will allow a coordination of leave benefits with the insurance benefit for management and mid-management employees. Coordination of benefits only applies to paid leave that is available in an employees' sick, vacation, CTO or management leave bank.

SECTION 10: TRAINING AND PROFESSIONAL GROWTH

10.1 Professional Seminars and Training

To promote continued development of skills, knowledge, and abilities among the Management Team employees of the City, the City Manager may grant time to employees for educational leave. Such leave may be received in order to attend professional, technical, or managerial workshops, courses, conferences, conventions, seminars, or related activities. The cost of attendance at these activities, including travel, per diem, registration, tuition, materials or other reasonable costs, are legitimate City expenditures as provided for in the annual City Budget.

10.2 Professional Membership Fees

Most Management personnel are expected to maintain membership in appropriate professional organizations. These memberships serve to acquaint the City with the current state-of-the-art in these professional areas by means of publications and special activities. The City will include the costs of these membership fees in the respective department budgets, subject to approval by the City Manager.

SECTION 11: OTHER BENEFITS

11.1 Uniform Allowance and Equipment Issuance

The City agrees to pay uniform allowance as follows: Police Chief and Lieutenant, \$817.50 per fiscal year. At the time of hire, the Police Chief and Lieutenant shall receive equipment issuance equivalent to what has been negotiated for police officers. Management and Mid-Management in Public Works, Community Development, Engineering, and Utilities Departments shall receive a boot allowance of \$150 per fiscal year.

11.2 Vehicle Reimbursement for At-Will Management

At-Will Management employees, to a far greater extent than other City employees, are required to travel throughout the City and the County to fulfill their job requirements. This travel is frequently required outside of normal working hours. In recognition of this employment requirement, the City may provide the use of a City vehicle. If it is necessary, the use of a private vehicle shall be reimbursed at the same mileage rate as approved by the City Council, if no auto allowance provisions have been made. The City Manager may negotiate an auto allowance of no more than \$400 per month at his/her discretion.

11.3 Technology Allowance

To capitalize on the efficiencies offered by changes to technology, which allow Management to be more flexible with time management, more efficient with workflow, and more available when needed, a technology allowance of ~~\$750~~ \$1,500 for Mid-Management and \$1,500 for At-Will Management will be available on a reimbursement basis (not subject to income tax) or in a lump-sum cash payment (subject to income tax) to members of At-Will Management and Mid-Management employees. The technology allowance will expire at the conclusion of this Agreement.

11.4 Cell Phone Stipend

The City recognizes that cellular telephones enhance the level of City services by allowing employees to remain in contact with the office or with one another as the need arises. A monthly stipend of \$80 shall be paid to At-Will Management, Mid-Management or other employee designated by the City Manager for the use of the employee's personal cell phone.

11.5 Prior Arrangements/Agreements

All prior arrangement and agreements between individual members of At-Will Management and Mid-Management and the City Manager (former or current) shall remain in effect.

11.6 Vacation Leave Cash Out

At-Will and Mid-Management shall be entitled to one (1) request during each fiscal year to cash-out payment of their Vacation Leave equal to forty (40) hours in lieu of using it as paid time off if they have a minimum of 150 vacation hours. The decision to cash-out Vacation Leave is at the sole discretion of the City Manager and is not appealable.

SECTION 12: TERMINATION ALLOWANCE

12.1 Severance Pay

In order to foster job security within a professional climate, At-Will Management employees who receive no protection from the City's Personnel System will be entitled to severance pay of no less than three months their normal salary when they are discharged from the City service; provided however, that the employee has been in the employ of the City at least one (1) year and the agree to execute the "Severance Release Agreement" attached hereto as Exhibit A. At-Will Management employees terminated for cause are not eligible for severance benefits.

12.2 Allowance Schedule

At-Will Management employees shall generally be entitled to three (3) months' salary, excluding fringe benefits. However, specific severance pay terms and conditions may be subject to negotiation and included in the employee's Employment Contract, if applicable.

12.3 Voluntary Resignation

The provisions of this section do not apply to any employee who voluntarily resigns from the City service for personal reasons. Whenever practical, At-Will Management employees shall give thirty (30) days' notice prior to voluntary termination in order to leave City service in good standing.

SECTION 13: Grievance and Disciplinary Procedure

13.1 Final Stage of Grievance Procedure

An appeal of a grievance not resolved at Step 3 may be submitted to City Manager in writing no later than 14 days after the date of the Department Head's written reply. The grievant shall present to the City Manager copies of the Step 2 and 3 responses. Within 14 calendar days thereafter, the City Manager will schedule a meeting with the grievant to discuss the matters. After consideration of the facts and an investigation, if necessary, the City Manager shall issue his or her written decision to the grievant.

If the grievant is dissatisfied with the decision of the City Manager, he/she may, within 5 calendar days of the written decision, request that the matter be brought to a neutral mediator for non-binding mediation. The mediator shall be properly trained and parties shall split the cost of the mediation equally.

13.2 Final Stage of Disciplinary Procedure

The appeal to the City Manager is the final level of review for any disciplinary matter and ARTICLE XIV section of the personnel policies shall not be allowed. If the employee is dissatisfied with the decision of the City Manager, they may, within 5 calendar days of the written decision, request that the matter be brought to a neutral mediator for non-binding mediation. The mediator shall be properly trained and parties shall split the cost of the mediation equally.

Dated: ~~July-September~~ _____, ~~2020~~2021

CITY OF LAKEPORT

LAKEPORT UNREPRESENTED EMPLOYEES

~~Kevin M. Ingram, City Manager~~
~~Margaret Silveira, City Manager~~

~~Brad Rasmussen, UE Representative~~

Paul Harris UE Representative

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SEVERANCE RELEASE AGREEMENT

This is a legally binding Release, Waiver, Discharge and Covenant Not to Sue (collectively, "Release"), made voluntarily by me, the undersigned Releasor, on my own behalf, and on behalf of my heirs, executors, administrators, legal representatives and assigns (hereinafter collectively, "Releasor," "I" or "me,") to the City of Lakeport ("City").

As the undersigned Releasor, I fully recognize that City is under no obligation to make any "severance payment" to me save and except for the terms of this written agreement. I acknowledge the risks and benefits to myself as a consequence of my agreeing to this release as a condition of receiving the severance pay as provided herein. As the undersigned Releasor, I understand that City does not require me to sign this agreement nor does it support, condone, authorize or ratify or have any involvement of any kind in my decision to accept the offered severance in exchange for this release of all claims. I have decided to sign this agreement despite the possible dangers and risks and despite this Release. With informed consent, and for valuable consideration received, as the undersigned Releasor, I agree to assume and take on myself all of the risks and responsibilities in any way arising from or associated with my decision to accept a severance payment in exchange for a release of all claims save and except any pending Workers Compensation claims. I release City and all of its affiliates, divisions, departments and other units, committees and groups, and its and their respective governing boards, officers, directors, principals, trustees, legal representatives, members, owners, employees, student volunteers, agents, administrators, assigns, and contractors (collectively "Releasees"), from any and all claims, demands, suits, judgments, damages, actions and liabilities of every name and nature whatsoever, whenever occurring, whether known or unknown, contingent or fixed, at law or in equity, or created by statute that I may suffer at any time arising from or in connection with my employment by the City of Lakeport, including any injury or harm to me, my death, damage to my property, livelihood, earning potential, reputation or claim of any type related to or arising from my status as an employee with the City of Lakeport (collectively "Liabilities").

As the undersigned Releasor, I recognize that this Release means I am giving up, among other things, all rights to sue Releasees for injuries, damages or losses I may incur. I also understand that this Release binds my heirs, executors, administrators, legal representatives and assigns, as well as me.

I agree that this Release shall be governed for all purposes by the laws of the State of California.

I have read this entire Release. I fully understand the entire Release and acknowledge that I have had the opportunity to review this Release with an attorney of my choosing if I so desire, and I agree to be legally bound by the Release.

THIS IS A RELEASE OF YOUR RIGHTS, READ CAREFULLY AND UNDERSTAND BEFORE SIGNING.

_____ Dated: _____
(Releasor's Signature)

CITY OF LAKEPORT
MASTER PAY SCHEDULE
MONTHLY RATES WITH STEPS
Unrepresented Management
7/1/2020

Job-Classification	Class-Range	Unit	Steps				
			A	B	C	D	E
Building Official	E-1	UM	5,380	5650	5932	6327	6647
Compliance Coordinator I	E-1	UM	5,380	5650	5932	6327	6647
Government Accountant	E-1	UM	5,380	5650	5932	6327	6647
Planning Services Manager	E-1	UM	5,380	5650	5932	6327	6647
Compliance Coordinator II	E-2	UM	5,932	6230	6542	6976	7329
Public Works Superintendent I	E-2	UM	5,932	6230	6542	6976	7329
Utilities Superintendent I	E-2	UM	5,932	6230	6542	6976	7329
Police Lieutenant	E-2B	UM	6,230	6542	6867	7325	7696
Public Works Superintendent II	E-3	UM	6,391	6711	7047	7516	7896
Utilities Superintendent II	E-3	UM	6,391	6711	7047	7516	7896
Police Lieutenant	E-3B	UM	6,965	7313	7679	8063	8466
Administrative Services Director/City Clerk	E-4	UM	7,043	7398	7766	8285	8702
Community Development Director	E-4	UM	7,043	7398	7766	8285	8702
Finance Director	E-4	UM	7,043	7398	7766	8285	8702
Public Works Director	E-4	UM	7,043	7398	7766	8285	8702
Police Captain	E-4B	UM	7,679	8063	8466	8889	9334
City Engineer/Public Works Director	E-5	UM	8,348	8765	9203	9817	10312
Assistant City Manager	E-5A	UM	8,466	8889	9333	9800	10290
Police Chief	E-5B	UM	10,833	n-a	n-a	n-a	n-a

RESOLUTION NO. (2021)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT
APPROVING THE COMPENSATION AND BENEFITS PROGRAM FOR THE
CITY OF LAKEPORT UNREPRESENTED EMPLOYEES
FOR THE PERIOD JULY 1, 2021 THROUGH JUNE 30, 2024**

WHEREAS, the City of Lakeport has conferred with the City of Lakeport Unrepresented Employees on matters of employment including wages, hours and working conditions for those employees; and

WHEREAS, after discussion between the City of Lakeport and the City of Lakeport Unrepresented Employees, the terms and conditions contained herein have been agreed upon by both parties; and

WHEREAS, this Compensation and Benefits Program includes all terms and conditions of employment with respect to wages, hours, and working conditions applicable to the City of Lakeport Unrepresented Employees for July 1, 2021 through June 30, 2024;

THEREFORE, BE IT RESOLVED that the City Council of the City of Lakeport hereby approves the attached Compensation and Benefits Program for the City of Lakeport Unrepresented Employees for the period July 1, 2021 through June 30, 2024

The foregoing Resolution was passed and adopted at a regular meeting of the City Council on the 7th day of September, 2021 by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

KENNETH PARLET, Mayor

ATTEST:

KELLY BUENDIA, City Clerk

CITY OF LAKEPORT UNREPRESENTED EMPLOYEES

COMPENSATION AND BENEFITS PROGRAM

July 1, 2021 through June 30, 2024

Adopted

CITY OF LAKEPORT
UNREPRESENTED EMPLOYEE COMPENSATION PROGRAM

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SECTION 1: INTRODUCTION

1.1 Employee Definitions:

At-Will Management Employee – an employee who serves at the will of the City Manager and who has responsibility for formulating, administering, and/or managing City policies and programs. In the City, this would typically be Department Heads.

Mid-Management Employee – an employee who reports to the Department Head and who assists in administering policies and programs while engaging in day to day operations and supervision.

1.2 Purpose of the Unrepresented Employee Compensation and Benefits Program

For At-Will Management and Mid-Management employees, this Program is adopted to promote the development of a stronger, more effective Management Team, not merely for purposes of employer-employee relations but also as a means of recognizing outstanding management performance in all public service areas. These general purposes may be achieved through several means, notably: training, more effective communication among departments, clear identification of goals and objectives, and by relating effective job performance to an incentive program. Also inherent in such a program is the means of retaining good Department Heads and strengthening the managers (if any) whose effectiveness and performances fall short of reasonable levels of expectation.

1.3 Employees Covered

Employees covered under this program shall include the following:

- A. At-Will Management
 - Administrative Services Director/City Clerk
 - Assistant City Manager
 - City Engineer/Public Works Director
 - Community Development Director
 - Finance Director/Manager
 - Police Chief

- B. Mid-Management

- Utilities Superintendent I/II
- Police Lieutenant/Captain
- Planning Services Manager
- Chief Building Official
- Public Works Superintendent I/II
- Compliance Officer I/II
- Government Accountant

Additional job classes may be added to the Unrepresented Program from time to time, based upon the creation of additional City departments/divisions, the addition of new positions, or by the reclassification of existing positions to either At-Will Management or Mid-Management, based upon the nature of the work.

1.4 Exempt Status of Employees Covered

Based upon the nature of the work, it is expressly understood that the At-Will Management and Mid-Management employees covered under this program are exempt from the overtime provisions of the Federal Fair Labor Standards Act.

1.5 Term

This document shall be in effect during the period of July 1, 2021 through June 30, 2024

SECTION 2: EMPLOYMENT CONTRACTS

The At-Will Management employees may, at the discretion of the City Manager, enter into an employment contract, confirming the “At Will” status of the employee and setting forth any special pay or benefits such as severance pay. Employment contracts with all At-Will Management employees will be approved by the City Manager. Where there are conflicting terms and conditions between this resolution and an employment contract, the greater benefit shall apply.

SECTION 3: EMPLOYEE COMPENSATION, WORK DAY & WORK WEEK

3.1 Salary Schedule

- A. The salary range for each classification from Step 1 through Step 5 shall be as shown in Attachment "A" which is attached hereto and incorporated by reference herein and reflects the following adjustments:
 - a. Starting the September 4, 2021 pay period, the salaries shall be increased as follows:
 - i. Community Development Director: 14%
 - ii. Administrative Services Director/City Clerk: 12%
 - iii. Public Works Director: 7%

- iv. Police Chief: 4%
- v. Building Official: 14%
- vi. City Engineer/Public Works Director: 25%
- vii. Finance Director: 12%
- viii. All Other Positions: 3%

- b. Effective the first pay period after July 1, 2022, all salaries shall be increased 3%.
- c. Effective the first pay period after July 1, 2023, all salaries shall be increased 3%.

B. Salary Schedules are attached to this agreement.

3.2 Merit Adjustments

Typically, where there exists an adopted salary schedule, merit adjustments may be made by the City Manager upon recommendation of the direct supervisor and department head policy based on the employee's performance. Performance reviews with the potential for merit increases will occur no less frequently than annually on an employee's anniversary date. Additional merit increases may be approved by the City Manager for documented exceptional performance.

Merit increases from step A to step B shall occur at the twelve month anniversary, conditioned upon satisfactory performance review.

3.3 Recruitment/Retention Adjustments

On occasion, situations may occur when adjustments may be necessary to At-Will Management or Mid-Management salary ranges for documented recruitment or retention problems. The City Manager is authorized to adjust the salary range of a management position up to 10% without Council approval if one of the following conditions is met:

Recruitment Problem – If the City makes an extensive effort to recruit qualified candidates including outreach, advertising, and procuring the services of an executive recruiter and that recruitment is not successful based upon the City's compensation package, then the City Manager can authorize an adjustment to the salary to attract qualified candidates.

Retention Problem – In rare cases, it may be necessary for the City to increase a manager's pay for retention purposes. This would require that the manager have a bona fide offer, in writing, from another organization with a significant increase in pay or other similar justification.

3.4 Acting Pay Assignments:

- A. When an Unrepresented Employee is assigned to work in a higher classification for which the compensation is greater than that to which the employee is regularly assigned, and the employee works in such assignment for more than 15 work days, the employee shall receive compensation for such work retroactive to the first day of the assignment at the rate of pay established for the higher classification, under the following conditions:

1. The Unrepresented Employee is assigned to a program, service or activity established by the City Council which is reflected in an authorized position which has been classified and assigned to the Salary Schedule and such authorized position has become vacant due to the temporary or permanent absence of the position's incumbent. A copy of the department head's written approval of this assignment must be submitted to the Administrative Services Director at the start of the assignment.
 2. The nature of the departmental assignment is such that the Unrepresented Employee in the lower classification becomes fully responsible for the duties of the position of the higher classification.
- B. Notwithstanding Paragraph A. 1. above, in an exceptional circumstance when a vacancy does not exist but an employee has been assigned to perform duties which exceed the scope of that Unrepresented Employee's classification, and when determined and justified by the City Manager, in his/her sole discretion, an employee will be entitled to pay for a higher classification, which shall not be less than 5% of the employee's base salary.
 - C. Unrepresented Employees selected for the assignment will normally be expected to meet the minimum qualifications for the higher classification.
 - D. Pay for work in a higher classification shall not be utilized as a substitute for regular promotional procedures provided in this agreement.
 - E. Higher pay assignments shall not exceed six (6) months except through reauthorization.
 - F. If approval is granted for pay for work in a higher classification and the assignment is terminated and later re-approved for the same employee within thirty (30) days, no additional waiting period will be required.
 - G. Allowable work location differentials will be paid on the basis of the rate of pay for the higher class.

3.5 Work Day / Work Week:

City agrees to the continuation of the "9-80" work schedule. Work days will be nine (9) hours or eight (8) hours, depending upon the schedule. The "9-80" schedule is to be applied to Management and Mid-Management. For purposes of overtime calculations, the work week is 40 hours beginning at noon on Friday and running until noon the next Friday. Friday is referred to as the "flex" day. For example:

Week 1: M 9 T 9 W 9 Th 9 F 8

Week 2: M 9 T 9 W 9 Th 9 F off

At the request of the City, the parties agree to meet and confer regarding a change in the workday/workweek and associated overtime.

A. Payday

The first pay period following ratification of similar language with the other City bargaining units, Employees shall be paid bi-weekly on every other Friday. Payment will reflect the number of hours worked at the employee's hourly rate. It is the employee's responsibility to submit their timesheet at the end of each pay period and failure to do so may result in a delay in processing the employee's pay check.

3.6 Overtime:

Overtime is applied to employees considered non-exempt under the Fair Labor Standards Act. Under the "9-80" schedule, overtime will be paid for hours in excess of what was scheduled that day at a rate of one and one-half times the regular rate of pay. For example when scheduled to work a nine hour day, overtime would be paid after nine hours. The City Council, City Manager or Department Head must approve all overtime.

3.7 Absenteeism:

An employee may be disciplined, up to and including termination, for excessive absenteeism or tardiness (excused or not) which affects the employee's ability to perform assigned duties, interferes with the efficient or effective operation of City programs, or establishes a pattern of abuse or neglect. Excessive absenteeism or tardiness is determined by the City Manager and each employee shall be evaluated on a case-by-case basis, subject to applicable law.

3.8 Emergency Service Worker Pay:

The City shall provide (FLSA exempt) members of this unit with straight time reimbursement for additional hours worked over members' normal schedule during declared emergency situations where members are required to work as emergency service or disaster relief personnel. (Side letter adopted 09.24.2018).

SECTION 4: RETIREMENT BENEFITS

4.1 Retirement

The City shall provide retirement benefits under the Public Employees' Retirement System plan commonly known as 2.5% @ 55. City shall also provide highest final year compensation factor (Section 20042) and conversion of unused sick leave to service credit. IRS provision 414 (h) (2) shall also be implemented to provide for payment of employees share of PERS premium from non-taxed dollars.

The Police Chief and Lieutenant shall be enrolled in the PERS plan offered to City of Lakeport public safety officers.

The Public Employees' Pension Reform Act of 2013 (PEPRA) and related Public Employees' Retirement law amendments in Assembly Bill 340 became law on September 12, 2012 and the provisions were effective January 1, 2013.

The City and Unrepresented Employees agree to implement all PEPRA provisions, and all applicable amendments thereto. Effective January 1, 2013 all employees defined by PEPRA as "new members" shall pay 50% of the total normal cost for the new Miscellaneous PERS pension formula 2% at 62, which is currently 6.25% of reportable compensation, with a three-year final compensation period. "Classic members" (employees hired prior to January 1, 2013) will retain the 2.5%@55 Miscellaneous PERS formula, which is 8% employee contribution with a one-year final compensation period.

Effective January 1, 2013 all employees defined by PEPRA as "new members" shall pay 50% of the total normal cost for the new Safety PERS pension formula 2.7%@57, which is currently 11.5% of reportable compensation, with a three-year final compensation period. "Classic members" (employees hired prior to January 1, 2013) will retain the 3%@55 Safety PERS formula, which is a 9% employee contribution, with a one-year final compensation period.

The PEPRA defines a "new member" as : a) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any California public retirement system; b) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013 and who is not eligible for reciprocity with another California public retirement system; c) A member who first established CalPERS membership prior to January 1, 2013, and who is rehired by a different CalPERS employer after a break in service of greater than six months.

4.2 Retirement Medical Benefit

To be eligible to continue in the City group medical plans, employees must have ten (10) or more years of continuous service with the City.

4.2.1 For regular, full-time employees hired before April 5, 1999, retiring from the City of Lakeport with Service or Industrial Injury Retirement, City agrees to offer and provide/pay the appropriate premium(s) for retiree and eligible dependent(s) medical insurance under the following conditions:

To be eligible the retiree and dependent(s) must have been enrolled in the City's medical plan for a period of one year and/or in accordance with REMIF policy prior to the effective date of retirement and provide annual proof of dependent eligibility

Retirement as used in this document shall mean separation from city service due to, voluntary retirement, retirement due to the employee's sustaining an industrial injury or retirement

through a reduction in force (layoff) where the employee otherwise meets all requirements for receipt of retiree health benefits under these rules. This addition is not changing the rule that an involuntary termination from city service as a result of discipline precludes the entitlement to any retiree benefits under this section but to further define involuntary separations from service where retiree health benefits may be paid.

To be eligible the retiree and dependent(s) must elect to continue with such to coverage within thirty (30) days of the eligible employee's retirement date. Thereafter retiree and dependent(s) are ineligible to participate in the City's offered program.

At the inception of retiree coverage the eligible dependents are only those who prior to the subscriber/employee retirement from city service were covered under the city sponsored health plan. This means that should the retiree remarry, adopt or otherwise acquire new dependents, City shall have no obligation to pay any portion of the health care premiums for such new dependents. The retiree (if they are otherwise eligible to participate in the health plan) may enroll at his or her own cost these new dependents.

To continue eligibility retiree and dependent(s) shall enroll in Medicare and/or MediCal or any other welfare benefit program for which eligible as soon as eligible. The City does not pay for Medicare A or B but will continue contribution to the health insurance program offered through City's primary health insurance plan provided the employee enrolls in relevant public health benefit program described above and for prescription drug coverage enrolls through Blue Cross in Medicare Part D. This requirement shall also apply to eligible dependent(s).

Under the Consolidate Omnibus Budget Reconciliation Act (COBRA) of 1985, certain "qualifying events" allow qualified retiree eligible dependents to continue enrollment in a group health benefit, for a specific limited time. This is separate from the retiree health care program. Nevertheless, the City will fully comply with the COBRA requirements should a retiree's dependents become eligible.

If the City changes the primary health insurance plan after effective retirement date of eligible retiree, retiree and dependent(s) must change to new plan or lose retiree coverage benefit. (Note: employees represented by Lakeport Safety Officers Association unit have been provided permission to enroll in Operating Engineer's medical program and retirees from that unit meeting above criteria would be allowed to remain in that program as long as continuing unit represented employees stay in that program. All other current City employees and eligible retirees are enrolled in REMIF administered Blue Cross program.)

City contribution toward retiree and dependent(s) premiums shall not exceed the maximum premium that the City contributes for the City sponsored plan for active employees.

The benefits provided under this section will continue for such retired employees and their legal dependent(s), if any, while said retired employee is alive. In the event of the retired employee's death, coverage will continue for the spouse until the spouse dies or remarries. In

addition, the benefits provided under this section will continue for said retired or deceased employee's legal dependent children who qualify as an Internal Revenue Service dependent until such children reach the age of disqualifications as stated in the current health plan contract or the spouse remarries, whichever occurs earliest.

Continuous service is defined as consecutive years of regular, full-time employment with the City. Any separation from City employment will void any previous accrual towards length of continuous service for purposes of this section, unless otherwise waived by the City Manager and due to extenuating circumstances. Layoffs with subsequent restoration and approved City paid or unpaid leaves do not constitute separation from City service for the purpose of this section.

Any retired employee who, after retirement from City, becomes employed elsewhere and is covered by medical insurance by his/her new employer, said coverage provided by City to the retired employee will be considered secondary to the coverage provided by his/her new employer, his/her new employer's coverage shall be considered primary.

Any spouse of a deceased employee or deceased retired employee who is receiving benefit coverage as provided under this section, becomes employed and is covered by medical benefits by his/her employer, said coverage provided by City will be considered secondary to the coverage provided by the spouse's employer, and his/her employer's coverage shall be considered primary.

For the term of this program, active employees, early retirees and retirees will receive the following city contribution for a city-selected health plan:

Seventy-six percent (76%) of the monthly premiums will be paid by the city, rounded up or down to the closest dollar.

The city contribution for early retirees and retirees shall not exceed the contribution for an active employee.

4.2.2 For regular, full-time employees hired after April 5, 1999, but before July 1, 2005, retiring from the City of Lakeport with Service or Industrial Injury Retirement, City agrees to offer and provide/pay towards the appropriate premium(s) for retiree and eligible dependent(s) medical insurance as stated in 4.2.1 with the following exception:

At the inception of retiree coverage the eligible dependents are only those who prior to City contribution towards retiree and dependent(s) medical coverage benefit for those retiring with Service Retirement is based on the following formula:

<u>Years of Continuous Service</u>	<u>% of Cost Covered by City</u>
12	40
15	60

18	80
21	100

City contribution towards retiree and dependent(s) medical coverage benefit for those retiring as a result of industrial injury is based on the following formula:

<u>Years of Continuous Service</u>	<u>% of Cost Covered by City</u>
5 plus	50
10 plus	100

4.2.3 For employees hired after July 1, 2005, and retiring from the City of Lakeport under Service or Industrial Injury retirement provisions, City agrees to allow enrollment in City group medical plans at retiree’s sole expense. This option shall cease upon death of retiree, though dependent(s) shall be provided COBRA or other legally required notice and benefits if they choose to stay in City group medical plan for the period of such COBRA benefit. All other terms and conditions stated 4.2.1 shall apply.

No Retiree Medical Benefit will be provided to those employees hired after July 1, 2005, other than described above.

SECTION 5: INSURANCE BENEFITS

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

5.1 Health Insurance

For the REMIF administered medical insurance plan, the City will contribute seventy-six percent (76%) of the monthly premiums and employees twenty-four percent (24%) of the monthly premiums.

For the term of this program it is agreed that the City paid portion of the premiums will be calculated as a percentage of the premium for the selected plan rounded up or down to the closest dollar. The 24% of premium cost shall be made by way of payroll deduction from each bi-monthly check as has been the standard past practice.

City agrees to inform the unrepresented employees of plan changes/discontinuances upon the city’s receipt of the same from REMIF. City agrees to meet and discuss regarding any plan changes/discontinuances made during the term of this program.

5.1 Health Insurance Opt Out Program

Employees hired after January 1, 2018 are not eligible for Opt Out benefits.

On January 1, 2020, employees hired prior to July 1, 2014, will start receiving the following Opt-Out benefits: will be paid monthly \$250 for those eligible for single enrollment; \$400 for those eligible for double enrollment; and \$500 for those eligible for family enrollment. On January 1,

2018, these employees will receive 2/3 the difference between what they are receiving on January 1, 2018 and what they will receive on January 1, 2020. On January 1, 2019, these employees will receive 1/3 the difference between what they are receiving on January 1, 2018 and what they will receive on January 1, 2020.

Those employees (couple and family) participating in the Opt Out program prior to January 1, 2018, upon proof of coverage under an alternate medical insurance program an employee choosing to drop medical insurance coverage under the REMIF-sponsored plan will be paid monthly \$250 for those eligible for single enrollment; \$400 for those eligible for double enrollment; and \$500 for those eligible for family enrollment. Single category employees who applied for the Opt Out Program as of 7/1/2014 will be paid an amount equal to 75% of the city's cost of the single rate effective upon adoption of the MOU.

For employees hired prior to July 1, 2014 and who are participating in the Opt Out program, if an employees' salary less on January 1, 2020 than it is at ratification of the MOU as a result of the elimination of Tier 1, those employees will receive a step increase (5%) on January 1, 2018.

Under REMIF rules as of 7/1/2016, married couples may not cover each other under each other's plan when they both work for the same agency. The city will be enforcing the following: (1) married couples may each enroll in individual coverage or (2) one spouse may enroll in the plan and list the other as a dependent. Regardless of which option, the City will not offer an opt-out stipend, since alternate insurance is not available.

Should the IRS (or other state or federal agency) adopt rulings or regulations that place the City at great risk of penalty for offering the stipend for opting out of medical insurance, the City reserves the right to delete the Stipend for Opting out of City Medical Insurance.

5.2 Dental Insurance

For the REMIF administered dental plan, the City will contribute the entire premium for the duration of this MOU.

The City shall supplement the existing Dental plan orthodontic maximum lifetime benefit of \$1,000 per enrollee to the sum of \$2,000 per enrollee.

5.3 Vision Insurance

For the vision insurance plan, the City will contribute the entire premium for the duration of this MOU.

5.4 Life Insurance

For the REMIF administered Life & AD&D Insurance Plan and the Long Term Disability Insurance Plan currently, the City will contribute the entire premium for the duration of this MOU.

The Life and AD&D plan currently provides benefits based on one times Basic Annual Earnings, rounded to the next higher \$1,000, subject to a maximum of \$100,000.

The Long-Term Disability Insurance plan currently provides benefits up to maximum of \$6,000 monthly based on two-thirds of salary with an elimination period of 90 calendar days of disability within a 180 calendar day period.

5.5 Employee Assistance Program (EAP)

For the REMIF administered Employee Assistance Program; the City will contribute the entire premium for the duration of this program.

SECTION 6: HOLIDAYS

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

All unrepresented employees shall receive the following paid holidays:

- New Years' Day
- Martin Luther Kings' Day
- President's Day
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veteran's Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve
- Christmas Day
- New Year's Eve

It is the intent of this resolution that all full-time employees receive paid holidays regardless of their assigned workweek. When a holiday falls on a Saturday, the proceeding Friday shall be deemed a holiday. When a holiday falls on a Sunday, the following Monday shall be deemed a holiday. When an employee is required to work on a holiday, he/she may select another day as holiday leave with pay during the fiscal year with the consent of the City Manager.

SECTION 7: VACATION LEAVE

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

7.1 Policy and Intent

In recognition of the fact that many management personnel are recruited from outside the City, that the average tenure for top management personnel is substantially lower that of

nonexempt personnel, and that at least two (2) to seven (7) years' prior experience is required, the following vacation leave policy for At-Will Management and Mid-Management employees shall be implemented. For the purpose of recruitment, the City Manager may start employees in a higher category; however, the employee shall not advance from that category until years of service have been accomplished.

7.2 Vacation Entitlement

At-Will Management employees shall accumulate vacation in accordance with the following vacation entitlement schedule:

<u>Years of Continuous Service</u>	<u>Vacation Days Earned/Year</u>
0 through 5 years	15 days (120 hours)
6 through 10 years	20 days (160 hours)
11 or more years	Employees will accrue 1 additional vacation day above 20 for each year of additional service up to the maximum vacation time equal to 200 hours of vacation for each full calendar year of service

Mid-Management employees shall accumulate vacation in accordance with the following vacation entitlement schedule:

<u>Years of Continuous Service</u>	<u>Vacation Days Earned/Year</u>
0 through 4 years	10 days (80 hours)
5 through 10 years	15 days (120 hours)
11 through 20 years	20 days (160 hours)
21 or more years	Employees will accrue 1 additional vacation day above 20 for each year of additional service up to the maximum vacation time equal to 200 hours of vacation for each full calendar year of service

7.3 Vacation Accrual

At-Will Management and Mid-Management employees shall begin earning vacation upon the first day of employment. Vacation leave time shall be accrued as it is earned; Vacation time shall not be taken until earned and shall be subject to other provisions of this resolution. When an employee is on a leave without pay status, s/he shall not be entitled to earn vacation.

SECTION 8: MANAGEMENT LEAVE

The following benefits do not apply to the Part-Time/Seasonal/Temporary employee group.

In recognition of the extra hours required to perform at the level of top At-Will management, including attendance at numerous meetings outside normal working hours and the fact that employees who are exempt from FLSA are not compensated for overtime work, the following management leave policy shall be implemented:

At-Will Management employees shall receive eighty (80) hours Management Leave annually to be used at the discretion of the City Manager. Mid-Management Employees classified as exempt and not eligible for overtime shall receive forty (40) hours to be used at the discretion of their Department Head. Hours will be credited on July 1 each fiscal year and may be forfeited if not used by the end of the same fiscal year.

At-Will and Mid-Management shall be entitled to request a cash-out payment of their Management Leave equal to forty (40) hours in lieu of using it as paid time off. At-Will and Mid-Management who have attained ten (10) years of service with the City shall be entitled to request a cash-out payment of their Management Leave equal to 100% of the leave (40 to 80 hours). Cash-out payments are allowed provided they have not already exhausted their annual allowance, which they may request and receive at any time, in full or in partial amount, during the fiscal year. The City Manager shall be responsible for approving such requests and the Finance Department shall track the use and availability of Management Leave accordingly.

Mid-management may be eligible for up to an additional 40 hours (for a total of no more than 80 hours) at the discretion of the City Manager based upon extenuating circumstances within the Mid-manager's department.

Employees eligible for Management Leave who are on sick leave or unpaid leave of 4 consecutive work weeks or more in a single fiscal year shall have their Management Leave, including annual cash-out, reduced by a pro-rata share of the time off work versus the Management Leave they are entitled to. For example, an employee who is eligible for 80 hours Management Leave and is on sick leave for 3 consecutive months would have their Management leave reduced by 25% to 60 hours., including cash-out.

SECTION 9: OTHER LEAVES OF ABSENCE

All other leaves such as sick, family care, leave without pay, jury duty, subpoena, military or bereavement shall be taken in accordance with the City of Lakeport Rules and Regulations.

9.1 Bereavement Leave

An employee shall receive bereavement leave of 3 days for an in-state incident, or 5 days for an out-of-state incident, due to the death of his or her parent, stepparent, mother-in-law, father-in-law, spouse, child, stepchild, adopted child, son-in-law, daughter-in-law, grandchild, grandparent, sister, brother, sister-in-law, brother-in-law, aunt, uncle, niece, nephew, grandfather-in-law, grandmother-in-law, or the death of any person residing in the immediate household of the employee at the time of death.

Bereavement leave is not subject to accrual and the leave allowed pursuant to this provision must be used for any single incident of bereavement within seven (7) days of the time the employee first takes bereavement leave for said incident.

Said bereavement leave is separate and shall not be credited against other forms of leave. The employee shall use bereavement leave before he/she makes use of accrued sick time.

9.2 Compensation for Unused Sick Leave

Upon termination, retirement, or death of an employee, the City shall pay for unused sick leave as follows:

<u>Completed Service</u>	<u>Sick Leave Paid Off</u>
5 through 10 years continuous service	10.0%
Start of 11th year through completion of year 15	20.0%
Start of 16th year through completion of year 20	35.0%
Start of year 21 and thereafter	50.0%

Buy-out of sick leave hours is at the employee's normal rate of pay at the time of separation. If employment is terminated due to death, the sick leave buy-out benefit will be paid as designated in writing by the employee or as otherwise provided by law. The maximum pay-out of 50% of accumulated unused sick leave at the time of separation of service as defined above remains at a cash value not to exceed 800 hours.

9.3 Integration/Coordination of Leaves with Disability Insurance

For leaves qualifying for State Disability Insurance or Paid Family Leave, the City will allow a coordination of leave benefits with the insurance benefit for management and mid-management employees. Coordination of benefits only applies to paid leave that is available in an employees' sick, vacation, CTO or management leave bank.

SECTION 10: TRAINING AND PROFESSIONAL GROWTH

10.1 Professional Seminars and Training

To promote continued development of skills, knowledge, and abilities among the Management Team employees of the City, the City Manager may grant time to employees for educational leave. Such leave may be received in order to attend professional, technical, or managerial workshops, courses, conferences, conventions, seminars, or related activities. The cost of attendance at these activities, including travel, per diem, registration, tuition, materials or other reasonable costs, are legitimate City expenditures as provided for in the annual City Budget.

10.2 Professional Membership Fees

Most Management personnel are expected to maintain membership in appropriate professional organizations. These memberships serve to acquaint the City with the current state-of-the-art in these professional areas by means of publications and special activities. The City will include the costs of these membership fees in the respective department budgets, subject to approval by the City Manager.

SECTION 11: OTHER BENEFITS

11.1 Uniform Allowance and Equipment Issuance

The City agrees to pay uniform allowance as follows: Police Chief and Lieutenant, \$817.50 per fiscal year. At the time of hire, the Police Chief and Lieutenant shall receive equipment issuance equivalent to what has been negotiated for police officers. Management and Mid-Management in Public Works, Community Development, Engineering, and Utilities Departments shall receive a boot allowance of \$150 per fiscal year.

11.2 Vehicle Reimbursement for At-Will Management

At-Will Management employees, to a far greater extent than other City employees, are required to travel throughout the City and the County to fulfill their job requirements. This travel is frequently required outside of normal working hours. In recognition of this employment requirement, the City may provide the use of a City vehicle. If it is necessary, the use of a private vehicle shall be reimbursed at the same mileage rate as approved by the City Council, if no auto allowance provisions have been made. The City Manager may negotiate an auto allowance of no more than \$400 per month at his/her discretion.

11.3 Technology Allowance

To capitalize on the efficiencies offered by changes to technology, which allow Management to be more flexible with time management, more efficient with workflow, and more available when needed, a technology allowance of \$1,500 for Mid-Management and \$1,500 for At-Will Management will be available on a reimbursement basis (not subject to income tax) or in a lump-sum cash payment (subject to income tax) to members of At-Will Management and Mid-Management employees. The technology allowance will expire at the conclusion of this Agreement.

11.4 Cell Phone Stipend

The City recognizes that cellular telephones enhance the level of City services by allowing employees to remain in contact with the office or with one another as the need arises. A monthly stipend of \$80 shall be paid to At-Will Management, Mid-Management or other employee designated by the City Manager for the use of the employee's personal cell phone.

11.5 Prior Arrangements/Agreements

All prior arrangement and agreements between individual members of At-Will Management and Mid-Management and the City Manager (former or current) shall remain in effect.

11.6 Vacation Leave Cash Out

At-Will and Mid-Management shall be entitled to one (1) request during each fiscal year to cash-out payment of their Vacation Leave equal to forty (40) hours in lieu of using it as paid time off if they have a minimum of 150 vacation hours. The decision to cash-out Vacation Leave is at the sole discretion of the City Manager and is not appealable.

SECTION 12: TERMINATION ALLOWANCE

12.1 Severance Pay

In order to foster job security within a professional climate, At-Will Management employees who receive no protection from the City's Personnel System will be entitled to severance pay of no less than three months their normal salary when they are discharged from the City service; provided however, that the employee has been in the employ of the City at least one (1) year and the agree to execute the "Severance Release Agreement" attached hereto as Exhibit A. At-Will Management employees terminated for cause are not eligible for severance benefits.

12.2 Allowance Schedule

At-Will Management employees shall generally be entitled to three (3) months' salary, excluding fringe benefits. However, specific severance pay terms and conditions may be subject to negotiation and included in the employee's Employment Contract, if applicable.

12.3 Voluntary Resignation

The provisions of this section do not apply to any employee who voluntarily resigns from the City service for personal reasons. Whenever practical, At-Will Management employees shall give thirty (30) days' notice prior to voluntary termination in order to leave City service in good standing.

SECTION 13: Grievance and Disciplinary Procedure

13.1 Final Stage of Grievance Procedure

An appeal of a grievance not resolved at Step 3 may be submitted to City Manager in writing no later than 14 days after the date of the Department Head's written reply. The grievant shall present to the City Manager copies of the Step 2 and 3 responses. Within 14 calendar days thereafter, the City Manager will schedule a meeting with the grievant to discuss the matters. After consideration of the facts and an investigation, if necessary, the City Manager shall issue his or her written decision to the grievant.

If the grievant is dissatisfied with the decision of the City Manager, he/she may, within 5 calendar days of the written decision, request that the matter be brought to a neutral mediator for non-binding mediation. The mediator shall be properly trained and parties shall split the cost of the mediation equally.

13.2 Final Stage of Disciplinary Procedure

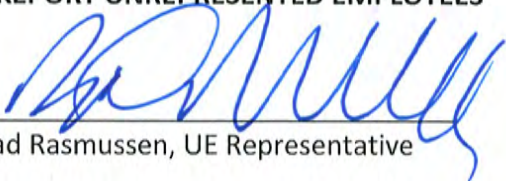
The appeal to the City Manager is the final level of review for any disciplinary matter and ARTICLE XIV section of the personnel policies shall not be allowed. If the employee is dissatisfied with the decision of the City Manager, they may, within 5 calendar days of the written decision, request that the matter be brought to a neutral mediator for non-binding mediation. The mediator shall be properly trained and parties shall split the cost of the mediation equally.

Dated: September _____, 2021

CITY OF LAKEPORT

Kevin M. Ingram, City Manager

LAKEPORT UNREPRESENTED EMPLOYEES



Brad Rasmussen, UE Representative



Paul Harris UE Representative

SEVERANCE RELEASE AGREEMENT

This is a legally binding Release, Waiver, Discharge and Covenant Not to Sue (collectively, "Release"), made voluntarily by me, the undersigned Releasor, on my own behalf, and on behalf of my heirs, executors, administrators, legal representatives and assigns (hereinafter collectively, "Releasor," "I" or "me,") to the City of Lakeport ("City").

As the undersigned Releasor, I fully recognize that City is under no obligation to make any "severance payment" to me save and except for the terms of this written agreement. I acknowledge the risks and benefits to myself as a consequence of my agreeing to this release as a condition of receiving the severance pay as provided herein. As the undersigned Releasor, I understand that City does not require me to sign this agreement nor does it support, condone, authorize or ratify or have any involvement of any kind in my decision to accept the offered severance in exchange for this release of all claims. I have decided to sign this agreement despite the possible dangers and risks and despite this Release. With informed consent, and for valuable consideration received, as the undersigned Releasor, I agree to assume and take on myself all of the risks and responsibilities in any way arising from or associated with my decision to accept a severance payment in exchange for a release of all claims save and except any pending Workers Compensation claims. I release City and all of its affiliates, divisions, departments and other units, committees and groups, and its and their respective governing boards, officers, directors, principals, trustees, legal representatives, members, owners, employees, student volunteers, agents, administrators, assigns, and contractors (collectively "Releasees"), from any and all claims, demands, suits, judgments, damages, actions and liabilities of every name and nature whatsoever, whenever occurring, whether known or unknown, contingent or fixed, at law or in equity, or created by statute that I may suffer at any time arising from or in connection with my employment by the City of Lakeport, including any injury or harm to me, my death, damage to my property, livelihood, earning potential, reputation or claim of any type related to or arising from my status as an employee with the City of Lakeport (collectively "Liabilities").

As the undersigned Releasor, I recognize that this Release means I am giving up, among other things, all rights to sue Releasees for injuries, damages or losses I may incur. I also understand that this Release binds my heirs, executors, administrators, legal representatives and assigns, as well as me.

I agree that this Release shall be governed for all purposes by the laws of the State of California.

I have read this entire Release. I fully understand the entire Release and acknowledge that I have had the opportunity to review this Release with an attorney of my choosing if I so desire, and I agree to be legally bound by the Release.

THIS IS A RELEASE OF YOUR RIGHTS, READ CAREFULLY AND UNDERSTAND BEFORE SIGNING.

_____ Dated: _____
(Releasor's Signature)

City of Lakeport
Unrepresented Management Salary Schedule
Monthly Rates with Steps
Effective First Pay Period After Ratification

Classification Name	Classification No.	A	B	C	D	E
Government Accountant, Compliance Coordinator I, Planning Services Manager	MM102	5,634	5,916	6,212	6,523	6,849
Compliance Coordinator II, Public Works Superintendent I, Utilities Superintendent I	MM122	6,225	6,536	6,863	7,206	7,566
Building Official	MM123	6,256	6,569	6,897	7,242	7,604
Public Works Superintendent II	MM137	6,708	7,043	7,395	7,765	8,153
Utilities Superintendent II	MM142	6,878	7,222	7,583	7,962	8,360
Police Lieutenant	MM151	7,194	7,554	7,932	8,329	8,745
Public Works Director	MM164	7,676	8,060	8,463	8,886	9,330
Police Captain	MM170	7,909	8,304	8,719	9,155	9,613
Administrative Services Dir./City Clerk, Finance Director	MM173	8,029	8,430	8,852	9,295	9,760
Community Development Director	MM177	8,191	8,601	9,031	9,483	9,957
Assistant City Manager	MM189	8,696	9,131	9,588	10,067	10,570
Police Chief	MM202	9,278	9,742	10,229	10,740	11,277
City Engineer/Public Works Director	MM229	10,933	11,480	12,054	12,657	13,290

City of Lakeport
Unrepresented Management Salary Schedule
Monthly Rates with Steps
Effective First Pay Period after 7/1/2022

Classification Name	Classification No.	A	B	C	D	E
Government Accountant, Compliance Coordinator I, Planning Services Manager	MM102	5,803	6,093	6,398	6,718	7,054
Compliance Coordinator II, Public Works Superintendent I, Utilities Superintendent I	MM122	6,411	6,732	7,069	7,422	7,793
Building Official	MM123	6,443	6,765	7,103	7,458	7,831
Public Works Superintendent II	MM137	6,909	7,254	7,617	7,998	8,398
Utilities Superintendent II	MM142	7,084	7,438	7,810	8,201	8,611
Police Lieutenant	MM151	7,409	7,779	8,168	8,576	9,005
Public Works Director	MM164	7,905	8,300	8,715	9,151	9,609
Police Captain	MM170	8,146	8,553	8,981	9,430	9,902
Administrative Services Dir./City Clerk, Finance Director	MM173	8,269	8,682	9,116	9,572	10,051
Community Development Director	MM177	8,436	8,858	9,301	9,766	10,254
Assistant City Manager	MM189	8,956	9,404	9,874	10,368	10,886
Police Chief	MM202	9,556	10,034	10,536	11,063	11,616
City Engineer/Public Works Director	MM229	11,262	11,825	12,416	13,037	13,689

City of Lakeport
Unrepresented Management Salary Schedule
Monthly Rates with Steps
Effective First Pay Period after 7/1/2023

Classification Name	Classification No.	A	B	C	D	E
Government Accountant, Compliance Coordinator I, Planning Services Manager	MM102	5,977	6,276	6,590	6,920	7,266
Compliance Coordinator II, Public Works Superintendent I, Utilities Superintendent I	MM122	6,604	6,934	7,281	7,645	8,027
Building Official	MM123	6,637	6,969	7,317	7,683	8,067
Public Works Superintendent II	MM137	7,117	7,473	7,847	8,239	8,651
Utilities Superintendent II	MM142	7,297	7,662	8,045	8,447	8,869
Police Lieutenant	MM151	7,632	8,014	8,415	8,836	9,278
Public Works Director	MM164	8,144	8,551	8,979	9,428	9,899
Police Captain	MM170	8,392	8,812	9,253	9,716	10,202
Administrative Services Dir./City Clerk, Finance Director	MM173	8,518	8,944	9,391	9,861	10,354
Community Development Director	MM177	8,690	9,125	9,581	10,060	10,563
Assistant City Manager	MM189	9,226	9,687	10,171	10,680	11,214
Police Chief	MM202	9,844	10,336	10,853	11,396	11,966
City Engineer/Public Works Director	MM229	11,262	11,825	12,416	13,037	13,689



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Authority
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: CLERC Presentation and discussion of potential reuse of Carnegie Library building as an environmental research center	MEETING DATE: 09-07-2021
SUBMITTED BY: Kevin M. Ingram, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to receive a presentation from the Clear Lake Environmental Research Center (CLERC) and discuss the appropriateness of the reuse of the Carnegie Library building for CLERC offices and a public environmental resources center.

BACKGROUND/DISCUSSION:

The Lakeport Carnegie Library building located at 200 Park Street in the center of Library Park was constructed in 1918 and used as a public library for over 70 years. The library was closed in 1986, as it had outgrown its original use and a new, larger library facility was developed by the County of Lake at 1425 North High Street. Since closing in 1986 the Lakeport Carnegie Library building has served as City offices and for several years in the late 1990s and early 2000s it was utilized by the University of California, Davis as the Clear Lake Algal Research Unit offices studying various aspects and conditions of Clear Lake. The building is listed on the National Register of Historic Places for its association with the Carnegie Library system.

Rehabilitation of Building

In 2014, the City contracted with Garavaglia Architecture, Inc out of San Francisco to conduct a [Reuse Feasibility Study](#) to review needed repairs to the historical structure and explore potential reuses of the building. Identified repairs noted in the study included:

- Improve ADA access to the building (including the installation of an elevator/lift, accessible restrooms and the removal of other architectural barriers impeding accessibility to the site)
- Replacement of the central heating and air conditioning
- Repairs to damaged ceiling on the second floor
- Improvement of interior lighting

The study also went on to suggest some other potential additions to the building to increase its potential ability for reuse including a possible second floor deck and/or first floor patio facing out toward Clear Lake from the East side of the building.

With regard to appropriate reuse of the building, the 2014 study included a public outreach and engagement with a community stakeholder and visioning session held on June 18, 2014. Keeping with its historic use and central location within the community, any future use of the building was highly encouraged to have some features that allowed the building to be utilized by the general public. Potential reuses of the site included but were not limited to:

- Development of a Clear Lake Environmental Research Center
- Location to provide education about the natural resources of Lakeport and Lake County
- Multi-purpose space
- Event venue
- Conference rooms for businesses and visitors
- Support spaces related to sport fishing
- Wine education space
- Winery or brewery (with possible patio)
- Visitors Center
- Broadcast television studio

Since the conducting of the *Reuse Feasibility Study* in 2014 the City has been committed to the rehabilitation of the interior space. With the use of Community Development Block Grant (CDBG) monies in 2017, the City installed an elevator/lift, remodeled existing restrooms and performed some minor exterior alterations to make the site compliant with ADA accessibility standards. In 2018, the central heating and air conditioning unit was replaced as part of a citywide energy efficiency upgrade and solar development project. Over time the second-floor ceiling has continued to deteriorate. The current fiscal year budget includes funding for the repair of the ceiling and replacement of lighting on the second floor. This remains the last major barrier to the reuse of the second story interior space.

Clear Lake Environmental Research Center (CLERC)

City staff was recently contacted by CLERC staff to discuss the possible location of offices and laboratory space within the City of Lakeport. After a site meeting it became clear that the overall mission of CLERC was a potential match for the reuse of the Lakeport Carnegie Library building.

CLERC is committed to bringing science, education, government, tribal and business groups together to resolve issues involving Clear Lake along with studying the unique properties of the lake and surrounding area. Some of their current programs include:

- CLERC Labs—accredited water quality testing laboratory analyzing drinking water and wastewater (the only such lab in Lake County).
- Fire and Forestry—coordinating projects throughout Lake County to help combat the impacts of wildfire, promote positive regeneration of burned areas, preserve unburned areas and work toward creating a more fire resilient landscape. (Currently implementing a \$3 million grant through CALFIRE aimed at creating 800 acres of fuel breaks, 50 acres of right-of-way clearance and the continued funding of the Fire Safe Council chipping program.)
- Participation in the Clear Lake Hitch Observation Program.

If CLERC were to lease the Lakeport Carnegie Library building, they would look to utilize the basement floor for offices and laboratory space and utilize the second floor for community outreach meetings and a future environmental information center.

Compatibility with Strategic Planning Efforts

In addition to being consistent with the community vision outlined in the 2014 *Lakeport Carnegie Library Reuse Feasibility Study*, the development of an environmental research and information center is compatible with various other local and regional strategic planning documents.

[Lakeport Lakefront Revitalization Plan](#): The lakefront plan recognized the need to improve connectivity between the downtown and waterfront areas. Central to this connectivity is the Carnegie Library building, centrally located in Library Park and prominently visible from downtown at the end of Second Street framing the scenic view from downtown to Clear Lake. The reuse of this historic building as an environmental research and information center would serve to attract residents and visitors alike to both the downtown and waterfront area.

[Lakeport Economic Development Strategic Plan \(2017-2022\)](#): The rehabilitation and revitalization of the Carnegie Library building and the support of projects aimed at improving the water quality of Clear Lake is central to all three of the City's primary economic development objectives: 1) Promote and participate in regional economic development initiatives; 2) Expand and support business retention and attraction efforts; and, 3) Strive to enhance the historic downtown and lakefront area.

[Lake County Economic Development Corporation Pathway Plan \(2018\)](#): This plan serves as a strategic planning document and a general work plan for the immediate activities for the reconstituted Lake County Economic Development Corporation (Lake EDC). A key outcome of the report was understanding what Lake County is and likely is not in terms of a place to do business. The report identifies four (4) targeted industries for economic development efforts capitalizing on existing assets and capabilities in the region. The development of an environmental research and information center for the region ties directly into two of these identified target industries, "University and research institution focusing on lake/biological and fire/disaster science," and "Tourism with a focus on the natural assets of Lake County."

Blue Ribbon Committee Objectives: [Assembly Bill \(AB\) 707 \(Aguiar-Curry, 2017\)](#) was passed by the California Legislature and signed by Governor Jerry Brown to create a Blue Ribbon Committee (Committee) to develop strategies to clean up Clear Lake and revitalize local economies dependent on the health of the lake. The Legislature appropriated \$5 million in Proposition 68 funding for Clear Lake-specific capital improvement projects to improve conditions in the lake. The multi-year process and funding (State, Federal, local, private) for the Committee will develop on-the-ground actions to identify barriers to improved water quality in Clear Lake, the contributing factors causing poor water quality, and the threats to wildlife. In addition to the physical and natural environment, the communities impacted by Clear Lake play an important role in the long-term environmental and socioeconomic health of the region. The CLERC goal of public outreach and education complements the intent of AB 707 and Committee recommendations designed to improve infrastructure and socioeconomic conditions in Lake County.

Possible Development of a Lease Agreement

Following the presentation by CLERC and review of the 2014 *Lakeport Carnegie Library Reuse Feasibility Study* and compatibility with various City economic development objectives, Council is being asked to consider providing direction to staff to draft a lease agreement with CLERC for the use of the Carnegie Library building as a public environmental resources center.

OPTIONS:

1. Direct staff to partner with CLERC and develop a lease agreement for the reuse of the Carnegie Library building for CLERC offices and a public environmental resources center.
2. Take no action or provide alternative direction to staff.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments: Any developed lease agreement is subject to the review and approval of the Lakeport City Council.

SUGGESTED MOTIONS:

Move to direct staff to develop a lease agreement with CLERC for the reuse of the Carnegie Library building, located at 200 Park Street, for the development of an environmental research center and associated labs and offices.

Attachments: None (Hyperlinks provided to referenced source documents within text)



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Authority
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Homelessness & Mental Health Related Services Update and Discussion	MEETING DATE: 09/07/2021
SUBMITTED BY: Kevin M. Ingram, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

Receive update from staff on current homelessness and mental health programs and discuss available opportunities in addressing this important community issue.

BACKGROUND:

The issues of homelessness and mental health and their impacts upon communities has been a growing issue of importance at both the State and local level over the past decade. The growing impact of these issues within Lake County and Lakeport has been no different. Lakeport Police Department estimates that more than half of all their calls for service involve interactions with homeless individuals or those experiencing a mental health related crisis.

Addressing these complicated social issues at the local level has been very challenging. The City of Lakeport does not receive any direct Federal or State funding related to addressing homelessness and mental health related services. For the most part dedicated monies addressing these issues are administered by the State or the County. County related services are primarily administered through the Department of Social Services or Department of Behavioral Health.

Available funding sources to address homelessness by the City are often in the form of competitive grant programs such as the HOME Investment Partnership Program (HOME) or through Community Development Block Grant (CDBG) programs. Prior to 2012, Redevelopment was also a tool available to the City to address affordable housing related programs. Since the end of Redevelopment, the City of Lakeport has been challenged both financially and at the staff level to keep its housing related programs active and instead has put its energy into working directly with housing developers to directly construct affordable housing. This has been a successful endeavor in the creation of 120 units of affordable housing in the City since 2012. Unfortunately, programs related to first time housing assistance and owner-occupied rehabilitation are not currently available City programs.

In regards to mental health related programs, Lakeport PD has tried unsuccessfully to form an active partnership with Lake County Behavioral Health to provide on-call crisis intervention related services. Lakeport PD and Behavioral Health entered into an MOU three (3) years ago to provide office space at the Police Department for Behavioral Health staff who could participate directly in real time with mental health related calls for service. Staffing related issues, COVID-19, and the difficulty in recovering costs for such a program have been cited by Behavioral Health as reasons for their inability to implement this partnership.

The past two (2) years have seen a fundamental change in how both homelessness and mental health related services are viewed and handled at the Federal, State and local levels. The large influx of monies associated with COVID-19 stimulus at both the State and Federal level have included a greater emphasis on addressing homelessness and mental health. At the local level the most positive observed change has been an increase in capacity of non-profit organizations to address the underlying conditions that contribute to homelessness and mental health related issues. As a result of these changed conditions City staff have been able to develop the following programs:

- Lakeport PD established in May 2020 a Homeless Outreach Officer position to establish better connections with local homeless individuals and provide better access to information on the availability of social service assistance.
- Utilizing CARES Act monies, the City of Lakeport obtained grant funding to develop a commercial kitchen at the Silveira Community Center and has formed a partnership with North Coast Opportunities (NCO) to provide 50 meals a week to local individuals struggling with food scarcity.
- Lakeport PD and Hope Rising have recently partnered to distribute Narcan kits to combat the growing issue of opioid related overdoses in our community which have disproportionately affected those in our community facing homelessness and struggling with mental health related issues.
- Last month, Lakeport PD partnered with Siyan Clinical to provide mental health related services to those in the community wanting to get off the street and make a change. Siyan Clinical staff is assisting directly in enrolling interested individuals into available programs.
- Elijah house has also partnered with the City to distribute hygiene kits to local community members experiencing homelessness.

In addition to these existing services, the City, with the assistance of local non-profit organizations, are exploring additional near-term opportunities to further assist the homeless and those struggling with mental health related issues in our community. These programs include:

- Partnership between Lakeport PD and Lake Family Resources Center (LFRC) to provide a full-time crisis intervention specialist to assist directly on real-time law enforcement calls that involve the need for mental health related service. Funding appears to be available to implement this program over the next year.
- NCO is interested in expanding its partnership with the City of Lakeport and grow its current food program to include a wider array of direct access to wrap-around services including access to housing and employment opportunities through its "Building Homes/Building Lives" and "New Digs" programs. The Building Homes/Building Lives program is a mentoring program that provides applicants with hard and soft job skills in general construction and job readiness to retain long-term employment. NCO with the help of the City, identify vacant homes and try to work with the owner to provide housing and training opportunities. After the remodel, the housing is made available and NCO provides rental assistance. The New Digs program is a rapid

rehousing program that utilizes the Housing First Model. Assistance is not intended to provide long-term support, but provide stable, permanent housing before individuals can move forward with setting and reaching long term goals.

- Lakeport PD and local health professional Dr. Elise Donald are organizing a program to begin in the near future that will include local health professionals visiting homeless individuals and providing health care related services directly in the field.

DISCUSSION:

The current availability of greater sources of funding and collaboration efforts between the City and local non-profit organizations is providing the opportunity for greater service options to address homelessness and mental health in our community that did not exist a couple years ago. The timing is right to have wider public discussion and seek direction from the City Council on the direction that future homelessness and mental health programs should take.

No one program will provide a magic solution to this complex social problem. The answer will likely take the form of a multitude of small programmatic efforts. It is also acknowledged that addressing homelessness and mental health in our community will involve some tough and sometimes uncomfortable decisions. Staff regularly receives complaints from citizens and local businesses pertaining to the negative impacts that homelessness and mental health related issues have upon businesses and individuals' ability to enjoy community spaces such as Library Park. It is a delicate issue that requires a comprehensive strategy. Issues to consider include but are not limited to:

- Appropriate locations for the offering of services.
- Technical capacity to address complex mental health, substance abuse and medical related issues.
- Addressing the issues of trash accumulation, human waste and drugs in homeless encampments.
- Crime associated with individuals experiencing homelessness and/or mental health crises.
- Providing a complete array of services to adequately address the underlying issues of homelessness and mental health (Each individual case often requires a specialized response).

Given these challenges, staff is recommending the following next actions be considered:

1. Continue to foster and develop partnerships with local non-profit organizations to better leverage available community resources.
2. Move forward with the development of a program embedding mental health crisis intervention staff to assist law enforcement in the responding directly to calls for service involving individuals experiencing mental health crises.
3. Explore opportunities and locations to develop a comprehensive homeless services center that would include housing in addition to access to other services necessary to holistically address the issues that contribute to and exasperate homelessness.
4. As the city does not receive any direct Federal or State funding related to addressing these issues, direct staff to seek alternative funding sources.

This list is meant to be a starting point for further discussion. Public input and further discussion on recommended actions to staff is encouraged.

OPTIONS:

1. Receive report and provide direction to staff proceeding with recommended actions
2. Alternatively, provide other direction

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments: Future programs may require the consideration of funding. Any future program requiring funding or application for funding source will be brought back to the City Council for further consideration.

SUGGESTED MOTIONS:

N/A

Attachments: None



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Civil Grand Jury Report – Response 2021	MEETING DATE: 09/07/2021
SUBMITTED BY: Kevin M. Ingram, City Manager	
PURPOSE OF REPORT: <input checked="" type="checkbox"/> Information only <input type="checkbox"/> Discussion <input type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

Review and file 2020 - 2021 Civil Grand Jury Report Response.

BACKGROUND/DISCUSSION:

The 2020 - 2021 Civil Grand Jury Final Report requested a response from the City of Lakeport pertaining the report section entitled “Homeless – Not Hopeless”. The City of Lakeport response was drafted by both the City Manager and Police Chief.

The “Homeless – Not Hopeless” section of the 2020 – 2021 Civil Grand Jury Final Report is provided as an attachment to this staff report. A complete copy of the 2020 – 2021 Civil Grand Jury Report can be found on the County of Lake’s website at:

http://www.lakecountycalifornia.gov/Government/Boards/Grand_Jury/FinalReports.htm

OPTIONS:

- Approve
- Disapprove
- No action

FISCAL IMPACT:

None at this time. Account Number: Comments:

SUGGESTED MOTIONS:

- Attachments:**
 1. “Homeless – Not Hopeless” section of the 2020 – 2021 Civil Grand Jury Final Report
 2. Letter to the Civil Grand Jury from City of Lakeport (August 31, 2021)



Civil Grand Jury 2020-2021 County of Lake



HOMELESS - NOT HOPELESS

INTRODUCTION

For the second consecutive year, the Civil Grand Jury has been dedicated to seeking a better understanding of homelessness in Lake County as well as regionally. This term began with multiple inquiries by the Grand Jury regarding the number and financial impacts of fires started by the homeless, especially in Clearlake. However, we found that such statistics are not being kept – not for fires nor for the emergency medical services provided to the homeless by the County’s fire departments. Therefore, no estimated costs are available. Lake County Fire Protection District (Clearlake/Lower Lake) can track calls to addresses, and a definite pattern was found. Concentrations of calls are linked to several areas, such as, for example, around Wal-Mart or down Dam Road where a number of fires caused by homeless have been concentrated.

The investigation was then broadened to inquire as to the number and cost of law enforcement agencies’ interactions with the homeless. Again, no specific statistics are being captured. The Jail does note those inmates who are said to be “transients,” although the Grand Jury could not ferret out specific associated costs. The Grand Jury believes that County government officials and the public would be taken aback by the total costs related to first-responder encounters with homeless individuals.

In a search for statistics, the scale of our inquiry was then again broadened to assess how other California communities are responding to the escalating impact of homelessness. The Grand Jury’s review also included novel “hybrid” interdisciplinary approaches by first responders, here and elsewhere, in dealing with the chronically homeless.

From the multiple interviews conducted, two schools of thought emerge – (a) with more outreach and funding, homelessness can be eliminated in Lake County or (b) the problem is impossible, and homelessness can never be eradicated. All parties appear to agree, however, that the number of homeless is increasing, despite formal counts to the contrary, and that more housing and additional mental-health/substance abuse treatment is absolutely essential. Many individuals within County agencies and non-profits are working collaboratively to help the homeless, and progress is demonstrable by the opening of two residential facilities – Hope Center and Elijah House - this past year. (*Vide infra*)

Despite the “formal” count of chronically homeless in Lake County showing “only” 241 this year, the professionals consistently estimate that the total number is likely closer to 1,000. Almost every community across the country is affected to some degree by trying to cope with the multiple attendant serious problems associated with chronic homelessness, while at the same time trying – repetitively - to provide appropriate services to many who do not necessarily welcome them. Therefore, the experiences of a number of State-wide communities are included in this report, as the problems encountered elsewhere AND in Lake County differ only in scale – and documentation.

METHODOLOGY

The Grand Jury interviewed all County, State agency, and municipal police and fire first-responders; the directors of the County health agencies; the principals of the two new residential facilities; and the directors of the several non-profits who have labored collaboratively for years in this arena. Also interviewed were principals of agencies not in Lake County that appear to have instituted creative means of dealing with and assisting this difficult population. Extensive Internet research was also conducted. (To conserve pages, a Bibliography is not attached, but anyone wishing identification of articles is welcome to contact the Grand Jury.)

DISCUSSION

▪ HOW THE HOMELESS ARE COUNTED

The U.S. Department of Housing & Urban Development (HUD) since 2003 has required every county in the country to count its unsheltered homeless residents in January in odd-numbered years in order to receive federal funding for its homeless programs. This census is the Point-In-Time (PIT) count. Multiple sources agree that

the tallies are certainly an undercount - some experts say by half - while also acknowledging their importance for measuring trends. HUD wants a count of chronically homeless, excluding those who are couch-surfing or in a motel for a night.

The PIT count is low by design, to a degree. HUD requires that the count be held during the last ten days of January so that it can account for people who cycle in and out of homelessness and may be unable to pay for temporary shelter at the end of the month. HUD also states that holding the count on one of the coldest nights of the year can be very effective in raising public awareness of the challenges faced by homeless people without shelter, which makes it easier to recruit volunteers to conduct the counts. However, advocates and service providers argue that scheduling the event in the winter creates an undercount. The count is during the winter early in the morning, when it's harder to actually find folks because they are seeking some sort of refuge, plus they want to stay out of sight in general for their own safety.

A new digital program has been added by California this year to capture the broader picture of homelessness. This new online dashboard, called the Homeless Data Integration System (HDIS), was the first-in-the-nation and was released in January 2021. The State spent \$1.2 million on this new data platform, which was built in 15 weeks. Its implementation marked the first time that the subgroup of people seeking homelessness services was tracked throughout an entire state. Considered key was whether those services were helping the homeless obtain housing. The data came from California's 44 individual "Continuums of Care" (COC) - county-based networks that administer homelessness services to their local residents and include county, city, and nonprofit stakeholders.

In 2020, the number unhoused people connected with service providers throughout California was 248,130. Of those, 37%, or 91,626 people, had secured permanent housing by the end of the year, which was heartening. However, 47% still were awaiting housing, and 16% had fallen off the grid entirely - they stopped interacting with service providers, and the State lost track of them.

The new platform does not capture the full scope of California's homeless in that it does not count unhoused people who visit domestic violence centers for help, nor does it count unhoused people who are **not connected with service providers**.

Nonetheless, the data may be even more meaningful in 2021 because many counties cancelled their PIT counts due to COVID-19 concerns, thus omitting this

county-by-county snapshot of the unhoused. HDIS enables a more all-encompassing look at one of the State's most serious problems. In 2019, the last time most counties tallied people living on their streets as well as in their shelters, the State recorded a total of 151,278 people without housing. In 2020, the HUD PIT count tallied 161,548 homeless persons in California. (Exhibit 1).

▪ LAKE COUNTY PIT COUNTS

In 2020, 572 homeless persons were identified in the PIT count. (Exhibit 2) On January 28, 2021, the day this year's census was conducted, 241 homeless were counted who met the HUD definition. (Exhibit 3) However, according to the Chair of the Lake County COC, the number may be skewed in part due to the COC's switching from paper to digital counting applications (HMIS) for the first time and also due, again, to how homelessness is officially (restrictively) defined by HUD. Even though 600 surveys were attempted, only 319 were actually completed and, of those, only 241 were accepted using HUD criteria. This year's count was also impacted not only by COVID-19 restrictions, but also by the severe weather on January 28th, including a snowstorm and intermittent rain, leading to additional difficulties for volunteers conducting the count. As well, homeless who are incarcerated are excluded from most official counts, including in Lake County. Therefore, despite the widely held belief that the homeless rate in Lake County is higher, the official data – as collected – do not support this perception.

The information gleaned from the 319 completed questionnaires was useful: 115 of the 319 self-identified as having a chronic health disability (36%), 104 indicated they had a physical disability (32%), 62 said they receive disability benefits (19%), and 227 of respondents reported that they had lived in Lake County longer than five years (71%), dispelling a common misconception that an area's homeless population is composed mostly of people coming in from out of the area.

Breakdown of the data into various categories included specific regions: Clearlake continued to show the largest number of homeless, although that figure decreased from 241 in 2020 to 117 this year. Lakeport and Lucerne ranked second and third, respectively. This year's PIT count also documented members of Lake County's tribes who self-reported, including Robinson, Pomo, Chippewa and Cherokee, with Robinson having the greatest number at 13. Twenty-six people identified themselves as being veterans, but the official PIT report only included 16, with the difference again representing the number of surveys that were not accepted. Eighty-five respondents indicated that they were dealing with a serious mental illness or substance use disorder, just under half – 49.3%.

Those surveyed were also asked what they believed they most needed to help them, and the responses indicated the top three choices to be low-income housing, affordable housing, and immediate emergency shelter. Next came housing vouchers, access to nutritious food, and transitional shelter. Homelessness and housing, then, are inextricably intertwined.

The Grand Jury believes that also including questions about having a history of incarceration would expand the understanding of the contributors to chronic homelessness.

▪ REGIONAL REACTIONS

HUD estimated that, roughly, 553,000 people experienced homelessness nationwide in 2018, with more than one-third living unsheltered. The largest increases in the unsheltered homeless were reported in Western states, with California and Washington together accounting for more than half of the unsheltered in the entire country.

Homelessness — not COVID, not wildfires, and not even the sky-high price of housing — is the problem San Francisco Bay Area residents are most concerned about. Massive encampments shine a spotlight on the issue in nearly every corner of the region. In an April 2021 poll, 60% of respondents said they are very concerned about homelessness in the nine-county Bay Area Region, according to results released by the Bay Area Council.

More than 160,000 people are currently without housing in California, and Bay Area officials are struggling to manage massive encampments and makeshift RV communities, as housing and shelter resources pale in comparison to the scale of the problem.

The results reflect residents' mounting dissatisfaction with growing homeless camps that display the abject suffering of people without homes, while often blocking sidewalks and roads and posing a fire and crime danger to surrounding houses and businesses. This critical state of affairs has become more visible during the pandemic, as cities stopped clearing encampments and officials raced to create more shelter space and protect vulnerable unhoused people from the virus.

▪ STATE RESPONSE – PROPOSED BUDGET

In his 2019 and 2020 budgets, the Governor allocated about \$1 billion to decrease homelessness. Prior to the Governor's recent budget proposals, the mayors of San Jose, San Francisco, and other large cities had asked the State for \$20 billion to

create at least 100,000 new homes. According to the 2020 HUD estimates, more than 70% of California's homeless residents — about 113,660 people — currently live outside.

In May 2021, having the advantage of a major budget surplus, the Governor announced a historic plan to allot \$12 billion to housing and services for the homeless. The cornerstone of his proposed new plan is using \$8.75 billion to create at least 46,000 homes for unhoused Californians. Of that, \$7 billion would be used to expand Project Homekey — the pandemic initiative that provides funding for cities and counties to convert hotels, dormitories, and other buildings into homeless housing. Last year, Project Homekey used \$846 million in federal COVID-19 relief dollars, State funding, and donations to create more than 6,000 new units of homeless housing. Through the State's earlier 2020 Project Roomkey, 36,000 vulnerable unhoused Californians were sheltered in hotels around the State in an effort to prevent them from becoming infected with and spreading COVID-19. As those hotel programs end, the Governor's new plan intends to dedicate \$150 million to stabilize and rehouse Project Roomkey clients.

The Governor also set the ambitious goal of ending homelessness for California families within five years. His plan would invest \$1.85 billion in new housing for families, \$1.6 billion in rental support for families at risk of losing their homes, and \$40 million in grants to local governments to address the issue.

The Governor hopes to house a total of 65,000 people through this effort and prevent another 300,000 at-risk Californians from losing their homes. The plan would create at least 28,000 homes for seniors and for people struggling with behavioral health issues.

His plans also addressed homeless encampments, which have grown in size and visibility during the pandemic, causing significant tension in Bay Area communities and vastly straining local officials' efforts to address health, safety, and fire concerns posed by the massive camps. His plan somewhat vaguely earmarks \$1.5 billion to “clean public spaces” and another \$50 million to help local governments move people out of “unsafe, unhealthy encampments” and into housing in a “responsible and respectful way.”

Whether the final approved budget will retain these proposals and whether these lofty goals can be implemented in the ‘real world’ remain to be assessed.

- ENCAMPMENTS ARE PROLIFERATING

For much of the past year, local governments across Northern California found themselves in an uneasy truce with the spread of encampments. As the pandemic raged, the Centers for Disease Control and Prevention (CDC) urged officials to keep people “where they are” if no individual shelter was available. While cities like San Francisco kept clearing sidewalks, the Governor advocated providing hotel/motel rooms for the most vulnerable and ordered state workers (CHP & CalTrans) not to sweep the many encampments that sprung up along highways and train tracks.



Now that truce is over. As complaints about more visible encampments escalate throughout the region, cities, counties and State agencies are expanding sweeps and debating strict new laws governing where homeless residents can sleep. Many in these governments are attempting to do so while fending off legal challenges after a landmark 2018 California court ruling limited their ability to clear encampments without providing the residents with alternative shelter.

Some local governments are also weighing new approaches to coexistence with encampments — regular trash pickups, sanctioned camps, tiny homes — as short-term workarounds for a vexing combination of unaffordable housing and stubborn neighborhood resistance to new shelters. The process varies widely, from offering residents incentives to move out to bulldozing anything left. Harsher approaches last year led to a class-action settlement over belongings destroyed in East Bay sweeps.

For a while, Santa Cruz authorized an “agreement camp,” wherein residents pledged to clean up the area daily and avoid theft, violence, and the “open use of illegal substances” in exchange for stability, portable bathrooms, and trash service.

The residents currently, however, are all facing eviction to make way for post-pandemic public outings now that mask mandates and social distancing requirements are loosening. Santa Cruz says it will now consider encampment clearings on a case-by-case basis. However, the dispute over its “agreement camp” illustrates a battle playing out across the State over which areas to consider relinquishing to encampments, and which to deem off-limits. In San Jose, the City Council voted in late March to prioritize clearings based on proximity to schools, waterways, and other sensitive locations.

In a different tact, The Sacramento Mayor, whom the Governor previously appointed to lead a State homelessness commission, is among the local officials considering whether to declare homelessness an ongoing health emergency or a legal right that governments must recognize.

A new generation of advocates for homeless people is also pushing to make sure cities do not have a choice other than to house homeless residents. These advocates have sued Sacramento, Emeryville, Santa Cruz, Chico, Sausalito, and other cities, to stop encampment sweeps, leaving officials scrambling to sanction alternatives. With such daunting numbers of homeless, some activists fear that cities will resort to “warehousing” people in large, tightly controlled facilities. For now, they worry about the toll on those who are shuffled endlessly among camps.

ABT ASSOCIATES REPORT ON ENCAMPMENTS (January 2021)

- OVERVIEW

To learn more about encampments and cities’ approaches in responding to them, ABT Associates conducted the study *Exploring Homelessness Among People Living in Encampments and Associated Costs* for the U.S. Department of Health and Human Services and HUD. After completing a literature review, the study team selected nine cities currently responding to encampments to participate in telephone interviews in early 2019. The nine cities were Chicago, Fresno, Houston, Las Vegas, Minneapolis, Philadelphia, Portland, San Jose, and Tacoma. Then, in the fall of 2019, the team conducted site visits to Chicago, Houston, San Jose, and Tacoma to collect cost information on expenditures explicitly related to encampments, interview implementation partners, observe encampments, and interview a small number of encampment residents.

The consulting firm found that, as of 2019, homeless encampments were appearing in numbers not seen since the 1930's. The growth of encampments mirrored the increase in unsheltered homelessness overall and seemed to reflect a complex set of societal factors, including a lack of affordable housing and the persistence of deep poverty and chronic homelessness. Even before the COVID-19 pandemic, communities nationwide were struggling to respond to public pressure to relocate people living in encampments and prevent the formation of new encampments with only a weak knowledge base on which to structure that response.

The ABT study laid out a novel framework for approaches to encampments in cities around the country: clearance with support, clearance with little or no support, tacit acceptance, and formal sanctioning. Local officials in the four cities that were the main focus of this study – Chicago, Houston, Tacoma, and San Jose – generally converged on a common strategy for responding to their most visible encampments: “clearance and closure with support.” In this approach, camp clearance and closure followed a resource-intensive outreach to help connect encampment residents with needed services - to try to ensure that every resident had somewhere to go at the time of encampment closure.

Annual spending in fiscal year 2019 related to community responses to encampments ranged from \$3,393,000 in Houston to \$8,556,591 in San Jose. All but about \$170,000 in San Jose was for labor costs. (Exhibit 4) The cost per unsheltered homeless person ranged from \$1,080 in San Jose to \$6,208 in Tacoma. Across the four cities, the greatest expenditures for encampment-related activity were for outreach, while efforts related to cleaning, clearance, and shelter/housing placement varied considerably, based on local priorities and approaches. This study was not designed to measure the relative effectiveness of approaches to encampments. However, the findings demonstrated that permanent resolution of any given encampment (resolving homelessness for the people in the encampment, and preventing formation of a new encampment at that site) requires substantial investment, both in services and housing/shelter options. However, mitigation, management, and removal efforts just by themselves all come with considerable costs.

With cities and counties now preparing for an influx of State and federal stimulus aid, the question is what kind of shelter to prioritize and how much to keep paying toward often shocking bills. This is exemplified by the \$12.6 million the ABT

Associates report which found that Oakland spent clearing and cleaning-up hundreds of encampments during the 2019 and 2020 fiscal years. The ABT Associates audit emphasized that in Oakland — where officials have conducted 1,982 trash pickups, larger-scale cleanings, and encampment clearings since March 2020— the city “lacked an effective strategy” to deal with scattered camps.

However, in April 2021, Oakland announced that it is implementing a new phone app – the Homelessness Resource App – set to roll out in July and intended to connect unhoused residents with shelter, mental health care, food banks, medical care, legal aid, and many other services. The app is designed to be a more direct and tech-savvy alternative to the City’s 2-1-1 phone line and will provide updated information about new services. The app could also help Oakland track how many homeless are accessing which services and can be downloaded by front-line workers. Of course, not all homeless have a smartphone or a reliable place to charge one. Neither can the app fix what is most broken – the lack of housing to offer the homeless.

- **CAMP STRUCTURE**

The internal organization and motivations of residents significantly vary among encampments. Some encampments have a strong social structure and organization, sometimes with oversight or assistance from local charitable or faith-based organizations. Residents may be required to assume responsibility. Residents may vote in governance decisions, and they may be expected to attend weekly resident meetings in accordance with an encampment-wide code of conduct. A key researcher conducting studies on encampments described the social structure established by a group of mothers staying with their children in a recently cleared encampment in Oakland, California. Residents of the encampment prohibited drug use and shared responsibility for childcare. These expectations promote a sense of community and have been credited with helping encampment residents “feel human” and believe that they have something to contribute. Other encampments have less cohesion and more informal rules and structure, which may on occasion result in friction and conflict among residents. Larger encampment “communities” may be less cohesive than smaller groups composed of family members and friends.

According to the ABT Associates report, the potential for exploitation exists in encampments. For example, younger people may offer to provide protection to older residents but then expect some form of compensation in exchange. Nonetheless, people staying together in encampments tend to look out for one another and have some sense of solidarity.

REGIONAL CALIFORNIA EXPERIENCES

▪ SAN JOSE REPORT

The population of San Jose in 2019 was about 1,035,317. The PIT count documented 7,922 unhoused individuals. Available emergency shelter beds numbered 900 in 49 shelters. As of then, prior to the COVID-19 pandemic, there were roughly 350 encampments just along the waterways of San Jose – an approximately 50% increase from 2018. Multiple encampments are also present in other locations throughout the city: on sidewalks, under highway overpasses, and alongside highways and railroad tracks.

In each of those locations, the physical presence of encampments varied; however, common features among all types of encampments were tarps covering tents and areas next to the tents, personal belongings (usually in shopping carts), and large quantities of trash. These encampments result in environmental degradation, such as water contamination from human waste and trash; habitat destruction; and the accumulation of garbage, drug paraphernalia, and other hazardous materials. These pose a threat not only to camp residents but also to first responders and service providers. Encampments also become dumping grounds for the wider community, with old bikes, sofas, mattresses, tables, rugs, and other household items. Encampments in more open areas often are littered with old boats and vehicle hulks generally dumped by non-homeless area residents.

Encampments along railroad tracks often formed in the limited space between the tracks and barrier fence or wall and logistically are the most difficult to respond to, have the additional threat of passing trains. The tunnels under bridges are favored for their protection from the weather. Encampments on sidewalks are often located in neighborhoods with liquor stores, inexpensive motels, auto body shops, recycling facilities, and other industrial uses.

The heightened visibility of encampments is attributed both to an increased number of people who live in encampments across the city and to the clearance of encampments in other areas near waterways, which has pushed encampments to city streets, into residential neighborhoods, and into business districts.

A significant increase in vehicular encampments (people living in cars and RVs) is apparent, often in groups that are parked together. Outreach workers observe that the homeless living in vehicles are less likely to have mental health and substance-use issues than those living on the sidewalks. However, they often will not accept offers of emergency shelter because they perceive their vehicles to be their home.

While people of all ages, races, and ethnicities reside in encampments, the majority are single, older, and white males. The numerous small encampments consisting of veterans are easily identified because they are observed to be cleaner and have American flags and army fatigues around the site.

The San Jose Housing Department has a Homelessness Response Team that responds to public complaints through its Homeless Concerns Hotline, dispatches outreach workers, and coordinates the closure and cleanup of encampments. The Response Team uses a database to track outreach and engagement. The outreach teams also visit encampments that are not the subject of complaints. In all camps visited, they attempt to engage the residents, conduct assessments for the database, and connect residents to emergency or permanent housing when available. They estimate that only about 20 percent of encampment residents accept shelter referrals before a clearance and closure. Encampment residents often decline emergency shelter because of shelter rules (e.g., no partners or pets allowed), ongoing substance use, and safety and theft concerns. Often, encampment residents prefer to move to another encampment location or to establish a new encampment with their partners, pets, and personal belongings.

Despite widespread support among unhoused residents and their advocates for city-sanctioned tent sites, San Jose leaders are just not ready to commit to the concept.

Instead, the San Jose City Council in May 2021 decided to simply expand the number of homeless encampments that are regularly provided with hygiene and sanitation services, trash pickup, dumpsters, and housing outreach. The City

implemented a “Cash for Trash” program last November that pays encampment residents for the bags of trash they collect. In addition, the Council plans to create a policy that ensures unhoused people living in those encampments will not be forced out without extended notice of two to three months.

Similarly, a small handful of cities on the West Coast, including Seattle, Sacramento, and San Francisco, have recently turned to permitted tent encampments as an interim solution to addressing their homelessness crisis while they work to find permanent housing for their unhoused residents. The sites offer services such as toilets, showers, food and access to social workers. They provide residents with a safer, more stable alternative to illegal encampments on city sidewalks, under overpasses and in parks. In addition, they aim to curb frustrations from residents and business owners who say the crisis creates public safety issues, health concerns, unsightly neighborhoods, and negative impacts on businesses.

Although San Jose has attempted to create sanctioned encampments in the past, the attempts have not proven fruitful. Instead, the city [has built interim housing developments](#) known as “bridge housing sites” with dozens of tiny homes and modular units to serve unhoused residents as they search for long-term housing. Thanks to an influx of federal funding associated with the COVID-19 pandemic, San Jose in 2020 established a new program called Services Outreach Assistance and Resources — known as SOAR — to routinely provide services, such as bathrooms, laundry, routine trash pickup and housing outreach, to unhoused residents living in about 14 of the city’s largest encampments.

Since the establishment of the program, San Jose employees have collected or removed more than 125 tons of debris per month, which seems to have tempered [an inclination from some people to illegally dump their unwanted materials in the area](#), and engaged with more than 123 individuals to connect them with services such as rental assistance and addiction counseling.

- SAN JOSE FIRST RESPONDERS

The San Jose PD has a dedicated group of eight officers known as the Street Crimes Unit that focuses on quality-of-life issues across the city (prostitution, graffiti, criminal complaints related to encampments, crimes committed against and by homeless individuals). Information about those issues is passed on to the Street Crimes Unit from police captains, housing department staff, and other city officials. These officers are noted to differ from other police officers in that they

try to build trust and rapport with encampment residents while also enforcing the law. Police staff estimated that the Street Crimes Unit spends 60 percent of its time responding to illegal activity in homeless encampments rather than in other locations. Not captured was the amount of time providing security during removal of camp residents and camp cleanup during the closure of approximately 300 encampments in 2019.

The San Jose Fire Department (SJFD) does not have a particular unit dedicated to responding to problems at encampments, but they do keep statistics. The most common SJFD responses related to encampments are calls for medical services or vegetation, cooking, or trash fires. During fiscal year 2018–2019, 8.7 percent of all calls to SJFD were related to homelessness (8,009 out of 91,901 calls), and 63 percent of those calls were requests for medical support.

- UNION CITY

Efforts to help house people who are homeless in Union City are getting a major boost from the State, which is set to award the City a little more than \$1.5 million in grant money over five years to hire the city's first ever homelessness coordinator. The money, which comes from the Permanent Local Housing Allocation grant program, is funded by \$75 fees attached to home sales in the state, will also fund the hiring of a part-time outreach worker, and will help support the city's long-running safe parking program.

City officials said people making use of the safe parking program — known as CAREavan, which lets people living in their cars park overnight in secure lots around the city — will benefit from the new hires, which will be chiefly tasked with case management work, increasing the city's focus on assisting homeless people in finding permanent housing and employment opportunities. The homeless coordinator and outreach worker will also expand City outreach to other homeless people in encampments around the city,

Currently, multiple people in the City touch the issue of homelessness, but there is not one main point of contact whose sole job and responsibility is to do outreach and also respond to the public and the business community.

Officials counted 106 unsheltered homeless people living in Union City during the 2019 Alameda County PIT count and survey, a major increase from 2017, in which 40 homeless people were counted among the city's residents. Alameda County, like

many other Bay Area governments, postponed the 2021 count because of safety concerns arising from the coronavirus pandemic. City staff believes that the 2021 count would have shown a dramatic increase in homelessness in the city.

Staff observe an increase in the unhoused population throughout the city, with more encampments popping up. People are living in RVs and campers and often park along industrial roads and in major shopping center parking lots, resulting in many complaints. So while the City provided a service with safe parking, they were not able to bridge the gap as successfully to provide the means to obtain employment and retain permanent housing.

Roughly \$200,000 will go annually to paying for the new positions. In the first year, the City expects to receive \$253,953, the remainder of which will go toward operational costs for the parking program, including providing some mobile shower days at the parking sites. The monies will fund what was primarily missing – case management.

The coordinator and outreach worker will also maintain and log “critical homelessness data,” such as demographic information, location, health status, services offered, and the like.

- MARIN COUNTY

Just two years ago, Marin County was celebrating a rare achievement for a Bay Area community — successfully decreasing its homeless population. Now, however, new encampments that are highly visible and “in your face” along the waterfronts in Sausalito and Novato are inspiring protests, floods of complaints, litigation, and even reports of vandals’ slashing unhoused people’s tents. They are also putting pressure on local officials to remove the encampments.

Marin County, where the median household income is about \$111,000 — nearly 1.5 times that of the rest of California — and a typical home sells for \$1.6 million, has always had homeless residents. But pre-pandemic, the homeless tended to set up small camps for shorter time periods, moving along at the behest of law enforcement or camping out of view in the county’s large expanses of undeveloped land. When COVID-19 hit, Marin County joined other Bay Area communities in largely letting encampments alone — even in city centers — to give residents a chance to shelter in place from the virus.

In Sausalito, there is a months-long controversy concerning a new homeless encampment that recently formed along the City's scenic waterfront the encampment started with one tent in Dunphy Park in December 2020 and has grown from there into a tent city populated by dozens of eclectic people. Many live part-time on boats illegally anchored off the shore and use the camp as a safe place to come ashore for supplies or spend the night in case of a storm. They call the encampment Camp Cormorant, and fly rainbow flags emblazoned with drawings of the black water birds.



In February 2021, the City Council decided that Marinship Park — which, unlike Dunphy Park, has bathrooms and is regularly visited by a shower truck — would make a better location for the encampment. However, when the City attempted to move the encampment, camp residents, backed by the California Homeless Union, sued. So far, a federal judge has sided with the camp residents, blocking the City from forcing them to relocate during the pandemic. This uncertain state of affairs has caused the Sausalito Arts Festival, a Bay Area arts scene staple for nearly seven decades, to cancel its 2021 event scheduled for Marinship Park.

In a park in central Novato, numerous tents can be seen lining a path that winds through the trees beside the Novato Creek. Camp residents have set up an open-air kitchen, complete with a grill, a filing cabinet full of spices, and shelves stocked with donated food. But some Novato residents are appalled by the encampment and furious with the city for allowing it to remain. Customers at a nearby restaurant complain about the encampment constantly, says the manager, who believes it is costing the restaurant business.

This kind of tension was nearly inconceivable two years ago, when Marin County saw a 7% drop in homelessness between 2017 and 2019. Even more impressively, the County reduced its population of chronically homeless residents — people

whom they defined as disabled and having been homeless for more than a year — by 28%. In contrast, Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties all saw significant increases in homelessness during that same time. Marin County officials did not conduct a full homeless census this year due to COVID-19 concerns, but they did count the number of people living in vehicles and found the figure to have nearly doubled since 2019.

- BAKERSFIELD “Ended” Chronic Homelessness

Bakersfield, seat of Kern County, is a city of some 350,000 people. The Bakersfield Kern Regional Homeless Collaborative began meeting regularly after joining the “Built for Zero” campaign to end homelessness in 2015. The cornerstone of the Built for Zero approach is creating a by-name list of every person experiencing homelessness in different categories — chronically homeless, veterans, youth, families, and so on. The collaborative worked to find housing for every person on the list through case conferencing, regularly meeting to discuss individual cases, and figuring out what it would take to get that one person into an apartment.

The Bakersfield Collaborative in 2017 first established a by-name list of chronically homeless people, those who had experienced homelessness repeatedly or for more than a year while struggling with a disabling condition such as a serious mental illness, substance use disorder, or physical disability. Between that time and the beginning of 2020, they reduced the number of chronically homeless people from 72 to 2, achieving “functional zero” for chronic homelessness, according to the definition provided by Community Solutions (the group that coordinates the Built for Zero campaign.) As the pandemic began, the number of chronically homeless people began to creep back up, but, thanks to an established collaboration between service providers and housing providers in the area, and a well-timed investment from California’s Project Homekey, the community was able to reduce the number again. In January of 2021, Bakersfield announced that it was the first city in California to end chronic homelessness.

Principals at Community Solutions and the Built for Zero campaign stated that the organization is hoping to work with a diverse enough group of cities to prove that any type of community can end homelessness with good data and sustained effort. Communities in the Built for Zero campaign typically either start with veterans, because it is one of the more identifiable subcategories of homelessness, with

dedicated resources and often strong political support, or they start with chronic homelessness, which is often the toughest subcategory, and hope that finding strategies to reduce those numbers will help them in other subcategories as well.

Bakersfield is a medium-sized city combined with a huge rural county with complex geography and conservative politicians in one of the highest-cost states in America. One reason professionals believe why Bakersfield has had success in reducing its chronically homeless population is because the Housing Authority of the County of Kern had committed time and resources to helping. A community cannot effectively address homelessness without a strong partnership with its housing authority. One strategy the Housing Authority used was taking on a “master lease” with private landlords who were hesitant to rent directly to people experiencing homelessness. That allowed the Housing Authority to sublet units to unhoused people, while taking on the liability for any damages that might be incurred and agreeing to carry out an eviction if they needed to. The program was small, starting with just eight units. By the end of the first year, all but one of the people housed through the program either took over the lease and stayed in the same unit or used their housing voucher to move to a different unit.

Another reason why the master-lease concept worked was that a lot of people who have been chronically homeless have experienced frequent rejection and denial and can be averse to filling out paperwork for something that might be denied to them. With the Housing Authority technically as the leaseholder, the tenants did not have to go through an application process as they would have with a normal apartment. The funding for the master-lease program came through a grant from Kaiser Permanente. The principals found it beneficial to have grant funds that were flexible enough to, for example, partner with landlords, help people find documents like birth certificates, or buy bus passes, or purchase small appliances.

The group found that not all strategies worked in every instance, but they concluded that when you start to tackle homelessness one-person-at-a-time and know who the homeless individuals are by name and personalize their situation, this overwhelming problem starts to be solvable.

The Grand Jury notes that the Kern County Mental Health Department has been renamed, less stigmatically, Behavioral Health & Recovery Services.

- CLEARLAKE

For a small city, Clearlake has large challenges that have bedeviled administrations for 40 years. These include poverty, unpaved roads, vacant businesses, difficulty attracting new developments, visible homeless, widespread vehicle abandonment, trash dumping, and rampant drug addiction. Nonetheless, the Fire Chief, the new Police Chief, the City Manager and City Council work well together and are committed to breaking these challenges down into smaller pieces so they can be addressed for the betterment of the City and its residents. In regard to the primary subject of this report, the Grand Jury notes the following:

- a. Police Department

The Clearlake Police Department (CPD) over the years had had extensive involvement with the homeless, crime, and nuisance-related activity in a 45-acre area of the City referred to colloquially as the “Gobi Desert.” The Gobi Desert area, bordering Clearlake Park; is largely inaccessible by autos; is bounded by Acacia to the east, Eastlake Drive to the north, 2nd Street to the west, and Sonoma to the south; and is across the road from the Pomo School. The area was subdivided in the 1920s-30s into 60 x 100’ “residential” parcels before the City was created in 1980. The area, containing a number of “paper lots,” already had power and water, but no sewer system, so development would require engineered septic systems.

After a cleanup in May 2018, the CPD again in 2020-21 tackled the myriad problems at this site stemming from gatherings of homeless, fires and crime, the illegal dumping of trash/garbage and all manner of vehicles, and the location of a “chop shop.” One contributing factor to the area’s decline was the fact that Clearlake had eliminated Code Enforcement from 2009 to 2014 due to budgetary constraints.

Phase I of the cleanup was prefaced by multiple enforcement operations to make arrests and issue citations, followed by a coordinated extensive brush cutting, removal of cars/trucks/RVs/boats, and blocking all “roads” with K-rails. Three Code Enforcement officers and five Public Works persons were involved, plus a backhoe and a *toolcat* and Public Works chippers. 46 vehicles were abated – 36 cars/trucks and 10 RV/trailers. Five 30-cu.yd. waste dumpsters and one 30-yd recycling (green waste) dumpster were filled. The total cost was almost \$40,000 (see Exhibit 5). The CPD stated that the City was

committed to maintaining this area once the cleanup was completed. The first goal was to lock the area down. This was needed prior to attempting to revitalize it and the repaving of Acacia Street.

Here are photos before the Phase I enforcement-and-abatement was completed:



The second area of homelessness and blight that Clearlake, CalFire, and Public Works coordinated to clear in April-May, 2021 was the 30+ acre area behind Tractor Supply and along Dam Road. The 3rd area on the cleanup agenda is the area east of Cache Creek Apartments.

b. Fire Department

The Lake County Fire Protection District does NOT specifically track fires caused by the homeless. The national database of fire statistics – National Fire Incident Reporting System (NFIRS) - does not permit keyword searching. In response to our request, the Department downloaded and read through 1602 reports [from a total of 10-12 thousand over 10 years] involving fires on Dam Road between 1st Ave and 12th Ave. and found reports of **74 fires** that appeared to involve the encampments. Two threatened the Cache Creek apartment complex and required evacuations. The cause of many such fires are said to be “undetermined,” not “intentional.” [“Incendiary” would indicate arson.] Most of these fires spread from cooking or warming fires and from burning garbage. Wildland engines (typically smaller, 4WD, with more hose), not structure engines, needed to be deployed.

The Department also looked at reports near the Gobi Desert, from 1st to 16th Streets, during the same period and found **48 fires**, most of which were structural, not wildland.

In their experience, the main groups of homeless are found behind WalMart and Safeway, in the Avenues, behind El Grande, and in vacant homes, especially in Clearlake Park and the Avenues, yet some live in town, near stores.

They could not estimate the costs involved in fighting these fires. In their opinion, the number of homeless had “skyrocketed” over the past 5-6 years, and they are in favor of keeping statistics so as to track “areas and trends.”

The Fire Department’s EMS reports are classified as Medical or Fire. In 2020, ambulances were dispatched 6673 times – 3434 were medical and 1239 were for fires (which could also involve fire alarms or Haz-Mat calls).

In terms of formal training that firefighters receive that may pertain to interacting with the chronically homeless, the Department responded that it does provide conflict-resolution in-service training. They emphasized that the EMT/firefighters do not experience many confrontational interactions with the homeless.

- FIRE DANGER AND THE HOMELESS

Fire is an ever-present menace where the unhoused congregate in group living areas, and the risk is worsening as the encampments increase in both size and number. Flames sparked by fires started for cooking or warmth can engulf highly combustible wooden shacks, tents, and RVs and spread rapidly to nearby vegetation and structures before firefighters arrive. Fires can also start when the homeless tap into street poles for power, running extension cords to their tents. Some camp residents store propane, butane, car batteries, generators, and other fire hazards in their tents. The homeless may tamper with fire hydrants to provide water for drinking, bathing, and laundry, thus affecting fire suppression capability.

An additional consideration is the safety of the firefighters and trucks responding to an encampment fire. As the Lake County Fire Protection District management pointed out, firefighters have to be used as lookouts to both make sure equipment stays on the rigs and is undamaged; and also to search for any potential safety concerns such as needles, drugs, and aggressive behavior by camp residents. A further risk to firefighters is exposure to communicable diseases.

In the three years since the Los Angeles Fire Department began keeping relevant statistics, fires related to homelessness have nearly tripled. In the first quarter of 2021, they occurred at a rate of 24 a day, making up 54% of all fires the department responded to. Many of the fires were limited to dumpsters and piles of trash, and the most common outcome was the destruction of tents or other types of shelter. A few were costly and tragic. Seven homeless people died in fires in 2020.

Fires starting in camps lined beside businesses have caused tens of millions of dollars in damage, according to a Fire Department spokesperson. Some of those fires were the result of attacks on homeless camps by outsiders.

Oakland firefighters responded to 552 encampment fires between January and November 2020, up 15% from the same time period in 2019. During the last fiscal year, July 2019 through June 2020, San Jose firefighters responded to 1,573 fires related to homeless camps, up 27% from the prior year. Data from the San Francisco Fire Department show a 55% increase during January through November 2020 compared to the year before — but the staggering increase is partly because the department improved its tracking of encampment fires in 2020.

In response to these increases, San Francisco firefighters are visiting encampments and handing out “open flame pamphlets” with tips on fire safety. In Oakland, the East Oakland Collective passes out donated fire extinguishers in camps, and the Fire Inspector goes from camp to camp looking for fire code violations and also attempts to educate the residents about existing fire hazards. However, the Inspector noted, the unhoused people he encounters do not always trust him or welcome his tips.

Oakland’s Struggles

In the period June 1, 2020 to January 1, 2021, Oakland encampment fires have disrupted BART service 17 times between the Lake Merritt and Fruitvale stations and four times near the Coliseum, according to a BART spokesman. Fires next to or below BART tracks can fill the area with smoke and force drivers to stop their trains. Flames can damage cables and concrete, and an August 2020 fire near the Coliseum damaged an emergency walkway along the BART tracks.

Along Oakland’s East 12th Street, where a large community of people lives in makeshift shacks, tents and cars, the Fire Inspector estimated that his department has responded to more than 100 encampment fires in the past two years. Although there is a fire station just seven blocks from the camp, the flames spread so fast that, by the time a truck arrives, any dwelling on fire is likely to be destroyed.

Fires that spread rapidly to overgrown vegetation are especially concerning. In October 2020, a fire that started in an encampment off Interstate 580 in Oakland quickly spread into surrounding brush and trees and damaged a row of homes and a gas station. To give one a sense of the likely costs, firefighters called second and third alarms, and Oakland police also responded to the area to assist with traffic control. The fire was eventually contained due to the work of more than 50 Oakland

firefighters aboard about a dozen engines and at least three trucks, as well as to additional 18 firefighters from Alameda County, Fremont, and Hayward who fortuitously were prepositioned to respond to ongoing red-flag weather conditions.

The fire professionals who read this account may be able to estimate the associated costs of controlling just this one fire in one location in one city on one day.

In February and March 2021, two community non-profits in Oakland were destroyed by fires that spread from tents set up against the buildings, despite warnings to the City about these fire hazards. The two blazes started as the City struggled to implement its new encampment management policy, which prioritizes the removal of camps near homes, businesses, parks and other “high-sensitivity” areas, and prohibits the unsafe storage of flammable materials in camps. Inadequate staff to implement this new policy has impeded the process.

In February 2021, a fire started behind the Vietnamese American Community Center of the East Bay, where a camp had formed up against the wooden building. The Executive Director had complained for months about people cooking and storing propane tanks there and she said that her staff had rushed outside more than once to put out fires. City workers visited the camp to remove flammable materials and give occupants food and other supplies, but that visit failed to prevent the fire that disrupted the center’s food bank, which feeds 2,500 people each month. The City is working on ramping up enforcement of the encampment policy, which went into effect in January, but it is grappling with more than 150 camps and a backlog of hundreds of complaints.

The March 2021 fire that seriously damaged the Junior Center of Arts and Sciences in Oakland (in operation since 1954) started on the Center’s porch, where a small encampment had set up tents on the deck because it had an electrical outlet. Due to COVID-19, the Center was not open to the public. Staff had noticed the tents about a week prior to the fire and had posted a complaint on the City’s online portal about the tents’ blocking the front door and the smell of a campfire. Afterwards, fire inspectors found a space heater, camping stoves, and cooking supplies.

Contrast these single events with the 1,158 acre May 2021 Southern California conflagration named the “Palisades Fire” in Topanga Canyon that was started by a homeless man and forced thousands of people to evacuate. The arson suspect was arrested after he was observed to start additional brush fires the following day. After six days, the fire was still not fully contained.

While the epidemic of fires generally is largely attributable to the built-in conditions for combustion in street camps — cooking stoves and campfires in close proximity to tent fabric and piles of other flammable material -- a third of the 15,610 fires in Los Angeles related to homelessness in the past 3 ¼ years were classified as arson. Some were set by outsiders, but police said that most stemmed from disputes between homeless people.

- A COLLABORATIVE POLICE RESPONSE IS INCREASINGLY COMMON

Sociologists describe a pyramid of social inertia, where the majority in communities – the largest segment at the bottom of the pyramid – want to maintain the status quo and let others deal with the problem of homelessness. Then there is a smaller segment in the middle of the pyramid who try to offer solutions, such as a charity handing out food or sleeping bags or providing showers, but that doesn't solve the problem. The small top tier of the pyramid is where solutions are achieved, and in this tier law enforcement officers are found. The police are consistently responding to calls involving homeless individuals, many of whom suffer from mental health issues, so agencies have needed to equip their officers with appropriate tools and coordinate outreach efforts with other community organizations and resources. Like it or not, homelessness is, de facto, a police problem, but displacing the homeless to jail, especially those individuals with psychiatric disorders, serves neither the homeless nor correctional staff well.

Providing help to homeless individuals rather than arresting them represents an important transition for law enforcement. Civil infractions lead to legal troubles that can perpetuate homelessness. According to the National Law Center on Homelessness and Poverty, ordinances banning camping, panhandling, loitering and the like are ineffective, expensive to enforce, and often violate homeless persons' constitutional and human rights.

The more enlightened law enforcement agencies, in both cities and counties, have altered their approach and are working collaboratively with behavioral health, social services, and community homeless-service providers. Such homeless outreach teams can be found in police departments from Florida to California, though no hard data on exactly how many exist could be found. Each operates slightly differently, but the goal is the same: Specially trained or handpicked police

officers are tasked with linking unsheltered individuals — particularly the chronically homeless — with appropriate services and addressing unsafe encampments. Most often, these teams operate in conjunction with social workers, substance abuse counselors, mental health outreach workers, and nonprofits serving the same population.

Research identifies three examples of teams that can promote efficient use of limited resources while effectively addressing outreach and enforcement needs:

1. **Community Care Response Unit/Team (CCRT)**

A community care response unit consists of a fire/paramedic captain and a licensed nurse practitioner and responds to non-life-threatening calls and provides treatment in the field. High-level medical expertise at the ready both prevents unnecessary hospitalization and begins the process of creating a bond with homeless individuals. Establishing connections via coordinated homeless outreach efforts is important, as they increase the chances that homeless individuals will accept shelter.

2. **Psychiatric Emergency Response Team (PERT) or Crisis Intervention Team (CIT)**

PERTs/CITs are a collaboration between law enforcement and county mental health/substance abuse services. Two officers are paired with a licensed clinician on a full-time basis, 24/7. PERTs frequently follow up with individuals they previously worked with who had been voluntarily or involuntarily hospitalized or jailed after a mental health crisis. With a single follow-up, the chance the individual will experience another mental health crisis has been shown to decrease as much as 50%.

3. **Centralized Assessment Team (CAT)**

CATs provide mobile clinical response services that include conducting assessments, initiating hospitalizations, and arranging transportation. CATs also handle all incoming mental health calls for service and will pass off relevant calls to the PERTs.

Additional regional examples include:

1. The police chief in Anaheim in 2021 instituted a CCRT. The department was fielding approximately 20,000 calls a year related to homelessness, representing about 13% of all service requests. For a year, the chief had emphasized needing to stop responding to calls without a criminal nexus, which primarily were calls for service about the city's homeless. The CCRT opened its dispatch office on January 1, 2021, with the goal of diverting non-violent, non-emergency calls to CCRT. In just three months, the team has responded to and provided services following more than 3,500 calls – situations with which police officers in the past would have been tasked, such as dealing with somebody sleeping on a sidewalk, acting erratically, or begging for money outside a grocery store.

In January, the team fielded 800 calls that were redirected from the police department and sent to the CCRT. In February, the calls increased to 1,000 as more community members began to learn about the program, and, in March, the numbers jumped to more than 1,700 calls. The CCRT dispatch office is open from 7 a.m. to 9 p.m. seven days a week, with dispatchers working from home or the office. The CCRT is staffed with caseworkers, health clinicians, social workers, and security officers who work in tandem with those who respond to the field. The outreach workers help homeless people connect with mental health services and assist with shelter access, medical needs, social service programs, or even a bus ticket back home where they may have family.

2. The Oceanside Police Department's Homeless Outreach Team (H.O.T.) was created in 2014 and, as of 2019, is comprised of four officers and a sergeant who have adopted a "non-enforcement" approach to dealing with the unhoused. There are several social workers, volunteers from the faith community, and other housing and mental health staff that work closely with the H.O.T. officers both in the office and out in the field. Funding for the contract social worker is \$77,000/year.
3. In Carlsbad, an informal working group known as the Homeless Response Team (HRT) was created after Housing & Neighborhood Services convened staff from several City departments, including Police, Fire, Library, Parks & Recreation, Public Works, and the City Attorney's Office to share experiences and collaborate on potential strategies. In formulating their HRT, the City pulled together helpful cost figures, for perspective.

Based on data from Fire Department emergency responders and medical service providers throughout the San Diego region, the City estimated that it cost \$45,000 to \$50,000 per year to provide assistance to one homeless resident from a medical emergency response and care standpoint. When one considers response costs for the Fire Department, transport to the hospital, and related hospital costs for individuals with no insurance, the cost per person adds up fairly rapidly. A count of 100 unsheltered homeless residents in Carlsbad reportedly has a related medical response and service cost of \$4,500,000 to \$5,000,000 on an annual basis, which is significant. The Police Department estimated that it utilized about 3600 police-officer-hours per year to respond to calls related to homeless individuals. These calls for service range from suspicious individuals to disruptive behavior to criminal or threatening activity. If the fully burdened hourly cost of a police officer was estimated at \$99.79, the annual cost for police service calls was estimated to be about \$360,000.

4. The Sacramento Police Department, noting the presence of approximately 2,000 homeless, has created units of dedicated mental-health workers who are teamed with five police officers (one Sgt., 4 officers, full-time) in addition to a unit of two specific homeless-outreach police officers - collectively known as the Impact Team. The mental health units are overseen by the City's Social Service Administrator. Their statistics as of February 2020 are attached at the end of this report.
5. San Francisco is a good example of the trials and tribulations a city experiences that accompany the balancing of sometimes competing interests while trying to improve its response to homelessness. The City employs a "command-center approach." Their Healthy Streets Operation Center (HSOC) launched in January 2018 within the Community Engagement Division. This is a coordinated effort between six City agencies and the police department. Around 70 police officers were dedicated to homeless outreach, with more than 30 directly assigned to HSOC. When calls come in, they were quickly assessed at HSOC headquarters, and then the appropriate responder was dispatched, leaving other police officers free to do traditional police work. However, advocates say these outreach efforts have failed to properly distance themselves from the police, leading to distrust in the homeless community.

San Francisco police responded to more than 65,000 calls related to homelessness in 2019. The consequences of inaction are also increasingly hard to ignore. Deaths of homeless people surged around the Bay Area during the pandemic, including a 123% spike to 203 deaths in San Francisco during the first nine months of 2020.

In November 2020, San Francisco rolled out a different police reform initiative—the Street Crisis Response Team. Under that pilot program, teams of paramedics, behavioral health clinicians, and peer specialists respond to certain mental health calls instead of sworn officers. The San Francisco Police Department and San Francisco Police Officers Association agreed to let some non-emergency calls be routed away from the police department. These included mental health checks, well-being checks, calls for service at city parks, and certain public-health-order violations. This move came as cities around the Bay Area and nationwide have been grappling with demands to “defund the police” and re-invest the money in social service programs.

In January 2021, in a new proposal intended to shake up the city’s day-to-day response to its homelessness crisis, San Francisco community leaders proposed a plan to take the police out of the equation altogether. Under the new framework, police would no longer respond to complaints about encampments or aggressive panhandling, reports of unhoused persons trespassing, or other non-emergency calls involving homeless San Franciscans. Instead, those calls - and more - would be rerouted to civilian members of a new Compassionate Alternate Response Team, known as CART.

CART would respond to overflow mental health calls that the Street Crisis Response Team could not handle. However, CART also would respond to requests for well-being checks, complaints of illegal camping or blocking a sidewalk, trespassing, panhandling and suspicious-person reports involving unhoused residents. Responders would be trained to de-escalate the situation and then provide conflict resolution, first aid, referrals to mental health, addiction and housing services, and transportation to a hospital or service provider. CART would focus on hiring and training responders who have themselves been homeless. In addition to hiring paid street responders, CART also would recruit and train volunteers to resolve minor disputes in their neighborhoods. CART would cost the city an estimated \$6.83 million per year. How this proposal is working is unknown at present.

6. The El Dorado County Sheriff's Office Homeless Outreach Team (HOT) was initiated in 2018 as a joint venture between the County and the cities of Placerville and South Lake Tahoe. It modified a 7x14' dual-axle cargo trailer that was donated to the Sheriff's Office. This became the mobile HOT office, with a desk, cabinets, computer, heater & AC inside, and custom cabinets on the outside that include a charging station, personal supply items (toothpaste, soap, etc.), small washing machine/dryer, and a "Doc Ready" area to assist with obtaining needed documents such as a CDL or other ID, Social Security card, Partnership card, and the like. Sometimes a barber comes along to cut hair. The trailer also has a 3,000-watt generator aboard. HOT enlists the help of Animal Control, Behavioral Health, HHS, CPS, and staff from Marshall Hospital in Placerville. No homeless individual is discharged from Marshall without an "exit strategy" that is communicated to the HOT.

A database management system is being developed for the trailer that employs GIS (geographic information system) technology to assess and track the location and characteristics of homeless individuals and encampments, which allows better understanding of patterns and trends in the County. HOT subcontracts the database from the County.

HOT takes the trailer to the encampments or areas where the homeless congregate every 3-4 weeks and stays about 5-6 hours each visit. The lead Sgt. is generally accompanied by three other persons from County agencies. The trailer has become a beacon recognized by the homeless, and they come up to it immediately. If they want to change their lives, HOT arranges for 30-60 day drug/alcohol treatments and for 4-6 month transitional housing, using Project Roomkey funds. Former convicts who are eligible for the San Francisco-based Delancey Street programs must make a 2-yr commitment. Of the 180-200 homeless who have been treated/housed through HOT intervention, the Sgt. estimated that 90% have stayed clean.

7. No discussion of alternative responses would be complete without reference to Eugene, Oregon **and** CAHOOTS (Crisis Assistance Helping Out On The Streets), which is a mobile crisis-intervention program staffed by White Bird Clinic personnel using City of Eugene vehicles. This relationship has been in place for nearly 30 years and is well embedded in the community. CAHOOTS provides support for Eugene PD (EPD) personnel by taking on many of the social-service-type calls for service to include crisis counseling.

CAHOOTS personnel often provide initial contact and transport for people who are intoxicated, mentally ill, or disoriented, as well as transport for necessary non-emergency medical care. CAHOOTS is dispatched on EPD's service channel, and calls are assessed through the Central Lane Communication Center. Each van is staffed with a medic (nurse or EMT) and an experienced crisis worker.

The City funds CAHOOTS through the Eugene Police Department. In Fiscal Year 2018, the contract budget for the CAHOOTS program was approximately \$798,000, which funded two vans for 31 hours of service per day, seven days a week. One van was on duty 24 hours a day and another provided overlap coverage 7 hours per day. Over the last several years, the City has increased funding to add more hours of service. The Fiscal Year 2020 budget included an additional \$281,000 on a one-time basis to add 11 additional hours of coverage to the existing CAHOOTS contract. CAHOOTS was able to add five of the 11 hours of service to bridge an afternoon gap to maintain two-van coverage. The City has carried over the funding for the five-hour expansion through Fiscal Year 2021.

Over a six-year period, the demand for CAHOOTS services has increased significantly:

2014: CAHOOTS handled 9,646 calls for service

2019: CAHOOTS handled 18,583 calls for service

In 2019, the entire EPD received 105,403 public initiated calls for service and had 31,685 self-initiated calls for crisis-intervention service. CAHOOTS is estimated to divert 5%-8% of calls from the EPD. If not for CAHOOTS, an officer would be dispatched to handle these calls. Some of the CAHOOTS calls clearly require a joint response, or CAHOOTS is summoned to a police or fire call after it is determined their services are a better match to resolve the situation. However, CAHOOTS remains a primary responder for many calls, thus providing a valuable and needed resource to the community.

LAKE COUNTY'S COORDINATED SERVICES

1. Variations on these themes are numerous and can be adapted to the circumstances in specific communities. The most effective responses start with basic trust building as the core of homeless outreach, as exemplified by the Lakeport Police Department (LPD), which has a dedicated officer, in uniform, who focuses first on getting to know the homeless in the City. This officer has learned that the process is time-consuming and can require 15-20 or more contacts to overcome resistance to accepting services. Word of this outreach quickly spread through the homeless community, and the officer transitioned from being a symbol of enforcement to one of assistance and advocacy. Even on days off, this officer makes time to visit with the homeless. When outreach is effective, the officer finds that homeless individuals are more willing to accept an offer of shelter, which will lead to greater access to additional vital resources over time. The officer keeps notes regarding the homeless she encounters.

The Grand Jury notes that at one point within the last three years, LPD and Behavioral Health approved a plan for Mental Health clinicians to have access to an office and computers at LPD and, when appropriate, to respond to calls pertaining to the evidently mentally ill along with LPD officers. While this initially was not established, the collaboration is now again under discussion.

The city of Clearlake PD (CPD) also has a team approach, with a Sgt., and an officer who respond to complaints about persons displaying aberrant behavior. Information gathered on these individuals is maintained in a three-ring binder – the “Look Book.” Among the information solicited is the person’s next-of-kin. The team does not hesitate to provide information on available services or to call upon Social Services or Behavioral Health for assistance.

One benefit of small cities is that both CPD and LPD know their homeless population. They interact frequently with the same persons and know when they are having a “bad day” and are not a threat to the community at-large or when they are in need of law enforcement, medical, or other intervention.

2. Hope Center in Clearlake, the first interim housing facility in Lake County, opened in 2020 with 20 beds. The Department of Social Services (DSS), in partnership with Adventist Health Clear Lake, contracted with Hope Is Rising Lake County Inc. to operate Hope Center. DSS used the State's Project Roomkey funds to help underwrite Hope Center operations, in addition to seed funding from, among others, Partnership Health Plan, which provided \$1.3M. The City of Clearlake contributed \$200,000 in bond funds. As well, Behavioral Health Services also contributed \$200,000 of homeless mentally ill-outreach grant funding to help Hope Center open and operate and further provides ongoing staffing. The kitchen will be operated by the NGO North Coast Opportunities. The cost per client is expected to be approximately \$85-109/day.



The facility is also a Housing Navigation Hub that provides additional housing navigation services and other medical, mental, addiction, and legal services for persons not sheltered at Hope Center. The goal is to “find sustainable paths to housing.” Homeless persons meeting eligibility requirements can self-refer or be referred by the Adventist ER, law enforcement, or EMS personnel. The Hope Center residents must take the next step in treatment, such as taking medication or seeking therapy. The participants can be evicted for not following the rules. Transitional housing is seen as a “training ground” for societal reintegration. The Center is licensed for 15 males and 5 females who can stay as long as one year, although nine months is seen as the “sweet spot.” Each resident is assigned a Housing Navigator and a Case Manager. The residents are required to pay 30% of the facility cost, which is then returned at the end of their stay.

Using 2017 figures, the homeless-treatment professionals in Lake County associated with the CoC and Project Restoration estimated that one unsheltered person costs society \$35,578/year in terms of the gamut of services they receive, e.g., EMS, ER, social services, mental health. The high utilizers - about 1% of homeless - may cost \$75-100K/year and are a substantial drain on the system. Once again, the cost of providing services to the homeless far exceeds the cost of housing them.

3. Elijah House opened in August 2020 at the site of the former Juvenile Hall in North Lakeport. The locked facility has 36 beds, with 10 allotted for women, and is located on four fenced acres. There are two male dorms and one female dorm. One wing of the building is still under the control of the Probation Department. There is a Site Manager, Housing Navigator, Case Manager, and six Resident Supervisors (covering 3 shifts). Some of the supervisors are medical technicians. Due to COVID-19, there are no volunteers permitted there currently. They also hired a Job Developer. The Housing Navigator identifies necessary services as well as the clients thought to have the best success rate. The Navigator then “walks” with the clients for 12 months, also providing classes on budgeting and on being a good neighbor. There is also a “roommate network” available after discharge.

Lake County has donated the building, and Elijah House pays the utilities. The lease extends until June 2022. As of February 2021, the number of homeless residents ranged from 17-22. The requirements for admission are: not being on the “banned list” due to violence; for testing negative for COVID-19; for wanting to come; and being able to follow the rules & regulations. They will accept folks actively “under the influence” and impose a 15-day blackout, during which they shelter in place. A Lakeport physician provides free medical screening. Narcotics Anonymous holds weekly meetings. From August 2020 to February 2021, 33 residents had been de-toxed, 33 had obtained work, and 11 had moved into permanent housing. The average length of stay was 35 days, with the goal being 30-60 days.

The parent Elijah House Foundation operates four sober-living facilities as well as a 15-bed residential center in Tehama County. Recently, funding had been secured to permit their purchase of the former Visitor’s Center in

Lucerne, to be used primarily as a “resource center,” not a shelter. The Foundation has also purchased the former Starlite Resort, an apartment housing complex in Glenhaven, which may be able to house as many as 30 residents.

4. Lake County Behavioral Health has recently purchased a trailer that will become its outreach van for the homeless mentally ill. The Department is currently stocking it with supplies and plans to have it operational by July 1st. The details are currently in process, and the Grand Jury will follow its deployment with great interest.

HOUSING

A lack of affordable housing in Lake County and the limited scale of housing assistance programs have contributed to the current housing crisis and to homelessness. There is no freestanding Housing Division in Lake County. The Director of the Lake County Department of Social Services is the Executive Director of the “Lake County Housing Commission.” As such, the Director is responsible for administering the Lake County Section-8 Housing-Choice Voucher program funded by HUD. However, due to a lack of low-income housing and willing landlords, the waiting list has been closed for quite some time, and no applications are being accepted. Recent COVID-19-caused job losses and the expiration of the foreclosure moratorium at the end of June are widely anticipated to increase the number of people who will experience homelessness.

The “Housing First” philosophy is premised on the idea that pairing the homeless with immediate access to their own living spaces – without screening barriers and without mandated compliance with services - is the best sustainable way to end their homelessness. With housing, they can better deal with whatever challenges they have from a position of greater stability. The concept of Permanent Supportive Housing, combining housing assistance with voluntary support services, has further been shown to reduce criminal justice involvement and overall reduced societal cost.

All levels of government in the County own real property that is vacant and/or surplus to their needs and could productively be made available to provide needed housing and services to the homeless. In addition, the federal Title V program, authorized under the McKinney-Vento Homeless Assistance Act, grants states, local governments, and 501©(3) non-profit organizations a right-of-first-refusal to free federal surplus property for homeless housing and services.

A ray of light accompanying the pandemic is that the State of California has funneled FEMA money to counties to fund the rental of motel rooms for those most at-risk of contracting COVID-19 (Project Roomkey) and, now that the pandemic is far less a health threat, the Governor has committed to continue to house the homeless with Project Housekey monies. The most encouraging news in Lake County is that two 24-hour homeless shelters – Hope Center and Elijah House - have opened and are serving County residents.

COMMENTARY

Housing alone will not solve California’s homelessness problem. Without expansion of mental health services and drug treatment programs – and also job training for paroled inmates – California’s most vulnerable population will remain at-risk. In cities and towns around the State, homeless encampments and the often disturbing public behavior of seriously mentally-ill people stand as reproof to claims that the problem is being dealt with comprehensively.

To reiterate, in 2015, only 2 percent of Californians polled by the Public Policy Institute of California listed homelessness as the biggest challenge facing the state. But by early 2020, just before the pandemic knocked every other issue to the side, nearly a quarter of Californians listed it as the top policy concern for the state, making it far and away the leading issue. In a distant second place was a related issue—housing affordability.

We have seen that the Governor recently announced that his newly revised budget would include an eye-popping \$12 billion to tackle the crisis. That is an increase of roughly 1,000 percent in the resources devoted to the challenge, and will—if implementation is not stymied by local zoning restrictions, NIMBY public sentiment, and dysfunctional local politics around the building of shelters—allow for the construction of 46,000 housing units catering to the State’s more than 150,000 homeless individuals.

However, it is going to be extraordinarily hard to simply build one’s way out of a crisis that ties in with so many other social inequities:

- 1) The 1960s/70s-era decisions to close most of the State’s inpatient mental hospitals left California without anywhere near the community mental health service infrastructure necessary to treat

- those caught up in the broader societal changes. Our collective failure to meet mental illness head-on is coming back to haunt us. These have often occurred under the escapist guise of 'protecting the individual's constitutional rights. More realistically, people do not want to take responsibility for, or pay for, other people's issues.
- 2) A spiraling opioid epidemic—an epidemic of despair, if ever there was one—that, in 2020, resulted in more San Franciscans dying of overdoses than of Covid-19. A huge swath of the explosive drug use is directed at the loss of hope and overwhelming sense of defeat that are deadened by the drugs. Once addictions take over, the painful emotions are simply forgotten in the unending search for a continuing supply of drugs.
 - 3) The decades-long push to mass incarceration in California, followed by decisions in recent years to lower the prison population without investing in housing, job training, and, above all, mental health services for them. Surveys show that 70 percent of the State's on-the-streets homeless have spent some time behind bars, and many of those individuals are suffering from serious mental illness. Half-hearted criminal justice system reform efforts in recent years have often just dumped people onto city streets without proper access to housing or support services, and with almost no chance of finding employment.

We have for decades marginalized those needing special help and we mostly continue to marginalize them today. They are the physical reminders that no one wants to see of a devastating loss of humanity and hope. There is hesitation to expose social realities and flaws that have created and grown a very palpable feeling of hopelessness that is far larger than simply finding temporary shelter or 'kicking the habit' for a brief while. Like it or not, our greater society is changing dramatically. The long-held concept that anyone willing to 'work for/put in the effort to' get on their feet could become a contributing member of society is fading away at an unprecedented pace. Lower skilled jobs, once union-protected and treated with at least a modicum of social respect, have given way to a near universal 'get it at the lowest cost possible to enhance company profits' attitude towards labor.

The homeless and mental health crises playing out on the streets of cities throughout the Pacific West—for these affect Oregon and Washington as much as they do California—are unprecedented in scale and in severity. Bad public policies have created this humanitarian calamity. While potential solutions - and

expansive funding to enact them – have become polarized along partisan political lines, the reality of the situation are glaringly obvious to all: health services and interventions have to be dramatically expanded; drug treatment and overdose prevention methods should be made more widely and easily available; job training programs for ex-prisoners and other homeless individuals must be ramped up; and enormous, ongoing, investments in affording housing must be made, at speed.

None of these will end homelessness in California overnight. But acting collaboratively, with thinking across bureaucratic and ideological boundaries, at the very least surely ought to reduce the numbers of residents living out in the open, where their mental well-being is made ever more fragile by conditions on the streets, in some of the world's wealthiest and resource-rich cities.

FINDINGS

F-1: Emergency responders in Lake County do not routinely track/identify calls relating to fires, health emergencies, or criminal acts by homeless persons and thus the impact on, and the resulting costs to, society cannot readily be calculated.

F-2: An unknown, but substantial, number of law enforcement calls pertain to complaints about troublesome behaviors by the homeless that evidence mental-health or substance abuse causes.

F-3: Hospitals and Jails have become cost centers for treating the homeless, with healthcare costs accounting for about half of expenditures and justice-system costs accounting for about one-third of expenditures.

F-4: No acute-care psychiatric facility exists in Lake County, resulting in both patients' needing acute hospitalization having to be placed out-of-county and also in the Jail's becoming a *de facto* psych ward for the chronically mentally ill.

F-5: Both Hope Center and Elijah House, as residential centers, are providing a significant step in helping to break the cycle of homelessness complicated by mental health and substance-abuse issues and lack of transitional housing.

F-6: No freestanding "housing department" exists in Lake County and thus the County has no centralized focus on providing housing for the homeless.

F-7: Section-8 housing vouchers are currently not available in Lake County due to a lack of available housing.

F-8: Bakersfield has had impressive success in providing housing for its homeless population.

F-9: Other jurisdictions report that documenting a history of incarceration via the PIT count is useful in augmenting their understanding of the contributors to homelessness.

F-10: First responders find that Behavioral Health staff are sometimes unable to respond at all to their calls for assistance or respond only after lengthy delays.

F-11: A number of homeless individuals refuse offers to enter shelters because the shelters do not accept their pets.

RECOMMENDATIONS

- R-1: All First Responders within Lake County should consider collecting individualized longitudinal data on their interactions with the homeless and referrals for services. (F-1, F-2)
- R-2: Lake County – and the cities of Lakeport and Clearlake - should inventory their vacant and surplus property to assess whether any structure/parcel could be realistically modified to provide affordable housing for the chronically homeless. (F-5, F-6, F-7)
- R-3: Lake County should sell the former Juvenile Hall to Elijah House, if so requested, so that their vital services can continue to benefit Lake County’s vulnerable populations. (F-5)
- R-4: The Probation Department should remove its property from Elijah House so that the facility’s housing capacity could be increased. (F-5)
- R-5: The Continuum of Care should augment its PIT questionnaire to include queries about prior incarceration so as to permit a more comprehensive view of the causes of homelessness. (F-9)
- R-6: The County should make a concerted effort to arrange for the availability of Section-8 housing. (F-6, F-7, F-8)
- R-7: Subsidized housing that can be made available and affordable for homeless residents should be prioritized by the County for the most frequent users of public services (high-cost, high-need) so as to stabilize the neediest – and most costly – individuals. The Bakersfield approach would be a useful model. (F-3, F-6, F-7, F-8)
- R-8: Targeted supportive services from Behavioral Health and Social Services should continue post-housing to improve housing retention rates and reduce the staffing logistics and cost burdens on the two hospitals, the first responders, and the Jail. (F-3, F-4)
- R-9: The County and Behavioral Health should focus on the costs of shipping acute psychiatric homeless patients out-of-county and of perpetuating the “revolving door” maintenance of homeless chronic psychiatric patients at the Jail and determine whether providing an in-county facility is economically feasible. (F-4)

R-10: Behavioral Health should clarify and communicate its crisis-response protocols to law enforcement and fire/EMS agencies in the County so that all parties know what to expect when dealing with relevant urgent/emergent situations. (F-10)

R-11: The County should create a specific position dedicated to assessing the needs of - and coordinating the provision of housing to - its homeless residents (F-6, F-7, F-8)

R-12: The 2020-2021 Civil Grand Jury urges the 2021-2022 Grand Jury to follow-up on the above Recommendations to assess what progress the County is making in providing services, including stable housing, for its most vulnerable residents. (R-2, R-6, R-7, R-11)

R-13: Lake County Animal Control and Clearlake Animal Control could consider investigating how safe and secure overnight shelter for pets of those homeless who are seeking their own overnight or long-term sheltering. (F-11)

R-14: The County and the Cities of Lakeport and Clearlake should form a taskforce to devise a workable and coordinated method of determining the true costs to law enforcement and fire/EMS agencies of responding to emergency calls pertaining to the homeless so that limited resources could be allocated and targeted based on a factual understanding. This would be an expansion of R1. (F-1, F-2)

RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the following responses are *required*:

Lake County Board of Supervisors (R-2, R-3, R-6, R-7, R-9, R-11, R-13, R-14)	(90 days)
Lake County Sheriff (R-1, R-10, R-14)	(60 days)
City of Lakeport (R-1, R-2, R-10, R-13, R-14)	(90 days)
City of Clearlake (R-1, R-3, R-10, R-13, R-14)	(90 days)

The following responses are *requested*:

Continuum of Care (R-5)	(within 60 days)
Dept. of Social Services (via BOS) (R-6, R-7, R-8)	(within 60 days)
Behavioral Health Services (via BOS) (R-8, R-9, R-10)	(within 60 days)
Probation Department (via BOS) (R-4)	(within 60 days)
Kelseyville Fire Protection District (R-1, R-10)	(within 60 days)
Lake County Fire Protection District (R-1, R-10)	(within 60 days)
Lake Pillsbury Fire Protection District (R-1, R-10)	(within 60 days)
Lakeport Fire Protection District (R-1, R-10)	(within 60 days)
Northshore Fire Protection District (R-1, R-10)	(within 60 days)
South Lake County Fire Protection District (R-1)	(within 60 days)

SPD Homeless Response Metrics February 2020

3,009 calls for service involving Homelessness

Patrol responded to **3,005** of those calls



54 referrals from 311



44 of those calls resulted in Illegal Camping Enforcement



Our Impact Team responded to **242** of those calls



Officers created **163** service referral connections



1,132 yards of trash removed from homeless camps



8 CPTED assessments
2 CPTED completed

Crime
Prevention
Through
Environmental
Design

Service referrals were declined **97** times when offering services

I APPRECIATE THE OFFER



BUT NO THANKS

Exhibit 1 (A)



HUD 2020 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations

Important Notice About This Data: This report is based on point-in-time information provided to HUD by Continuums of Care (CoCs) as part of their CoC Program application process, per the Notice of Funding Availability (NOFA) for the Fiscal Year 2020 Continuum of Care Program Competition. CoCs are required to provide an unduplicated count of homeless persons according to HUD standards (explained in HUD's annual HIC and PPT count notice and HUD's Point-in-Time Count Methodology Guide <https://www.hudexchange.info/hud/guides/pit-hic/>). HUD has conducted a limited data quality review, but has not independently verified all of the information submitted by each CoC. The reader is therefore cautioned that since compliance with these standards may vary, the reliability and consistency of the homeless counts may also vary among CoCs. Additionally, a shift in the methodology a CoC uses to count the homeless may cause a change in homeless counts between reporting periods.

State Name: California

Summary by household type reported:

	Sheltered		Unsheltered	Total
	Emergency Shelter	Transitional Housing*		
Households without children ¹	20,783	6,882	99,996	127,661
Households with at least one adult and one child ¹	4,643	1,609	1,778	8,030
Households with only children ¹	136	30	501	667
Total Homeless Households	25,562	8,521	102,275	136,358

Summary of persons in each household type:

Persons in households without children¹	21,098	6,953	108,930	134,981
Persons Age 18 to 24	1,402	1,246	8,979	11,627
Persons Over Age 24	19,696	5,707	97,951	123,354
Persons in households with at least one adult and one child¹	14,711	4,931	6,135	25,777
Children Under Age 18	8,970	3,047	3,334	15,351
Persons Age 18 to 24	863	374	527	1,764
Persons Over Age 24	4,878	1,510	2,274	8,662
Persons in households with only children¹	157	38	595	790
Total Homeless Persons	35,966	11,922	113,660	161,548

Demographic summary by ethnicity:

	Sheltered		Unsheltered	Total
	Emergency Shelter	Transitional Housing*		
Hispanic / Latino	12,141	4,975	35,750	51,966
Non-Hispanic / Non-Latino	23,825	7,847	77,910	109,582
Total	35,966	11,922	113,660	161,548

Demographic summary by gender:

Female	15,942	5,001	32,562	53,505
Male	19,780	6,722	79,235	105,737
Transgender	191	139	1,271	1,601
Gender Non-Conforming (i.e. not exclusively male or female)	53	60	592	705
Total	35,966	11,922	113,660	161,548

* Safe Haven programs are included in the Transitional Housing category.

This category includes single adults, adult couples with no children, and groups of adults.
 This category includes households with one adult and at least one child under age 18.
 This category includes persons under age 18, including children in one-child households, adolescent parents and their children, adolescent siblings, or other household configurations composed only of children.

Exhibit 1 (B)



HUD 2020 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations

Important Note About This Data: This report is based on point-in-time information provided to HUD by Continuums of Care (CoCs) as part of their CoC Program application process, per the Notice of Funding Availability (NOFA) for the Fiscal Year 2020 Continuum of Care Program Competition. CoCs are required to provide an unduplicated count of homeless persons in coding to HUD standards (explained in HUD's annual HIC and PIT count notice and HUD's Point-in-Time Count Methodology Guide <https://www.hudexchange.info/knowledge/pitcount>). HUD has conducted a limited data quality review that has not independently verified all of the information submitted by each CoC. The number is therefore contingent that state compliance with these standards may vary; the reliability and consistency of the homeless counts may also vary among CoCs. Additionally, a shift in the methodology a CoC uses to count the homeless may cause a change in homeless counts between reporting periods.

Demographic summary by race:

	Sheltered		Unsheltered		Total
	Emergency Shelter	Transitional Housing*	Emergency Shelter	Transitional Housing*	
Black or African-American	12,697	3,795	33,118	49,610	
White	19,356	6,777	61,306	87,439	
Asian	719	229	2,292	3,240	
American Indian or Alaska Native	1,049	368	4,969	6,386	
Native Hawaiian or Other Pacific Islander	397	123	1,264	1,784	
Multiple Races	1,748	630	10,711	13,089	
Total	35,906	11,922	113,660	161,548	

Summary of chronically homeless households by household type reported:

	Sheltered		Unsheltered		Total
	Emergency Shelter	Transitional Housing*	Emergency Shelter	Transitional Housing*	
Chronically Homeless households with at least one adult and one child	\$10	0	427	0	937

Summary of chronically homeless persons in each household type:

Chronically Homeless persons in households without children	7,912	97	40,714	48,723
Chronically Homeless persons in households with at least one adult and one child	1,554	0	1,419	2,973
Chronically Homeless persons in households with only children*	77	0	62	89
Total Chronically Homeless Persons	9,493	97	42,195	51,785

Summary of all other populations reported:

Severely/Mentally Ill	0,125	1,839	29,615	31,579
Chronic Substance Abuse	3,509	1,762	10,400	35,821
Veterans	1,619	1,786	7,996	11,401
HIV/AIDS	500	740	1,831	2,561
Victims of Domestic Violence	1,960	\$19	8,134	10,913
Unaccompanied Youth	1,274	1,288	0,510	12,172
Unaccompanied Youth Under 18	154	55	395	802
Unaccompanied Youth 18-24	1,220	1,233	8,915	11,370
Parenting Youth	563	269	295	1,127
Parenting Youth Under 18	3	8	6	17
Parenting Youth 18-24	560	261	289	1,110
Children of Parenting Youth	771	355	459	1,585

* Solely those programs are included in the Treatment Housing category.

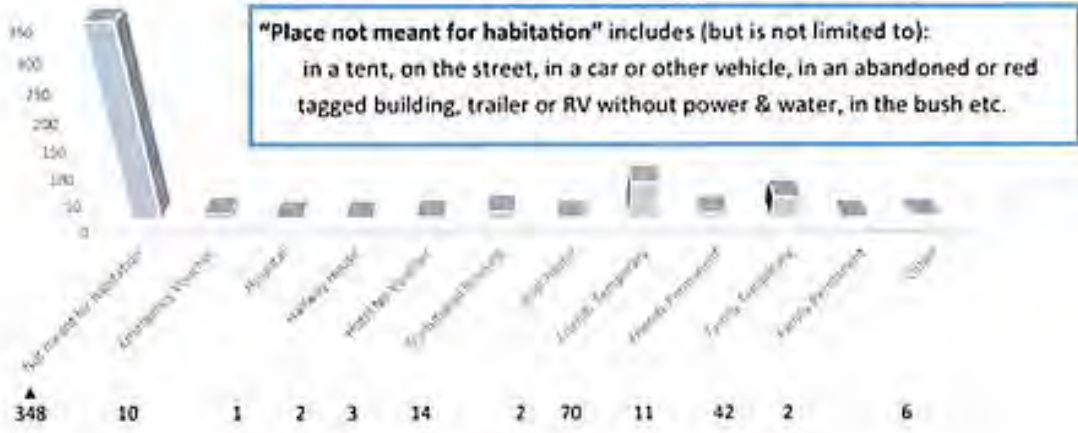
This category includes single adults, adult couples with no children, and groups of adults.

This category includes households with one child and/or one child under age 18.

This category includes persons under age 18, including children in residential treatment, adolescent siblings, or other household arrangements composed only of children.

Exhibit 2 (A)

Where did you sleep last night?



January 2020 PIT Results at a Glance By AGE

By Age	Male	Female	Total
Under 18	18	11	29
18-24	24	14	38
25-55	186	130	316
Over 55	60	39	99

The oldest 94
The youngest 5 months

6% of those counted are under the age of 18.

Contrast Our PIT Count data with Partnership Health Plan (PHP).
 PHP data is for 2019 and includes people who:
 1) have PHP insurance
 2) sought medical care Jan—Nov 2019 in Lake County
 3) identified their address as homeless, camping, living in car, on the streets, place to place or had "homeless" diagnosis from provider.

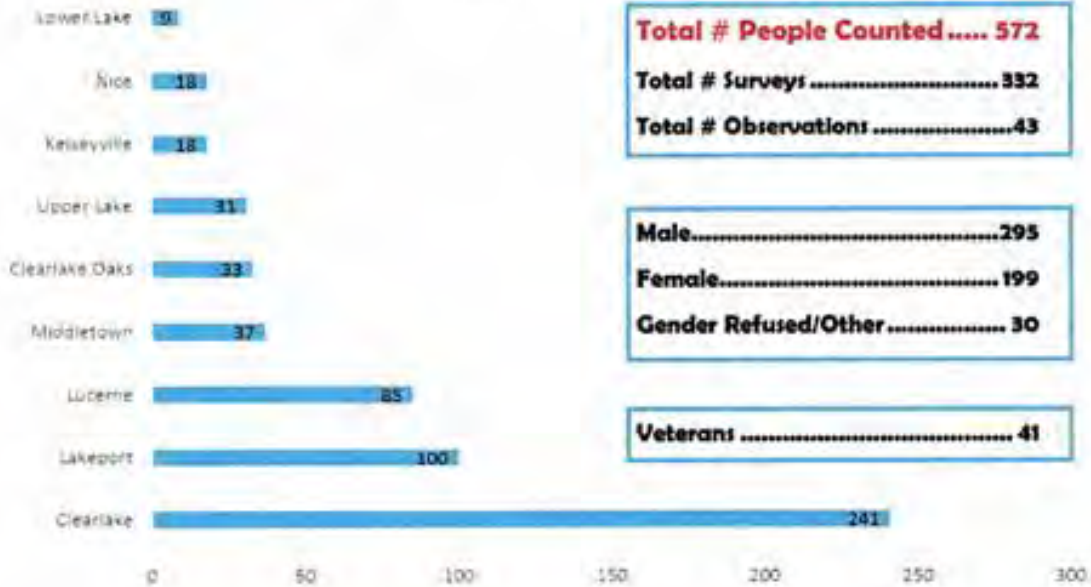
Age	Male	Female	Total	Percent
0-5 y.o.	124	106	230	7%
6-12 y.o.	113	114	227	7%
12 - 18 y.o.	98	115	213	6%
19 - 21 y.o.	79	99	178	5%
22 - 44 y.o.	962	667	1629	48%
45- 64 y.o.	488	330	818	24%
65+	42	33	75	2%
Total	1906	1464	3370	100%

The PHP numbers above represent individuals and are unduplicated.

Exhibit 2 (B)

Lake County, CA January 2020 Point In Time Results at a Glance

PIT Count By City



Total # People Counted 572
Total # Surveys 332
Total # Observations 43

Male 295
Female 199
Gender Refused/Other 30

Veterans 41

Social & Community

Average # of Years in Lake County 17.98
who reported FAMILY in Lake County 207
Experiencing homelessness due to DV 50
Have you been served by Foster Care 82
First time homeless 162

Health

Question #16: ongoing health problems such as diabetes, cancer or heart disease?

Yes 130

- **Diabetes 25**
- **Heart Disease 22**
- **Cancer 9**

The Fires

Question #27 asked, "Did any of the Lake County or other fires make you homeless?"

177 people (out of 332 surveys) answered YES.

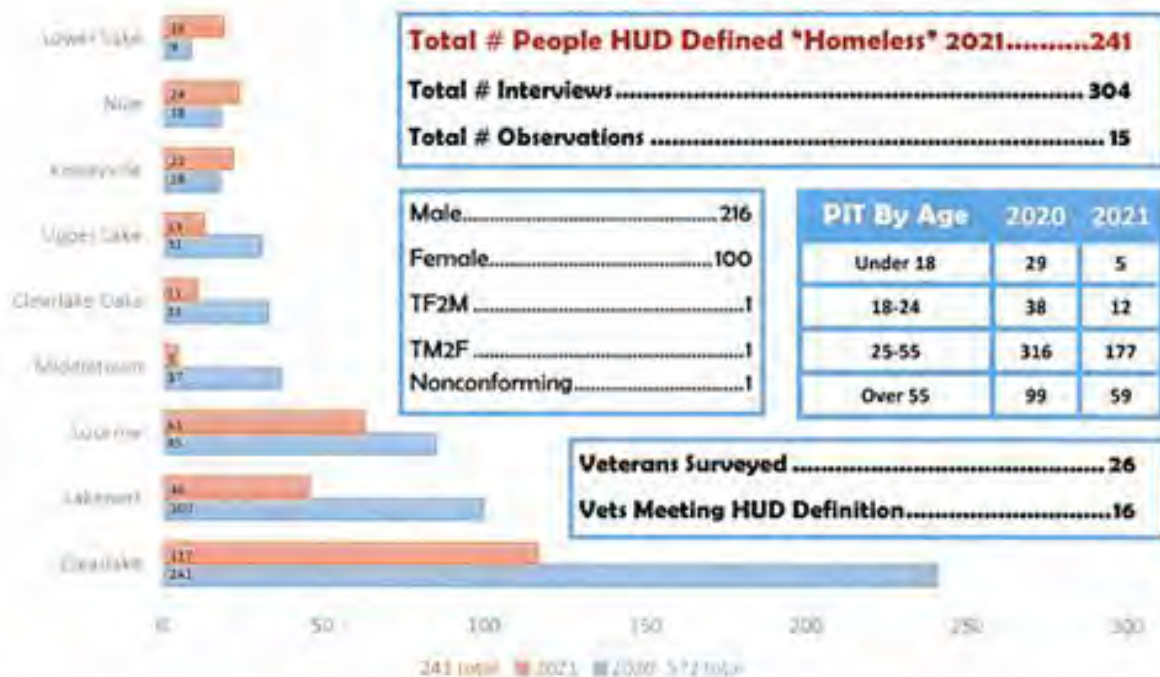
Did a specific fire cause you to be homeless? (107 out of 177)

- **Mendocino Complex 38**
- **Valley Fire 33**
- **Sulphur Fire 18**
- **Clayton Fire 7**
- **Rocky/Jerusalem 6**
- **Pawnee 1**
- **Other (S.R., Camp etc) 4**

Exhibit 3 (A)

Lake County, CA January 2021 Point In Time (PIT) Results at a Glance

Locations of People Surveyed



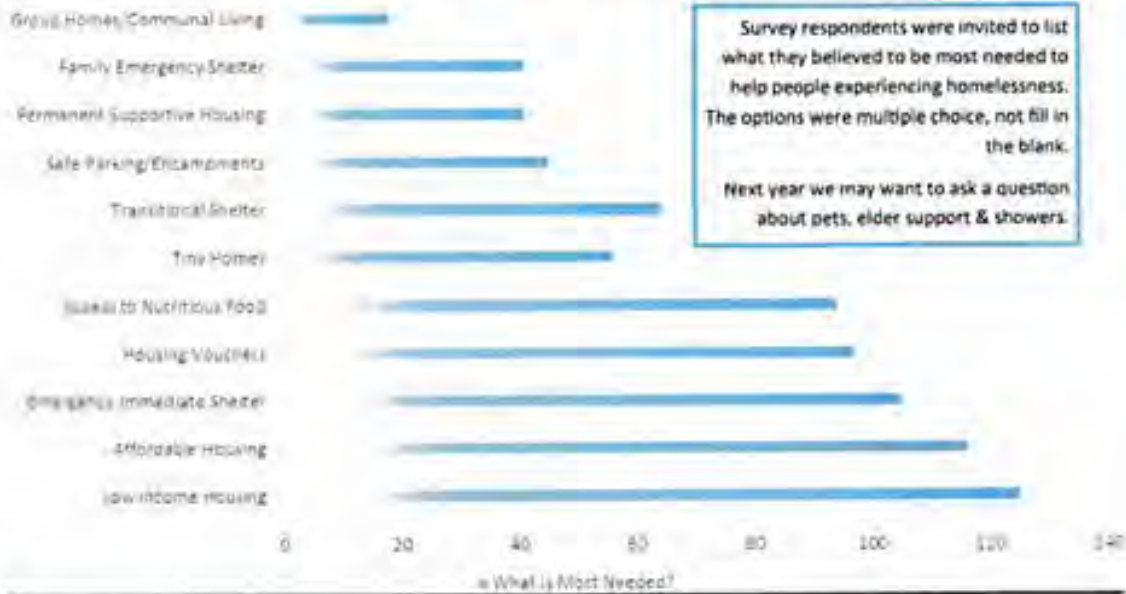
Ethnicity	# Counted	% of PIT	Lake County %
Non-Hispanic/Non Latino	204	79%	68.9%
Hispanic/Latino	54	21%	22%
Mixed			4.7%

Race	# Counted	% of PIT	Lake County %
White	172	66%	87%
American Indian/ or Alaska Native	58	22.5%	4.5%
Black/ African American	9	3.5%	2.1%
Native Hawaiian or Pacific Islander	5	2%	.3%
Asian	0		1.4%
Multiple/Other	10	4%	4.7%

Tribal Membership As Self Reported in PIT	
Robinson.....	13
Pomo.....	4
Chippewa.....	4
Cherokee.....	4
Choctaw.....	2
Upper Lake.....	2
Round Valley.....	2
Aztec.....	1
South Dakota.....	1
Banning.....	1
Creek.....	1
Blackfoot.....	1
Easter Shoshone.....	1
Montana.....	1
Yakima.....	1
Chinook.....	1
Disenrolled.....	3

Exhibit 3 (B)

WHAT DID SURVEY RESPONDENTS SAY IS MOST NEEDED?



Health & Homelessness

- 115 of 319 people surveyed self identified as having Chronic Health disability (36%)
- 104 people survey identified as having a physical disability (32%)
- 62 people said they receive disability benefits (19%)

Family

- 32 individuals said they would like help reconnecting with family
- 70 is the longest number of years a respondent has lived in Lake County, as with many, it matched her age, she has lived here her entire life.
- Of the 319, only 24 had been in Lake County one year or less (7%)
- 227 of respondents have lived in Lake County longer than 5 years, these neighbors went through the fires with us (71%)

Experiences of Homelessness

Chronic homelessness is used to describe people who have experienced homelessness for at least a year, or repeatedly, while struggling with a disabling condition such as a serious mental illness, substance use disorder, or physical disability. Our 2021 count identified 40 people that met this criteria.

People experiencing homelessness for the 1st time100

Homelessness Directly Caused by COVID58

- 31 reported COVID caused them to lose job (53%)
- 17 reported eviction due to COVID (29%)
- 5 reported both job loss and eviction (9%)
- 13 did not say how COVID caused their homelessness

Homelessness caused by Domestic Violence22

Homelessness caused by disaster (fire, flood etc)29

Being helped by homeless service provider74

Self reported as having Serious Mental Illness.....49

Self reported as having Substance Use Disorder.....36

Average # of Years Respondents have lived in Lake County: 21.55

Final Summary was prepared by Holly Sherman Kimberlin, COC W.T. David Manager/Community Integration & Administration, Phone: (714) 344-1114 or hkimber@lccwa.org

Exhibit 4

Exhibit 2. Total estimated spending on San Jose's encampment response in FY 2019

	Labor	Nonlabor	Total
Encampment clearance and closures	\$4,865,945	\$ 6,262	\$4,872,207
Encampment prevention	\$1,420,104	\$ 75,000	\$1,495,104
Outreach and engagement	\$ 740,174	\$ 59,850	\$ 800,024
Coordination and management	\$ 709,198	\$ 0	\$ 709,198
San Jose Police Department's Street Crimes Unit	\$ 555,200	\$ 0	\$ 555,200
Health care in encampments	\$ 42,384	\$ 10,664	\$ 53,048
Financial assistance to encampment residents	\$ 0	\$ 17,476	\$ 17,476
Encampment supports	\$ 16,533	\$ 0	\$ 16,533
Site reclamation	\$ 37,801	\$ 0	\$ 37,801
Total	\$8,387,339	\$169,252	\$8,556,591

Exhibit 5 (A)



PHASE 1 - ENFORCEMENT & ABATEMNT

TIMELINE	09/10/20 - 11/03/20		Notice of violations to property owners	
	09/30/20 - 01/19/21		Administrative citations to property owners	
	12/14/20 - 12/17/20		City executed abatements	
CITATIONS	LOCATION	# OF CITATIONS	OWNER ABATED	% COMPLIED
	Toyon St.	19	11	57
	Peony St.	18	16	89
	Oleander St.	12	11	92
	Mint St.	12	8	67
	Total	61	46	75
VEHICLE ABATEMENT	Cars or pickups		36	
	RVs / travel trailers		10	
	Total		46	
PROPERTY ABATEMENT	30cu. yd. waste dumpster		5	
	30cu. yd. green waste		1	
	Total		6	

PHASE 1 - COST

PERSONNEL	Public Works	128 hours	\$8,659.68
	Code Enf.	112 hours	\$8,044.62
	Total	240 hours	\$16,704.30
EQUIPMENT	Backhoe	32 hours	\$1,585.60
	Toolcat	24 hours	\$786.00
	Total	56 hours	\$2,371.60
VEHICLE ABATEMENT	Cars and Pickups	36 tows	\$6,588.00
	RVs and Travel Trailers	10 tows	\$6,700.00
	Total	46 tows	\$13,288.00
PROPERTY ABATEMENT	30cu. yd. waste dumpster	5 full	\$6,864.45
	30cu. yd. green waste	1 full	\$477.72
	Total	6 full	\$7,342.17
TOTAL COST			\$39,706.07



Exhibit 5 (B)



PHASE 2 - ENFORCEMENT & ABATEMNT (IN PROGRESS)

TIMELINE		12/28/20 - 01/21/21	Notice of violations to property owners		
		01/12/21 - Current	Administrative citations to property owners		
		TBD	City executed abatements		
CITATIONS	LOCATION	# OF CITATIONS	OWNER ABATED	ACTIVE	% COMPLIED
	Toyon St.	17	7	3	50
	Peony St.	16	7	3	54
	Oleander St.	14	6	2	50
	Mint St.	12	6	2	60
	Boxwood St.	4	2	2	100
	Total	63	28	12	55
VEHICLE ABATEMENT		Cars or pickups	TBD		
		RVs / travel trailers	TBD		
		Total	TBD		
PROPERTY ABATEMENT		30cu. yd. waste dumpster	TBD		
		30cu. yd. green waste	TBD		
		Total	TBD		

PHASE 2 – COST

TBD



CITY OF LAKEPORT

*Over 130 years of community
pride, progress and service*



August 31, 2021

The Honorable Michael S. Lunas
Presiding Judge of the Superior Court
255 North Forbes Street
Lakeport, CA 95453

RE: City of Lakeport Response to the 2020/2021 Civil Grand Jury Final Report

Dear Judge Lunas:

The City of Lakeport respectfully submits our responses to the “Homeless—Not Hopeless” section of the 2020—2021 Lake County Grand Jury Final Report:

R-1: The Grand Jury asks that all first responders, Lakeport Police Officers in the City of Lakeport, consider collecting individualized longitudinal data on their interactions with homeless and referrals for services. (F-1, F-2)

The Lakeport Police department does not formally collect nor do we believe that individual longitudinal data should be collected by us and stored in our records system. While we agree this is important data to have in addressing the homeless crisis in our community, it is more appropriate that a social service agency or organization be responsible for collecting and storing this data. This type of data collection involves confidential information about people that we do not want stored with reports that may be subject to public records requests. Because the Lakeport Police Department is significantly involved in outreach and interaction with the homeless community members, we do believe it is important to track the number of resource referrals, therefore we have recently set up a call for service clearance code that tracks when an officer refers a person to homeless or behavioral health services. Because of our work in referring people to services, our officers may obtain and use longitudinal data but it is not formally collected or intended for records purposes.

R-2: Lake County—and the cities of Lakeport and Clearlake—should inventory their vacant and surplus property to assess whether and structure/parcel could be realistically modified to provide affordable housing for chronically homeless. (F-5, F-6, F-7)

The City of Lakeport routinely inventories vacant commercial properties and lands within its incorporated boundaries. Said vacant commercial property listings are available to any member of the public. The City of Lakeport has been actively engaged in the creation of affordable

housing opportunities and works closely with community partners to address the needs of the chronically homeless.

R-10: Behavioral health should clarify and communicate its crisis response protocols to Law Enforcement, Fire/EMS agencies in the County so that all parties know what to expect when dealing with relevant urgent/emergent situations. (F-10)

Behavioral Health does communicate its crisis-response protocols to the Lakeport Police Department and that information is regularly shared with all police staff so that all officers are aware of procedures before they face situations needing behavioral health response.

R-13: Lake County Animal Control and Clearlake Animal Control could consider investigating how safe and secure overnight shelter for pets of those homeless who are seeking their own overnight or long-term sheltering. (F-11)

The City of Lakeport does not maintain any animal shelter facilities. Lakeport Police Department officers as well as Lake County Animal Care and Control officers, through a contract with the county of Lake, handle animal control services in the city and if needed the county shelter is used for animals from the city. We agree that shelter for pets of those who are homeless is important.

R-14: The County and the Cities of Lakeport and Clearlake should form a taskforce to devise a workable and coordinated method of determining the true costs to law enforcement and fire/EMS agencies of responding to emergency calls pertaining to the homeless so that limited resources could be allocated and targeted based on a factual understanding. This would be an expansion of R1. (F-1, F-2)

The City of Lakeport is open to being part of a workgroup to determine true costs to law enforcement and fire/EMS agencies responding to emergency calls related to homeless persons. The Lakeport Police Department is the costliest operation out of the City of Lakeport's general fund resources and we know that a significant amount of their resources are directed toward responding to calls for service involving homeless persons in the community. We currently have efforts in the works to attempt to determine the true costs to our city as well as studying data to appropriately allocate and target our resources where most needed to properly assist homeless persons.

Respectfully Submitted,

Brad Rasmussen
Police Chief

Kevin M. Ingram
City Manager

Cc: City of Lakeport City Council



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Silveira Community Center Commercial Kitchen and Food Program	MEETING DATE: 09/07/2021
SUBMITTED BY: Nicholas Walker, ACM/ Finance Director	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt Resolution XXXX to amend the original State Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV1) application to include Program Income.

BACKGROUND/DISCUSSION:

On May 5, 2020 a public hearing was held to receive public input regarding the CDBG-CV program and possible activities and projects to be considered for funding under the upcoming Notice of Funding Availability (NOFA) process. At that meeting it was determined that the best use of the funding would be the installation of a community center commercial kitchen that would be used to assist COVID-19 response efforts by feeding at-risk populations. A fully functioning commercial kitchen in the Silveira Community Center is a high priority and will transform the building into a multi-use community center allowing the facility to be better used to respond to community needs during the COVID-19 pandemic. On June 15, 2021 two public hearings were held to solicit public input on the use of CDBG-PI (Program Income). There was no public input received that contradicts staff recommendations.

On September 1, 2020 the City Council authorized the City Manager to submit an application for CDBG-CV1 for a public facilities activity to cover the cost of renovating the kitchen at the Silveira Community Center into a commercial grade kitchen. Construction is complete and the facility has passed building and public health inspections. The total cost of construction and equipment for the renovation has come in at \$158,746, (\$121,347 for construction and \$37,399 for equipment) leaving approximately \$35,000 of funding needed to cover the cost of the project. The City has sufficient CDBG PI to cover this request.

Program Implementation:

The community need for a commercial kitchen to better serve vulnerable populations has existed for a long time. The COVID-19 pandemic has amplified that need. North Coast Opportunities, Inc. (NCO) has been looking in the community for a commercial kitchen space for several years. Over the past several months staff has been working closely with NCO to develop the Community Kitchen Project which will primarily operate in the Silveira Community Center kitchen. The City of Lakeport and NCO have entered into a facility use agreement granting them access to the kitchen up to 4 days a week during normal business hours. NCO shall use the premises for preparing and providing meals to low and moderate income Lakeport residents impacted by COVID 19. NCO may only provide meals off-site or “to-go” and no onsite provision of meals is permitted without prior written

approval from the City. NCO will provide staff for on-site management while operating the kitchen pursuant to the Permitted Use. The Premises will be available for NCO employees, agents or subcontractors that support the meal service. One hundred meals, two times a week will be available for Lakeport residents to start.

NCO has been awarded several small funding sources to cover a portion of the ongoing operation costs (staffing, food, supplies). Lakeport Police has secured \$7,000, to date, from local non-profit organizations to support the program.

To best position the program for success, staff is requesting authorization to use the remaining amount of CDBG-PI on hand to support the ongoing efforts of the Community Kitchen Project. As of June 30, 2021 the City had approximately \$100,000 of CDBG-PI on hand. On August 17, 2021 the City Council authorized the use of \$28,500 of this balance for the Fores Creek Neighborhood Planning and Technical Assistance Grant. The total amount of CDBG-PI being requested to meet this request is \$71,500, \$35,000 to cover the cost of the change orders to the Bridges contract and \$36,500 to cover the cost of future Community Kitchen Project public facility needs.

OPTIONS:

1. Adopt Resolution XXXX to amend the original State Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV1) application to include Program Income.
2. Do not authorize but provide direction to staff

FISCAL IMPACT:

None \$71,500 Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$71,500

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other: CDBG PI Fund

Comments:

SUGGESTED MOTIONS:

Move to adopt Resolution XXXX to amend the original State Community Development Block Grant Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV1) application to include Program Income.

- Attachments:** 1. Amended Resolution for CDBG-CV1

RESOLUTION NO. XXXX

A RESOLUTION APPROVING AN APPLICATION FOR FUNDING AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM- CORONAVIRUS RESPONSE ROUND 1 (CDBG-CV1) NOFA DATED JUNE 5, 2020

BE IT RESOLVED by the **City Council** of the **City of Lakeport** as follows:

SECTION 1:

The City Council has reviewed and hereby approves the submission to the State of California of one or more application(s) in the aggregate amount, not to exceed, \$66,337 for the following CDBG-CV1 activities, pursuant to the June 2020 CDBG-CV1 NOFA:

List activities and amounts

Public Facility Improvements \$ 66,337

SECTION 2:

The City Council hereby approves the use of Program Income in an amount not to exceed \$71,500 for the CDBG activities described in Section 1.

SECTION 3:

The City acknowledges compliance with all state and federal public participation requirements in the development of its application(s).

SECTION 4:

The City hereby authorizes and directs the City Manager to execute and deliver all applications and act on the City's behalf in all matters pertaining to all such applications.

SECTION 5:

If an application is approved, the City Manager is authorized to enter into, execute and deliver the grant agreement (*i.e.*, Standard Agreement) and any and all subsequent amendments thereto with the State of California for the purposes of the grant.

SECTION 6:

If an application is approved, the City Manager is authorized to sign and submit Funds Requests and all required reporting forms and other documentation as may be required by the State of California from time to time in connection with the grant.

PASSED AND ADOPTED at a special meeting of the Lakeport City Council, of the County of Lake held on June 29, 2021 by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

Kenneth Parlet, II, Mayor
City Council

STATE OF CALIFORNIA

City of Lakeport

I, Kelly Buendia, City Clerk of the City of Lakeport, State of California, hereby certify the above and foregoing to be a full, true and correct copy of a resolution adopted by said City Council on this 7th day of September, 2021.

Kelly Buendia, City Clerk of the City of Lakeport, State
of California



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Authority
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: 2021 League of California Cities Annual Conference Resolution	MEETING DATE: 09/07/2021
SUBMITTED BY: Kevin M. Ingram, City Manager	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to give direction to the City’s voting delegate in regards to the resolution that will be voted on at the 2021 League of California Cities Annual Conference.

BACKGROUND/DISCUSSION:

The Lakeport City Council appointed Council Member Turner as the voting delegate for the Annual League of Cities Conference with Mayor Pro Tem Mattina as the first alternate and Council Member Froio as the second alternate.

Each year the League of California Cities Board and Policy Committees review and discuss legislation that is being proposed and lobby for legislation that is beneficial to local governments and communities. The League of Cities encourages each city to consider these resolutions and determine a city position so that our voting delegate can represent our city’s position on each resolution.

This year, two resolutions have been introduced for consideration by the Annual Conference and referred to the Cal Cities policy committees. Full text of the resolution and an analysis by the League of California Cities Staff is included in the Annual Conference Packet, which is attached. The proposed Resolutions are as follows:

1. Resolution of the League of California Cities (“CAL CITIES”) calling on the State Legislature to Pass Legislation that provides for a fair and equitable distribution of the Bradley Burns 1% Local States Tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California Cities that do not and/or cannot have a fulfillment center within their jurisdiction.

2. A Resolution calling upon the Governor and the Legislature to provide necessary funding for CUPC to fulfill its obligation to inspect railroad lines to ensure that operators are removing illegal dumping, graffiti and homeless encampments that degrade the Quality of Life and results in increased public safety concerns for communities and neighborhoods that abut the railroad right-of-way.

OPTIONS:

- 1. Discuss the resolutions and give direction to the Conference delegates on voting for or against the adoption of the resolutions at the Conference.
- 2. Other direction.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments: Support of the League resolutions does not commit cities to adopting or implementing any League position in their local communities.

SUGGESTED MOTIONS:

- 1. Move to direct the City of Lakeport’s voting delegate to the League of California Cities Annual Conference to **(support/oppose/abstain)** Resolution #1, calling on the State Legislature to pass legislation in regards to distribution of the Bradley Burns local sales tax, as provided in the 2021 Annual Conference Resolutions Packet.
- 2. Move to direct the City of Lakeport’s voting delegate to the League of California Cities Annual Conference to **(support/oppose/abstain)** Resolution #2, calling on the Governor and Legislature to provide funding for the California Public Utilities Commission to inspect railroad lines for illegal dumping, graffiti and homeless encampments along railroad rights-of-way, as provided in the 2021 Annual Conference Resolutions Packet.

Attachments: 1. 2021 Annual Conference Resolutions Packet



*Annual Conference
Resolutions Packet*

2021 Annual Conference Resolutions



September 22 - 24, 2021

INFORMATION AND PROCEDURES

RESOLUTIONS CONTAINED IN THIS PACKET: The League of California Cities (Cal Cities) bylaws provide that resolutions shall be referred by the president to an appropriate policy committee for review and recommendation. Resolutions with committee recommendations shall then be considered by the General Resolutions Committee at the Annual Conference.

This year, two resolutions have been introduced for consideration at the Annual Conference and referred to Cal Cities policy committees.

POLICY COMMITTEES: Three policy committees will meet virtually one week prior to the Annual Conference to consider and take action on the resolutions. The sponsors of the resolutions have been notified of the time and location of the meetings.

GENERAL RESOLUTIONS COMMITTEE: This committee will meet at 1:00 p.m. on Thursday, September 23, to consider the reports of the policy committees regarding the resolutions. This committee includes one representative from each of Cal Cities regional divisions, functional departments, and standing policy committees, as well as other individuals appointed by the Cal Cities president. Please check in at the registration desk for room location.

CLOSING LUNCHEON AND GENERAL ASSEMBLY: This meeting will be held at 12:30 p.m. on Friday, September 24, at the SAFE Credit Union Convention Center.

PETITIONED RESOLUTIONS: For those issues that develop after the normal 60-day deadline, a petition resolution may be introduced at the Annual Conference with a petition signed by designated voting delegates of 10 percent of all member cities (48 valid signatures required) and presented to the Voting Delegates Desk at least 24 hours prior to the time set for convening the Closing Luncheon & General Assembly. This year, that deadline is 12:30 p.m., Thursday, September 23. Resolutions can be viewed on Cal Cities Web site: www.cacities.org/resolutions.

Any questions concerning the resolutions procedures may be directed to Meg Desmond mdesmond@calcities.org.

GUIDELINES FOR ANNUAL CONFERENCE RESOLUTIONS

Policy development is a vital and ongoing process within Cal Cities. The principal means for deciding policy on the important issues facing cities is through Cal Cities seven standing policy committees and the board of directors. The process allows for timely consideration of issues in a changing environment and assures city officials the opportunity to both initiate and influence policy decisions.

Annual conference resolutions constitute an additional way to develop Cal Cities policy. Resolutions should adhere to the following criteria.

Guidelines for Annual Conference Resolutions

1. Only issues that have a direct bearing on municipal affairs should be considered or adopted at the Annual Conference.
2. The issue is not of a purely local or regional concern.
3. The recommended policy should not simply restate existing Cal Cities policy.
4. The resolution should be directed at achieving one of the following objectives:
 - (a) Focus public or media attention on an issue of major importance to cities.
 - (b) Establish a new direction for Cal Cities policy by establishing general principals around which more detailed policies may be developed by policy committees and the board of directors.
 - (c) Consider important issues not adequately addressed by the policy committees and board of directors.

KEY TO ACTIONS TAKEN ON RESOLUTIONS

Resolutions have been grouped by policy committees to which they have been assigned.

Number Key Word Index Reviewing Body Action

		1	2	3
--	--	---	---	---

1 - Policy Committee Recommendation to General Resolutions Committee
 2 - General Resolutions Committee
 3 - General Assembly

HOUSING, COMMUNITY & ECONOMIC DEVELOPMENT POLICY COMMITTEE

		1	2	3
2	Securing Railroad Property Maintenance			

REVENUE & TAXATION POLICY COMMITTEE

		1	2	3
1	Online Sales Tax Equity			

TRANSPORTATION, COMMUNICATION & PUBLIC WORKS POLICY COMMITTEE

		1	2	3
2	Securing Railroad Property Maintenance			

KEY TO ACTIONS TAKEN ON RESOLUTIONS (Continued)

Resolutions have been grouped by policy committees to which they have been assigned.

KEY TO REVIEWING BODIES

1. Policy Committee
2. General Resolutions Committee
3. General Assembly

KEY TO ACTIONS TAKEN

- | | |
|-----|---|
| A | Approve |
| D | Disapprove |
| N | No Action |
| R | Refer to appropriate policy committee for study |
| a | Amend+ |
| Aa | Approve as amended+ |
| Aaa | Approve with additional amendment(s)+ |
| Ra | Refer as amended to appropriate policy committee for study+ |
| Raa | Additional amendments and refer+ |
| Da | Amend (for clarity or brevity) and Disapprove+ |
| Na | Amend (for clarity or brevity) and take No Action+ |
| W | Withdrawn by Sponsor |

ACTION FOOTNOTES

* Subject matter covered in another resolution

** Existing League policy

*** Local authority presently exists

Procedural Note:

The League of California Cities resolution process at the Annual Conference is guided by the Cal Cities Bylaws.

1. RESOLUTION OF THE LEAGUE OF CALIFORNIA CITIES (“CAL CITIES”) CALLING ON THE STATE LEGISLATURE TO PASS LEGISLATION THAT PROVIDES FOR A FAIR AND EQUITABLE DISTRIBUTION OF THE BRADLEY BURNS 1% LOCAL SALES TAX FROM IN-STATE ONLINE PURCHASES, BASED ON DATA WHERE PRODUCTS ARE SHIPPED TO, AND THAT RIGHTFULLY TAKES INTO CONSIDERATION THE IMPACTS THAT FULFILLMENT CENTERS HAVE ON HOST CITIES BUT ALSO PROVIDES A FAIR SHARE TO CALIFORNIA CITIES THAT DO NOT AND/OR CANNOT HAVE A FULFILLMENT CENTER WITHIN THEIR JURISDICTION

Source: City of Rancho Cucamonga

Concurrence of five or more cities/city officials:

Cities: Town of Apple Valley; City of El Cerrito; City of La Canada Flintridge; City of La Verne; City of Lakewood; City of Moorpark; City of Placentia; City of Sacramento

Referred to: Revenue and Taxation Policy Committee

WHEREAS, the 2018 U.S. Supreme Court decision in *Wayfair v. South Dakota* clarified that states could charge and collect tax on purchases even if the seller does not have a physical presence in the state; and

WHEREAS, California cities and counties collect 1% in Bradley Burns sales and use tax from the purchase of tangible personal property and rely on this revenue to provide critical public services such as police and fire protection; and

WHEREAS, in terms of “siting” the place of sale and determining which jurisdiction receives the 1% Bradley Burns local taxes for online sales, the California Department of Tax and Fee Administration (CDTFA) determines “out-of-state” online retailers as those with no presence in California that ship property from outside the state and are therefore subject to use tax, not sales tax, which is collected in a countywide pool of the jurisdiction where the property is shipped from; and

WHEREAS, for online retailers that have a presence in California and have a stock of goods in the state from which it fulfills orders, CDTFA considers the place of sale (“situs”) as the location from which the goods were shipped such as a fulfillment center; and

WHEREAS, in early 2021, one of the state’s largest online retailers shifted its ownership structure so that it is now considered both an in-state and out-of-state retailer, resulting in the sales tax this retailer generates from in-state sales now being entirely allocated to the specific city where the warehouse fulfillment center is located as opposed to going into a countywide pool that is shared with all jurisdictions in that County, as was done previously; and

WHEREAS, this all-or-nothing change for the allocation of in-state sales tax has created winners and losers amongst cities as the online sales tax revenue from the retailer that was once spread amongst all cities in countywide pools is now concentrated in select cities that host a fulfillment center; and

WHEREAS, this has created a tremendous inequity amongst cities, in particular for cities that are built out, do not have space for siting a 1 million square foot fulfillment center, are not located along a major travel corridor, or otherwise not ideally suited to host a fulfillment center; and

WHEREAS, this inequity affects cities statewide, but in particular those with specific circumstances such as no/low property tax cities that are extremely reliant on sales tax revenue as well as cities struggling to meet their RHNA obligations that are being compelled by the State to rezone precious commercial parcels to residential; and

WHEREAS, the inequity produced by allocating in-state online sales tax revenue exclusively to cities with fulfillment centers is exasperated even more by, in addition to already reducing the amount of revenue going into the countywide pools, the cities with fulfillment centers are also receiving a larger share of the dwindling countywide pool as it is allocated based on cities' proportional share of sales tax collected; and

WHEREAS, while it is important to acknowledge that those cities that have fulfillment centers experience impacts from these activities and deserve equitable supplementary compensation, it should also be recognized that the neighboring cities whose residents are ordering product from that center now receive no revenue from the center's sales activity despite also experiencing the impacts created by the center, such as increased traffic and air pollution; and

WHEREAS, the COVID-19 pandemic greatly accelerated the public's shift towards online purchases, a trend that is unlikely to be reversed to pre-pandemic levels; and

NOW, THEREFORE, BE IT RESOLVED that Cal Cities calls on the State Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

Background Information to Resolution

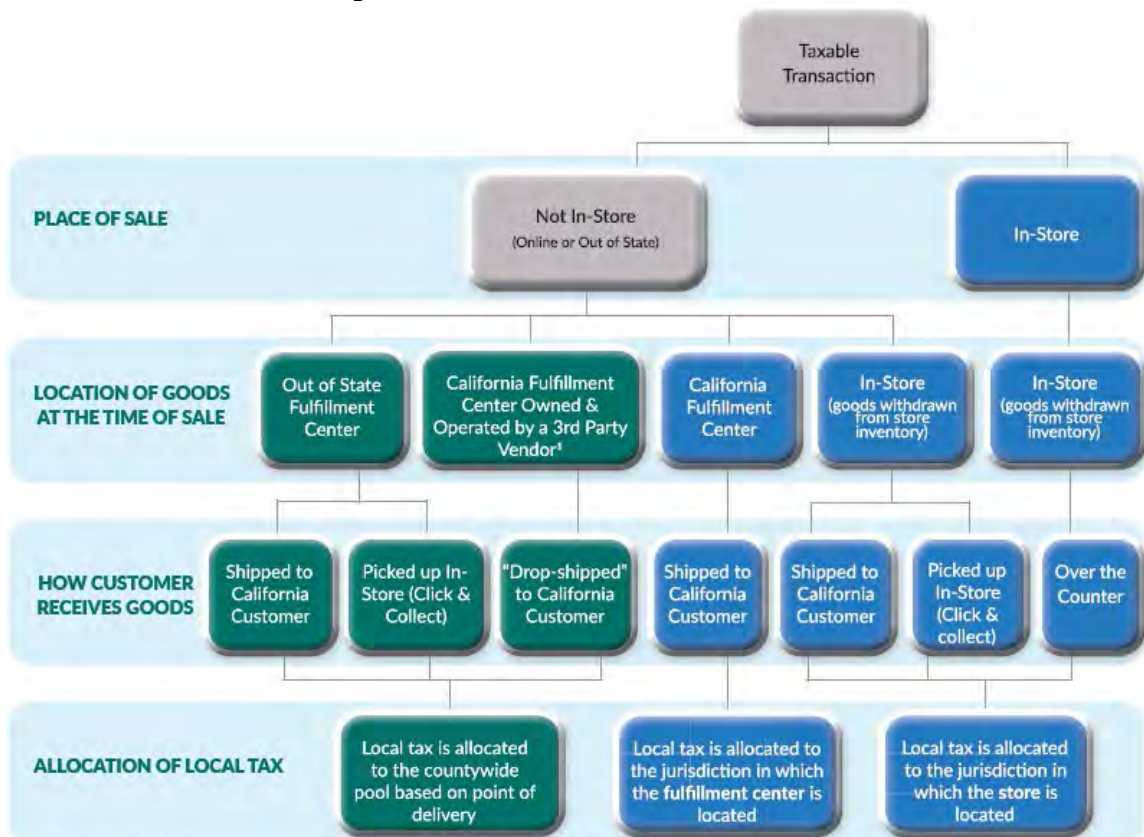
Source: City of Rancho Cucamonga

Background:

Sales tax is a major revenue source for most California cities. Commonly known as the local 1% Bradley-Burns tax, since the 1950's, cities have traditionally received 1 cent on every dollar of a sale made at the store, restaurant, car dealer, or other location within a jurisdiction's boundaries.

Over the years, however, this simple tax structure has evolved into a much more complex set of laws and allocation rules. Many of these rules relate to whether or not a given transaction is subject to sales tax, or to use tax – both have the same 1% value, but each applies in separate circumstances. The California Department of Tax and Fee Administration (CDTFA) is responsible for administering this system and issuing rules regarding how it is applied in our state.

The following chart created by HdL Companies, the leading provider of California sales tax consulting, illustrates the complex structure of how sales and use tax allocation is done in California, depending on where the transaction starts, where the goods are located, and how the customer receives the goods:



¹ In this scenario the retailer does not own a stock of goods in California and sales orders are negotiated/processed out of state. An out of state company is not required to hold a seller's permit for an in-state third party warehouse if they do not own a stock of goods at the time of sale.

With the exponential growth of online sales and the corresponding lack of growth, and even decline, of shopping at brick and mortar locations, cities are seeing much of their sales tax

growth coming from the countywide sales tax pools, since much of the sales tax is now funneled to the pools.

Recently, one of the world's largest online retailers changed the legal ownership of its fulfillment centers. Instead of having its fulfillment centers owned and operated by a third-party vendor, they are now directly owned by the company. This subtle change has major impacts to how the 1% local tax is allocated. Following the chart above, previously much of the sales tax would have followed the green boxes on the chart and been allocated to the countywide pool based on point of delivery. Now, much of the tax is following the blue path through the chart and is allocated to the jurisdiction in which the fulfillment center is located. (It should be noted that some of the tax is still flowing to the pools, in those situations where the fulfillment center is shipping goods for another seller that is out of state.)

This change has created a situation where most cities in California – more than 90%, in fact – are experiencing a sales tax revenue loss that began in the fourth quarter of calendar year 2021. Many cities may not be aware of this impact, as the fluctuations in sales tax following the pandemic shutdowns have masked the issue. But this change will have long-term impacts on revenues for all California cities as all these revenues benefiting all cities have shifted to just a handful of cities and counties that are home to this retailer's fulfillment centers.

This has brought to light again the need to address the issues in how sales and use taxes are distributed in the 21st century. Many, if not most cities will never have the opportunity have a warehouse fulfillment center due to lack of space or not being situated along a major travel corridor. These policies especially favor retailers who may leverage current policy in order to negotiate favorable sales tax sharing agreements, providing more money back to the retailer at the expense of funding critical public services.

With that stated, it is important to note the many impacts to the jurisdictions home to the fulfillment centers. These centers do support the ecommerce most of us as individuals have come to rely on, including heavy wear and tear on streets – one truck is equal to about 8,000 cars when it comes to impact on pavement – and increased air pollution due to the truck traffic and idling diesel engines dropping off large loads. However, it is equally important that State policies acknowledge that entities without fulfillment centers also experience impacts from ecommerce and increased deliveries. Cities whose residents are ordering products that are delivered to their doorstep also experience impacts from traffic, air quality and compromised safety, as well as the negative impact on brick-and-mortar businesses struggling to compete with the sharp increase in online shopping. These cities are rightfully entitled to compensation in an equitable share of sales and use tax. We do not believe that online sales tax distribution between fulfillment center cities and other cities should be an all or nothing endeavor, and not necessarily a fifty-fifty split, either. But we need to find an equitable split that balances the impacts to each jurisdiction involved in the distribution of products purchased online.

Over the years, Cal Cities has had numerous discussions about the issues surrounding sales tax in the modern era, and how state law and policy should be revisited to address these issues. It is a heavy lift, as all of our cities are impacted a bit differently, making consensus difficult. We believe that by once again starting the conversation and moving toward the development of laws and policies that can result in seeing all cities benefit from the growth taxes generated through online sales, our state will be stronger.

It is for these reasons, that we should all aspire to develop an equitable sales tax distribution for online sales.

League of California Cities Staff Analysis on Resolution No. 1

Staff: Nicholas Romo, Legislative Affairs, Lobbyist

Committee: Revenue and Taxation

Summary:

This Resolution calls on the League of California Cities (Cal Cities) to request the Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

Background:

The City of Rancho Cucamonga is sponsoring this resolution to *“address the issues in how sales and use taxes are distributed in the 21st century.”*

The City notes that *“sales tax is a major revenue source for most California cities. Commonly known as the local 1% Bradley-Burns tax, since the 1950’s, cities have traditionally received 1 cent on every dollar of a sale made at the store, restaurant, car dealer, or other location within a jurisdiction’s boundaries. Over the years, however, this simple tax structure has evolved into a much more complex set of laws and allocation rules. Many of these rules relate to whether or not a given transaction is subject to sales tax, or to use tax – both have the same 1% value, but each applies in separate circumstances.*

Recently, one of the world’s largest online retailers changed the legal ownership of its fulfillment centers. Instead of having its fulfillment centers owned and operated by a third-party vendor, they are now directly owned by the company. This subtle change has major impacts to how the 1% local tax is allocated.

This change has created a situation where most cities in California – more than 90%, in fact – are experiencing a sales tax revenue loss that began in the fourth quarter of calendar year 2021. Many cities may not be aware of this impact, as the fluctuations in sales tax following the pandemic shutdowns have masked the issue. But this change will have long-term impacts on revenues for all California cities as all these revenues benefiting all cities have shifted to just a handful of cities and counties that are home to this retailer’s fulfillment centers.”

The City’s resolution calls for action on an unspecified solution that *“rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction,”* which aims to acknowledge the actions taken by cities to alleviate poverty, catalyze economic development, and improve financial stability within their communities through existing tax sharing and zoning powers.

Ultimately, sponsoring cities believe *“that by once again starting the conversation and moving toward the development of laws and policies that can result in seeing all cities benefit from the growth taxes generated through online sales, our state will be stronger.”*

Sales and Use Tax in California

The Bradley-Burns Uniform Sales Tax Act allows all local agencies to apply its own sales and use tax on the same base of tangible personal property (taxable goods). This tax rate currently is fixed at 1.25% of the sales price of taxable goods sold at retail locations in a local jurisdiction, or purchased outside the jurisdiction for use within the jurisdiction. Cities and counties use this 1% of the tax to support general operations, while the remaining 0.25% is used for county transportation purposes.

In California, all cities and counties impose Bradley-Burns sales taxes. California imposes the sales tax on every retailer engaged in business in this state that sells taxable goods. The law requires businesses to collect the appropriate tax from the purchaser and remit the amount to the California Department of Tax and Fee Administration (CDTFA). Sales tax applies whenever a retail sale is made, which is basically any sale other than one for resale in the regular course of business. Unless the person pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming taxable goods in the state. The use tax rate is the same rate as the sales tax rate.

Generally, CDTFA distributes Bradley-Burns tax revenue based on where a sale took place, known as a *situs-based system*. A retailer’s physical place of business—such as a retail store or restaurant—is generally the place of sale. “Sourcing” is the term used by tax practitioners to describe the rules used to determine the place of sale, and therefore, which tax rates are applied to a given purchase and which jurisdictions are entitled to the local and district taxes generated from a particular transaction.

California is primarily an origin-based sourcing state – meaning tax revenues go to the jurisdiction in which a transaction physically occurs if that can be determined. However, California also uses a form of destination sourcing for the local use tax and for district taxes (also known as “transactions and use taxes” or “add-on sale and use taxes”). That is, for cities with local add-on taxes, they receive their add-on rate amount from remote and online transactions.

Generally, allocations are based on the following rules:

- The sale is sourced to the place of business of the seller - whether the product is received by the purchaser at the seller’s business location or not.
- If the retailer maintains inventory in California and has no other in state location, the source is the jurisdiction where the warehouse is situated. *This resolution is concerned with the growing amount of online retail activity being sourced to cities with warehouse/fulfillment center locations.*
- If the business’ sales office is located in California but the merchandise is shipped from out of state, the tax from transactions under \$500,000 is allocated

via the county pools. The tax from transactions over \$500,000 is allocated to the jurisdiction where the merchandise is delivered.

- When a sale cannot be identified with a permanent place of business in the state, the sale is sourced to the allocation pool of the county where the merchandise was delivered and then distributed among all jurisdictions in that county in proportion to ratio of sales. *For many large online retailers, this has been the traditional path.*

Online Sales and Countywide Pools

While the growth of e-commerce has been occurring for more than two decades, led by some of the largest and most popular retailers in the world, the dramatic increase in online shopping during the COVID-19 pandemic has provided significant revenue to California cities as well as a clearer picture on which governments enjoy even greater benefits.

In the backdrop of booming internet sales has been the steady decline of brick-and-mortar retail and shopping malls. For cities with heavy reliance on in-person retail shopping, the value of the current allocation system has been diminished as their residents prefer to shop online or are incentivized to do so by retailers (during the COVID-19 pandemic, consumers have had no other option but to shop online for certain goods). All the while, the demands and costs of city services continue to grow for cities across the state.

As noted above, the allocation of sales tax revenue to local governments depends on the location of the transaction (or where the location is ultimately determined). For in-person retail, the sales tax goes to the city in which the product and store are located - a customer purchasing at a register. For online sales, the Bradley Burns sales tax generally goes to a location other than the one where the customer lives – either to the city or county where an in-state warehouse or fulfillment center is located, the location of in-state sales office (ex. headquarters) or shared as use tax proceeds amongst all local governments within a county based on their proportionate share of taxable sales.

Under current CDTFA regulations, a substantial portion of local use tax collections are allocated through a countywide pool to the local jurisdictions in the county where the property is put to its first functional use. The state and county pools constitute over 15% of local sales and use tax revenues. Under the pool system, the tax is reported by the taxpayer to the countywide pool of use and then distributed to each jurisdiction in that county on a pro-rata share of taxable sales. If the county of use cannot be identified, the revenues are distributed to the state pool for pro-rata distribution on a statewide basis.

Concentration of Online Sales Tax Revenue and Modernization

Sales tax modernization has been a policy goal of federal, state, and local government leaders for decades to meet the rapidly changing landscape of commercial activity and ensure that all communities can sustainably provide critical services.

For as long as remote and internet shopping has existed, policy makers have been concerned about their potential to disrupt sales and use tax allocation procedures that underpin the funding of local government services. The system was designed in the early twentieth century to ensure that customers were paying sales taxes to support local government services within the community where the transactions occurred whether they resided there or not. This structure provides benefit to and recoupage for the public resources necessary to ensure the health and safety of the community broadly.

City leaders have for as long been concerned about the loosening of the nexus between what their residents purchase and the revenues they receive. Growing online shopping, under existing sourcing rules, has led to a growing concentration of sales tax revenue being distributed to a smaller number of cities and counties. As more medium and large online retailers take title to fulfillment centers or determine specific sales locations in California as a result of tax sharing agreements in specific cities, online sales tax revenue will be ever more concentrated in a few cities at the control of these companies. Furthermore, local governments are already experiencing the declining power of the sales tax to support services as more money is being spent on non-taxable goods and services.

For more on sales and use tax sourcing please see Attachment A.

State Auditor Recommendations

In 2017, the California State Auditor issued a report titled, "[The Bradley-Burns Tax and Local Transportation Funds](#)", noting that:

"Retailers generally allocate Bradley Burns tax revenue based on the place of sale, which they identify according to their business structure. However, retailers that make sales over the Internet may allocate sales to various locations, including their warehouses, distribution center, or sales offices. This approach tends to concentrate Bradley Burns tax revenue into the warehouses' or sales offices' respective jurisdictions. Consequently, counties with a relatively large amount of industrial space may receive disproportionately larger amounts of Bradley Burns tax, and therefore Local Transportation Fund, revenue.

The State could make its distribution of Bradley Burns tax revenue derived from online sales more equitable if it based allocations of the tax on the destinations to which goods are shipped rather than on place of sale."

The Auditor's report makes the following recommendation:

"To ensure that Bradley-Burns tax revenue is more evenly distributed, the Legislature should amend the Bradley-Burns tax law to allocate revenues from Internet sales based on the destination of sold goods rather than their place of sale."

In acknowledgement of the growing attention from outside groups on this issue, Cal Cities has been engaged in its own study and convening of city officials to ensure pursued solutions account for the circumstances of all cities and local control is best protected. These efforts are explored in subsequent sections.

Cal Cities Revenue and Taxation Committee and City Manager Working Group

In 2015 and 2016, Cal Cities' Revenue and Taxation Policy Committee held extensive discussions on potential modernization of tax policy affecting cities, with a special emphasis on the sales tax. The issues had been identified by Cal Cities leadership as a strategic priority given concerns in the membership about the eroding sales tax base and the desire for Cal Cities to take a leadership role in addressing the associated issues. The policy committee ultimately adopted a series of policies that were approved by the Cal Cities board of directors. Among its changes were a recommended change to existing sales tax sourcing (determining where a sale occurs) rules, so that the point of sale (situs) is where the customer receives the product. The policy also clarifies that specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood. See "Existing Cal Cities Policy" section below.

Cal Cities City Manager Sales Tax Working Group Recommendations

In the Fall of 2017, the Cal Cities City Managers Department convened a working group (Group) of city managers representing a diverse array of cities to review and consider options for addressing issues affecting the local sales tax.

The working group of city managers helped Cal Cities identify internal common ground on rapidly evolving e-commerce trends and their effects on the allocation of local sales and use tax revenue. After meeting extensively throughout 2018, the Group made several recommendations that were endorsed unanimously by Cal Cities' Revenue and Taxation Committee at its January, 2019 meeting and by the board of directors at its subsequent meeting.

The Group recommended the following actions in response to the evolving issues associated with e-commerce and sales and use tax:

Further Limiting Rebate Agreements: The consensus of the Group was that:

- Sales tax rebate agreements involving online retailers should be prohibited *going forward*. They are inappropriate because they have the effect of encouraging revenue to be shifted away from numerous communities and concentrated to the benefit of one.
- Any type of agreement that seeks to lure a retailer from one community to another within a market area should also be prohibited *going forward*. Existing law already prohibits such agreements for auto dealers and big box stores.

Shift Use Tax from Online Sales, including from the South Dakota v. Wayfair Decision Out of County Pools: The Group's recommendation is based first on the principle of "situs" and that revenue should be allocated to the jurisdiction where the use occurs. Each city and county in California imposed a Bradley Burns sales and use tax rate

under state law in the 1950s. The use tax on a transaction is the rate imposed where the purchaser resides (the destination). These use tax dollars, including new revenue from the South Dakota v. Wayfair decision, should be allocated to the destination jurisdiction whose Bradley Burns tax applies and not throughout the entire county.

- Shift of these revenues, from purchases from out of state retailers including transactions captured by the South Dakota v. Wayfair decision, out of county pools to full destination allocation on and after January 1, 2020.
- Allow more direct reporting of use taxes related to construction projects to jurisdiction where the construction activity is located by reducing existing regulatory threshold from \$5 million to \$100,000.

Request/Require CDTFA Analysis on Impacts of Sales Tax Destination Shifts: After discussion of numerous phase-in options for destination sourcing and allocation for sales taxes, the Group ultimately decided that a more complete analysis was needed to sufficiently determine impacts. Since the two companies most cities rely on for sales tax analysis, HdL and MuniServices, were constrained to modeling with transaction and use tax (district tax) data, concerns centered on the problem of making decisions without adequate information. Since the CDTFA administers the allocation of local sales and use taxes, it is in the best position to produce an analysis that examines:

- The impacts on individual agencies of a change in sourcing rules. This would likely be accomplished by developing a model to examine 100% destination sourcing with a report to the Legislature in early 2020.
- The model should also attempt to distinguish between business-to-consumer transactions versus business-to-business transactions.
- The model should analyze the current number and financial effects of city and county sales tax rebate agreements with online retailers and how destination sourcing might affect revenues under these agreements.

Conditions for considering a Constitutional Amendment that moves toward destination allocation: Absent better data on the impacts on individual agencies associated with a shift to destination allocation of sales taxes from CDTFA, the Group declined to prescribe if/how a transition to destination would be accomplished; the sentiment was that the issue was better revisited once better data was available. In anticipation that the data would reveal significant negative impacts on some agencies, the Group desired that any such shift should be accompanied by legislation broadening of the base of sales taxes, including as supported by existing Cal Cities policy including:

- Broadening the tax base on goods, which includes reviewing existing exemptions on certain goods and expanding to digital forms of goods that are otherwise taxed; and
- Expanding the sales tax base to services, such as those commonly taxed in other states.

This Resolution builds upon previous work that accounts for the impacts that distribution networks have on host cities and further calls on the organization to advocate for changes to sales tax distribution rules.

The Resolution places further demands on data collected by CDTFA to establish a “fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases.” Such data is proposed to be collected by [SB 792 \(Glazer, 2021\)](#). More discussion on this topic can be found in the “Staff Comments” section.

Staff Comments:

Proposed Resolution Affixes Equity Based, Data Driven Approach to Existing Cal Cities Policy on Sales Tax Sourcing

The actions resulting from this resolution, if approved, would align with existing policy and efforts to-date to modernize sales tax rules. While not formalized in existing Cal Cities policy or recommendations, city managers and tax practitioners generally have favored proposals that establish a sharing of online sales tax revenues rather than a full destination shift. City leaders and practitioners across the state have acknowledged during Cal Cities Revenue and Taxation and City Manager’s working group meetings that the hosting of fulfillment centers and ancillary infrastructure pose major burdens on local communities including detrimental health and safety impacts. This acknowledgement has moved mainstream proposals such as this one away from full revenue shifts towards an equity-based, data driven approach that favors revenue sharing. This Resolution would concretely affix this approach as Cal Cities policy.

More Data is Needed to Achieve Equity Based Approach

A major challenge is the lack of adequate data to model the results of shifting in-state online sale tax revenues. Local government tax consultants and state departments have limited data to model the effects of changes to sales tax distribution because their information is derived only from cities that have a local transactions and use tax (TUT). Tax experts are able to model proposed tax shifts using TUTs since they are allocated on a destination basis (where a purchaser receives the product; usually a home or business). However, more than half of all cities, including some larger cities, do not have a local TUT therefore modeling is constrained and incomplete.

Efforts to collect relevant sales tax information on the destination of products purchased online are ongoing. The most recent effort is encapsulated in [SB 792 \(Glazer, 2021\)](#), which would require retailers with online sales exceeding \$50 million a year to report to CDTFA the gross receipts from online sales that resulted in a product being shipped or delivered in each city. The availability of this data would allow for a much more complete understanding of online consumer behavior and the impacts of future proposed changes to distribution. SB 792 (Glazer) is supported by Cal Cities following approval by the Revenue and Taxation Committee and board of directors.

Impact of Goods Movement Must Be Considered

As noted above, city leaders and practitioners across the state acknowledge that the hosting of fulfillment centers and goods movement infrastructure pose major burdens on local communities including detrimental health, safety, and infrastructure impacts. Not least of which is the issue of air pollution from diesel exhaust. According to California Environmental Protection Agency (Cal EPA):

“Children and those with existing respiratory disease, particularly asthma, appear to be especially susceptible to the harmful effects of exposure to airborne PM from diesel exhaust, resulting in increased asthma symptoms and attacks along with decreases in lung function (McCreanor et al., 2007; Wargo, 2002). People that live or work near heavily-traveled roadways, ports, railyards, bus yards, or trucking distribution centers may experience a high level of exposure (US EPA, 2002; Krivoshto et al., 2008). People that spend a significant amount of time near heavily-traveled roadways may also experience a high level of exposure. Studies of both men and women demonstrate cardiovascular effects of diesel PM exposure, including coronary vasoconstriction and premature death from cardiovascular disease (Krivoshto et al., 2008). A recent study of diesel exhaust inhalation by healthy non-smoking adults found an increase in blood pressure and other potential triggers of heart attack and stroke (Krishnan et al., 2013) Exposure to diesel PM, especially following periods of severe air pollution, can lead to increased hospital visits and admissions due to worsening asthma and emphysema-related symptoms (Krivoshto et al., 2008). Diesel exposure may also lead to reduced lung function in children living in close proximity to roadways (Brunekreef et al., 1997).”

The founded health impacts of the ubiquitous presence of medium and heavy-duty diesel trucks used to transport goods to and from fulfillment centers and warehouses require host cities to meet increased needs of their residents including the building and maintenance of buffer zones, parks, and open space. While pollution impacts may decline with the introduction of zero-emission vehicles, wide scale adoption by large distribution fleets is still in its infancy. Furthermore, the impacts of heavy road use necessitate increased spending on local streets and roads upgrades and maintenance. In addition, many cities have utilized the siting of warehouses, fulfillment centers, and other heavy industrial uses for goods movements as key components of local revenue generation and economic development strategies. These communities have also foregone other land uses in favor of siting sales offices and fulfillment networks.

All said, however, it is important to acknowledge that disadvantaged communities (DACs) whether measured along poverty, health, environmental or education indices exist in cities across the state. For one example, see: [California Office of Environmental Health Hazard Assessment \(OEHHA\) CalEnviroScreen](#). City officials may consider how cities without fulfillment and warehouse center revenues are to fund efforts to combat social and economic issues, particularly in areas with low property tax and tourism-based revenues.

The Resolution aims to acknowledge these impacts broadly (this analysis does not provide an exhaustive review of related impacts) and requests Cal Cities to account for them in a revised distribution formula of the Bradley Burns 1% local sales tax from in-state online purchases. The Resolution does not prescribe the proportions.

Clarifying Amendments

Upon review of the Resolution, Cal Cities staff recommends technical amendments to provide greater clarity. *To review the proposed changes, please see Attachment B.*

Fiscal Impact:

Significant but unknown. The Resolution on its own does not shift sales tax revenues. In anticipation and mitigation of impacts, the Resolution requests Cal Cities to utilize online sales tax data to identify a fair and equitable distribution formula that accounts for the broad impacts fulfillment centers involved in online retail have on the cities that host them. The Resolution does not prescribe the revenue distribution split nor does it prescribe the impacts, positive and negative, of distribution networks.

Existing Cal Cities Policy:

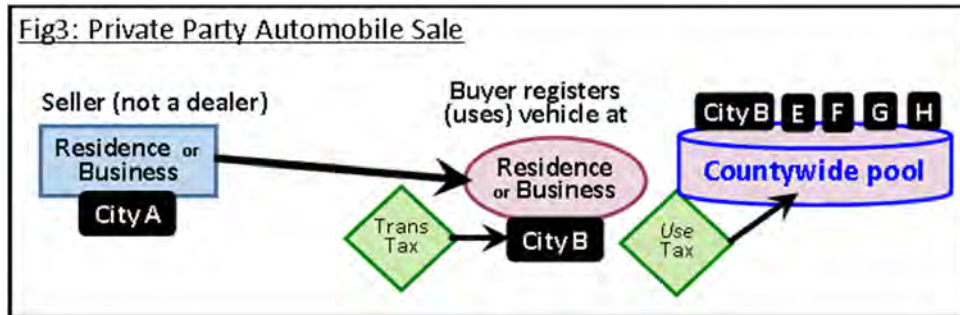
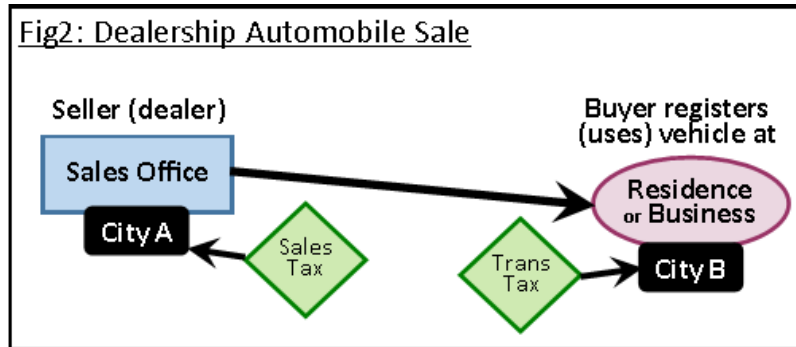
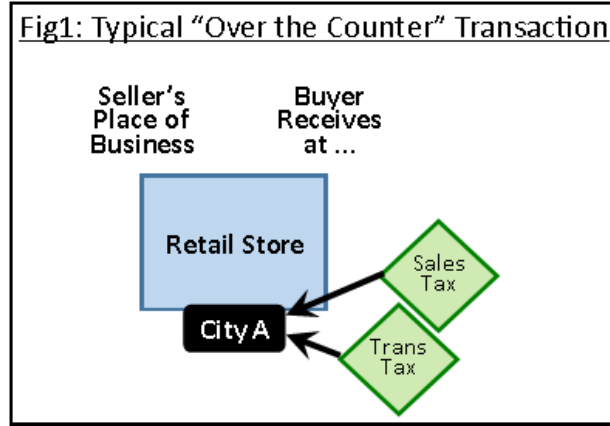
- Tax proceeds collected from internet sales should be allocated to the location where the product is received by the purchaser.
- Support as Cal Cities policy that point of sale (situs) is where the customer receives the product. Specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood.
- Revenue from new regional or state taxes or from increased sales tax rates should be distributed in a way that reduces competition for situs-based revenue. (Revenue from the existing sales tax rate and base, including future growth from increased sales or the opening of new retail centers, should continue to be returned to the point of sale.)
- The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected.
- Restrictions should be implemented and enforced to prohibit the enactment of agreements designed to circumvent the principle of situs-based sales and redirect or divert sales tax revenues from other communities, when the physical location of the affected businesses does not change. Sales tax rebate agreements involving online retailers are inappropriate because they have the effect of encouraging revenue to be shifted away from numerous communities and concentrated to the benefit of one. Any type of agreement that seeks to lure a retailer from one community to another within a market area should also be prohibited going forward.
- Support Cal Cities working with the state California Department of Tax and Fee Administration (CDTFA) to update the county pool allocation process to ensure that more revenues are allocated to the jurisdiction where the purchase or first use of a product occurs (usually where the product is delivered). Use Tax collections from online sales, including from the South Dakota v Wayfair Decision, should be shifted out of county pools and allocated to the destination jurisdiction whose Bradley Burns tax applies and not throughout the entire county.

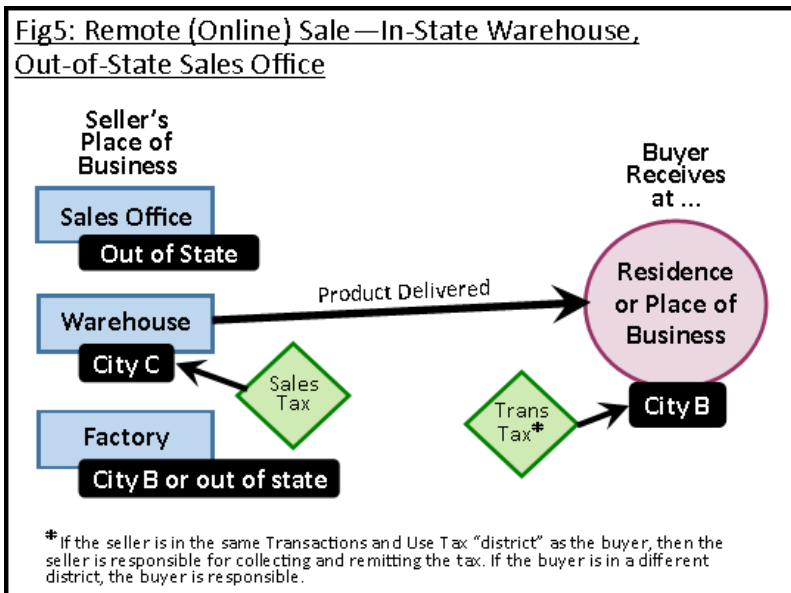
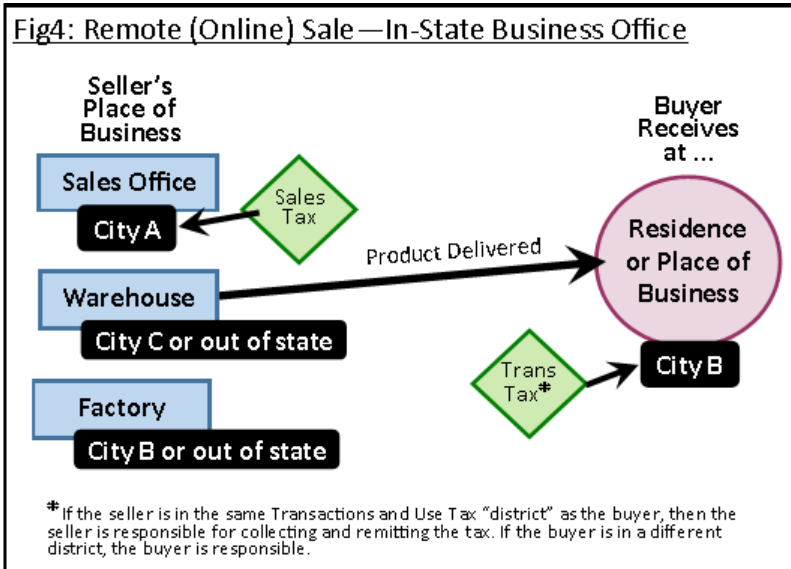
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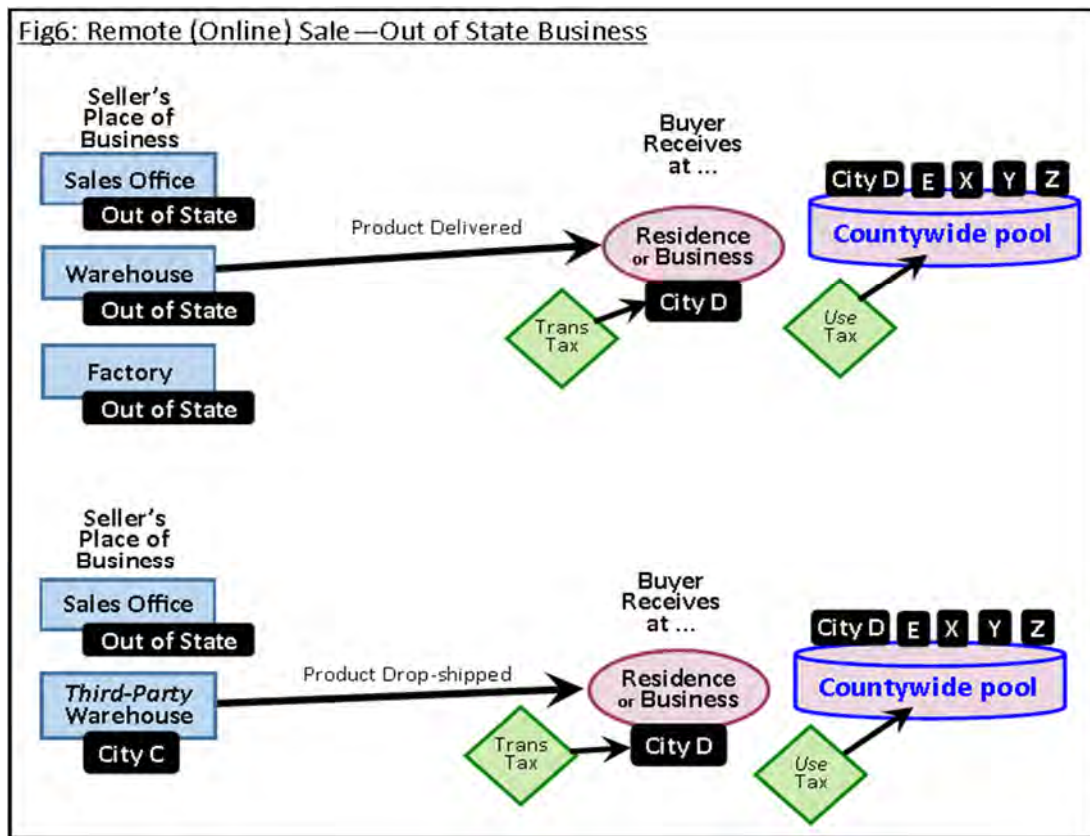
The following letters of concurrence were received:

Town of Apple Valley
City of El Cerrito
City of La Canada Flintridge
City of La Verne
City of Lakewood

City of Moorpark
City of Placentia
City of Sacramento







GUIDELINES FOR ALLOCATION OF LOCAL TAX - ONLINE AND IN-STORE			
Place of Sale	Location of Goods at the Time of Sale	How Customer Receives Goods	Allocation of Tax
Online – Order is placed or downloaded outside California	California Fulfillment Center	Shipped to California Customer	Local tax is allocated to the jurisdiction in which the fulfillment center is located
Online – Order is placed or downloaded in California	California Fulfillment Center	Shipped to California Customer	Per CDTFA Regulation 1802, local tax is allocated to the jurisdiction where the order is placed
Online	Out of State Fulfillment Center	Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	Out of State Fulfillment Center	Picked Up In-Store (Click & Collect)	Local tax is allocated to the countywide pool based on point of delivery
Online	California Fulfillment Center Owned and Operated by Third Party Vendor	Drop-Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	In-Store (Goods withdrawn from store inventory)	Shipped to California Customer	Local Tax is allocated to the jurisdiction where the store is located
Online	In-Store (Goods withdrawn from store inventory)	Picked Up In-Store (Click & Collect)	Local Tax is allocated to the jurisdiction where the store is located
In-Store	In-Store (Goods withdrawn from store inventory)	Over the Counter	Local Tax is allocated to the jurisdiction where the store is located

Courtesy of HdL Companies

Tax Incentive Programs, Sales Tax Sharing Agreements

In recent years, especially since Proposition 13 in 1978, local discretionary (general purpose revenues) have become more scarce. At the same time, options and procedures for increasing revenues have become more limited. One outcome of this in many areas has been a greater competition for sales and use tax revenues. This has brought a rise in arrangements to encourage certain land use development with rebates and incentives which exploit California's odd origin sales tax sourcing rules.

The typical arrangement is a sales tax sharing agreement in which a city provides tax rebates to a company that agrees to expand their operations in the jurisdiction of the city. Under such an arrangement, the company generally agrees to make a specified amount of capital investment and create a specific number of jobs over a period of years in exchange for specified tax breaks, often property tax abatement or some sort of tax credit. In some cases, this has simply taken the form of a sales office, while customers and warehouses and the related economic activity are disbursed elsewhere in the state. In some cases the development takes the form of warehouses, in which the sales inventory, owned by the company, is housed.⁶

Current sales tax incentive agreements in California rebate amounts ranging from 50% to 85% of sales tax revenues back to the corporations.

Today, experts familiar with the industry believe that between 20% to 30% of local Bradley-Burns sales taxes paid by California consumers is diverted from local general funds back to corporations; over \$1 billion per year.

The Source of Origin Based Sourcing Problems

Where other than over-the-counter sales are concerned origin sourcing often causes a concentration of large amounts of tax revenue in one location, despite the fact that the economic activity and service impacts are also occurring in other locations.

The large amounts of revenue concentrated in a few locations by California's "warehouse rule" origin sourcing causes a concentration of revenue far in excess of the service costs associated with the development.

In order to lure jobs and tax revenues to their communities, some cities have entered into rebate agreements with corporations. This has grown to such a problem, that 20% to 30% of total local taxes paid statewide are being rebated back to corporations rather than funding public services.

Moving to Destination Sourcing: The Concept⁷

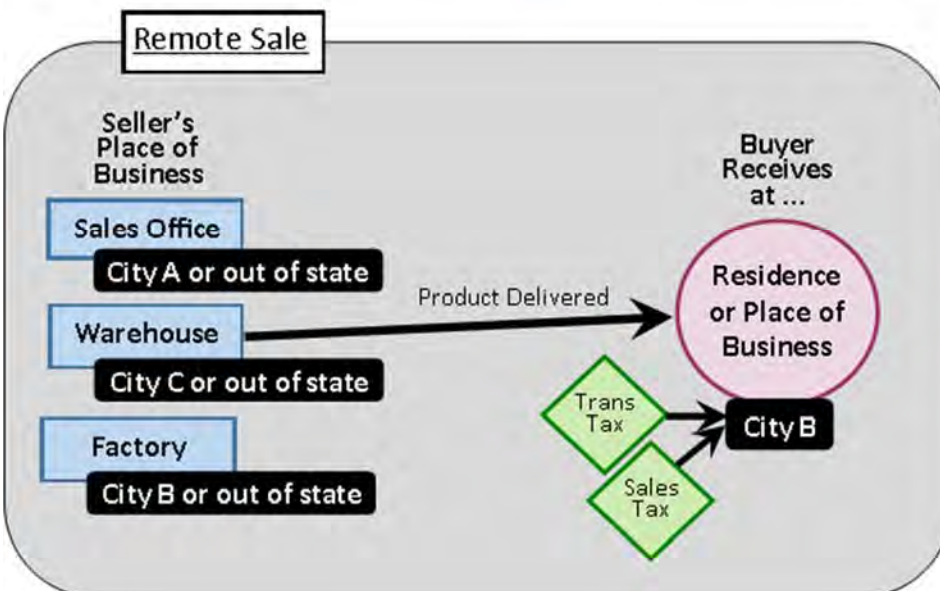
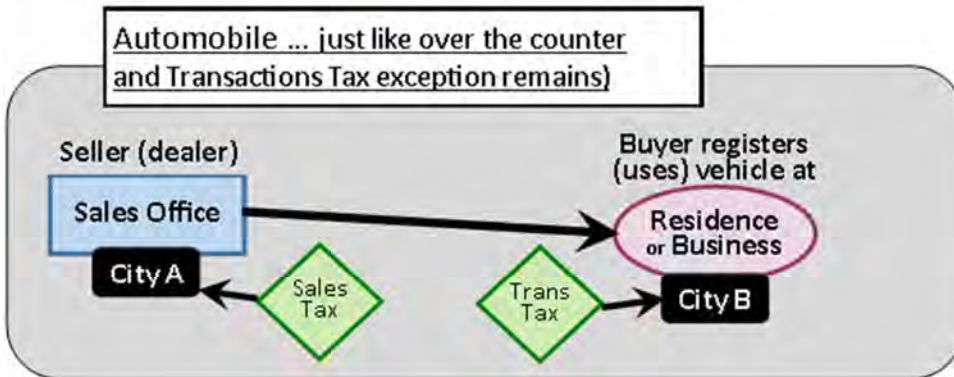
A change from origin sourcing rules to destination sourcing rules for the local tax component of California's sales tax would improve overall revenue collections and distribute these revenues more equitably among all of the areas involved in these transactions.

A change from origin based sourcing to destination based sourcing would have no effect on state tax collections. However, it would alter the allocations of local sales and use tax revenues among local agencies. Most retail transactions including dining, motor fuel purchases, and in-store purchases would not be affected. But in cases where the property is received by the purchaser in a different jurisdiction than where the sales agreement was negotiated, there would be a different allocation than under the current rules.

⁶ See Jennifer Carr, "Origin Sourcing and Tax Incentive Programs: An Unholy Alliance" Sales Tax Notes; May 27, 2013.

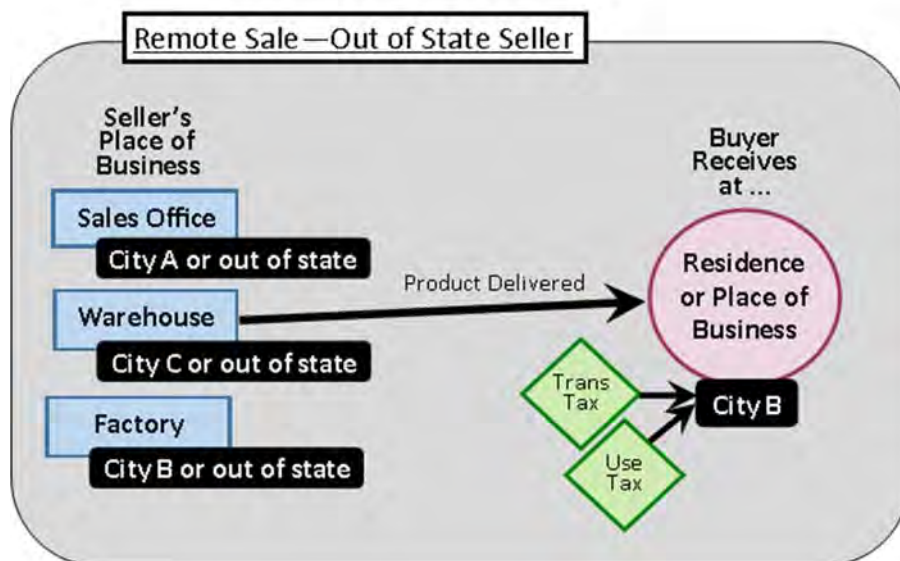
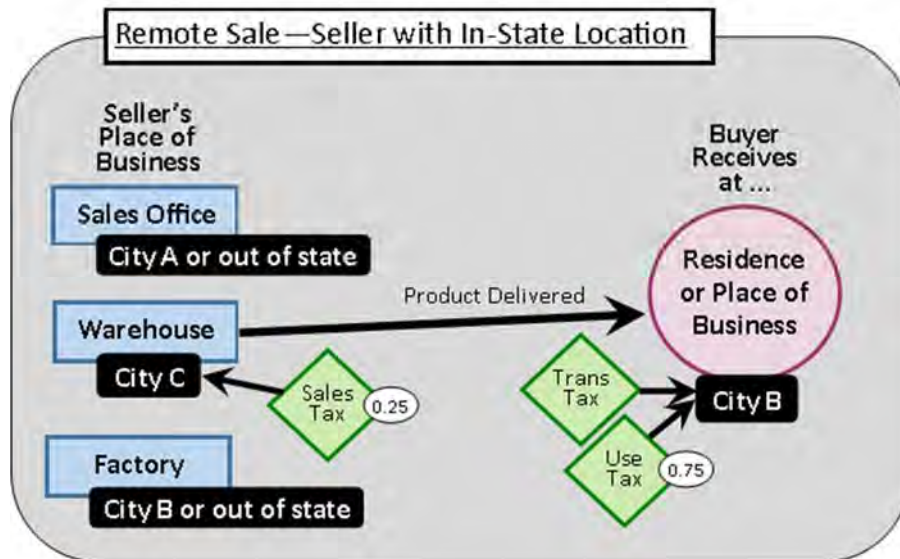
⁷ The same issues that are of concern regarding the local sales tax do not apply to California's Transactions and Use Taxes ("Add-on sales taxes") as these transactions, when not over the counter, are generally allocated to the location of use or, as in the case of vehicles, product registration. There is no need to alter the sourcing rules for transactions and use taxes.

Destination Sourcing Scenario 1: Full-On



Destination Sourcing Scenario 2: Split Source

- Same as now for “over the counter” and automobile.
- Leave 0.25% on current seller if instate (origin)
- Could be phased in.



mjgc

RESOLUTION OF THE LEAGUE OF CALIFORNIA CITIES (“CAL CITIES”)
CALLING ON THE STATE LEGISLATURE TO PASS LEGISLATION THAT PROVIDES
FOR A FAIR AND EQUITABLE DISTRIBUTION OF THE BRADLEY BURNS 1% LOCAL
SALES TAX FROM IN-STATE ONLINE PURCHASES, BASED ON DATA WHERE
PRODUCTS ARE SHIPPED TO, AND THAT RIGHTFULLY TAKES INTO
CONSIDERATION THE IMPACTS THAT FULFILLMENT CENTERS HAVE ON HOST
CITIES BUT ALSO PROVIDES A FAIR SHARE TO CALIFORNIA CITIES THAT DO NOT
AND/OR CANNOT HAVE A FULFILLMENT CENTER WITHIN THEIR JURISDICTION

WHEREAS, the 2018 U.S. Supreme Court decision in *Wayfair v. South Dakota* clarified that states could charge and collect tax on purchases even if the seller does not have a physical presence in the state; and

WHEREAS, California cities and counties collect 1% in Bradley Burns sales and use tax from the purchase of tangible personal property and rely on this revenue to provide critical public services such as police and fire protection; and

WHEREAS, in terms of “siting” the place of sale and determining which jurisdiction receives the 1% Bradley Burns local taxes for online sales, the California Department of Tax and Fee Administration (CDTFA) determines “out-of-state” online retailers as those with no presence in California that ship property from outside the state and are therefore subject to use tax, not sales tax, which is collected in a countywide pool of the jurisdiction where the property is shipped from; and

WHEREAS, for online retailers that have a presence in California and have a stock of goods in the state from which it fulfills orders, CDTFA considers the place of sale (“situs”) as the location from which the goods were shipped such as a fulfillment center; and

WHEREAS, in early 2021, one of the state’s largest online retailers shifted its ownership structure so that it is now considered both an in-state and out-of-state retailer, resulting in the sales tax this retailer generates from in-state sales now being **entirely** allocated to **the specific city cities** where **the** warehouse fulfillment centers **is-are** located as opposed to going into **a** countywide pools that **is are** shared with all jurisdictions in **those counties that County**, as was done previously; and

WHEREAS, this all-or-nothing **change for the** allocation of in-state sales tax has created winners and losers amongst cities as the online sales tax revenue **from the retailer** that was once spread amongst all cities in countywide pools is now concentrated in select cities that host **a** fulfillment centers; and

WHEREAS, this has created a tremendous inequity amongst cities, in particular for cities that are built out, do not have space for siting **a 1 million square foot** fulfillment centers, are not located along a major travel corridor, or otherwise not ideally suited to host a fulfillment center; and

WHEREAS, this inequity affects cities statewide, but in particular those with specific circumstances such as no/low property tax cities that are extremely reliant on sales tax revenue as well as cities struggling to meet their **Regional Housing Needs Allocation (RHNA)** obligations that are being compelled by the State to rezone precious commercial parcels to residential; and

WHEREAS, the inequity produced by allocating in-state online sales tax revenue exclusively to cities with fulfillment centers is exasperated even more by, in addition to already reducing the amount of revenue going into the countywide pools, the cities with fulfillment centers are also receiving a larger share of the dwindling countywide pool as it is allocated based on cities' proportional share of sales tax collected; and

WHEREAS, while it is important to acknowledge that those cities that have fulfillment centers experience impacts from these activities and deserve equitable supplementary compensation, it should also be recognized that the neighboring cities whose residents are ordering products from those that centers now receive no Bradley Burns revenue ~~from the center's sales activity~~ despite also experiencing the impacts created by them center, such as increased traffic and air pollution; and

WHEREAS, the COVID-19 pandemic greatly accelerated the public's shift towards online purchases, a trend that is unlikely to be reversed to pre-pandemic levels; and

NOW, THEREFORE, BE IT RESOLVED that Cal Cities calls on the State Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

2. A RESOLUTION CALLING UPON THE GOVERNOR AND THE LEGISLATURE TO PROVIDE NECESSARY FUNDING FOR CUPC TO FULFILL ITS OBLIGATION TO INSPECT RAILROAD LINES TO ENSURE THAT OPERATORS ARE REMOVING ILLEGAL DUMPING, GRAFFITI AND HOMELESS ENCAMPMENTS THAT DEGRADE THE QUALITY OF LIFE AND RESULTS IN INCREASED PUBLIC SAFETY CONCERNS FOR COMMUNITIES AND NEIGHBORHOODS THAT ADJACENT TO THE RAILROAD RIGHT-OF-WAY.

Source: City of South Gate

Concurrence of five or more cities/city officials:

Cities: City of Bell Gardens; City of Bell; City of Commerce; City of Cudahy; City of El Segundo; City of Glendora; City of Huntington Park; City of La Mirada; City of Long Beach; City of Lynwood; City of Montebello; City of Paramount; City of Pico Rivera

Referred to: Housing, Community and Economic Development; and Transportation, Communications and Public Works

WHEREAS, ensuring the quality of life for communities falls upon every local government including that blight and other health impacting activities are addressed in a timely manner by private property owners within its jurisdictional boundaries for their citizens, businesses and institutions; and

WHEREAS, Railroad Operators own nearly 6,000 miles of rail right-of-way throughout the State of California which is regulated by the Federal Railroad Administration and/or the California Public Utilities Commission for operational safety and maintenance; and

WHEREAS, the California Public Utilities Commission (CPUC) is the enforcing agency for railroad safety in the State of California and has 41 inspectors assigned throughout the entire State to inspect and enforce regulatory compliance over thousands of miles of rail line; and

WHEREAS, areas with rail line right-of-way within cities and unincorporated areas are generally located in economically disadvantaged zones and/or disadvantaged communities of color where the impact of blight further lowers property values and increases the likelihood of unsound sanitary conditions and environmental impacts upon them; and

WHEREAS, many communities are seeing an increase in illegal dumping, graffiti upon infrastructure and homeless encampments due to the lax and inadequate oversight by regulatory agencies; and

WHEREAS, local governments have no oversight or regulatory authority to require operators to better maintain and clean their properties as it would with any other private property owner within its jurisdictional boundaries. Thus such local communities often resort to spending their local tax dollars on cleanup activities or are forced to accept the delayed and untimely response by operators to cleaning up specific sites, and;

WHEREAS, that railroad operators should be able to provide local communities with a fixed schedule in which their property will be inspected and cleaned up on a reasonable and regular schedule or provide for a mechanism where they partner with and reimburse local governments for an agreed upon work program where the local government is enabled to remove items like illegal dumping, graffiti and encampments; and

WHEREAS, the State has made it a priority to deal with homeless individuals and the impacts illegal encampments have upon those communities and has a budgetary surplus that can help fund the CPUC in better dealing with this situation in both a humane manner as well a betterment to rail safety.

RESOLVED, at the League of California Cities, General Assembly, assembled at the League Annual Conference on September 24, 2021, in Sacramento, that the League calls for the Governor and the Legislature to work with the League and other stakeholders to provide adequate regulatory authority and necessary funding to assist cities with these railroad right-of-way areas so as to adequately deal with illegal dumping, graffiti and homeless encampments that proliferate along the rail lines and result in public safety issues. The League will work with its member cities to educate federal and state officials to the quality of life and health impacts this challenge has upon local communities, especially those of color and/or environmental and economic hardships.

Background Information to Resolution

Source: City of South Gate

Background:

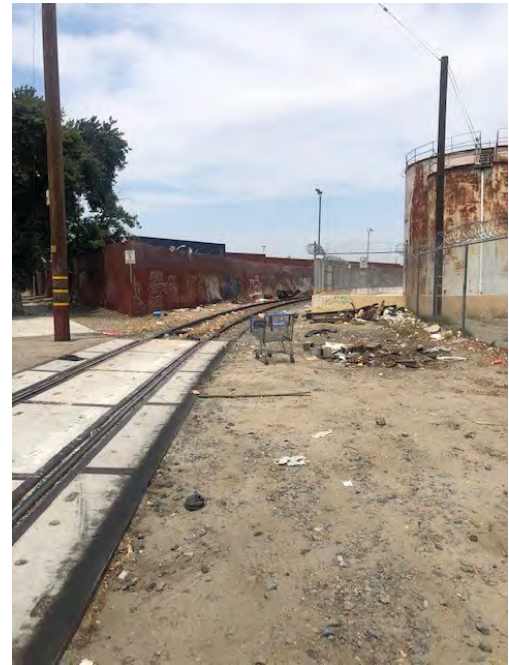
The State of California has over 6,000 miles of rail lines, with significant amount running through communities that are either economically disadvantaged and/or disadvantaged communities of color. While the Federal Railroad Administration (FRA) has primary oversight of rail operations, they delegate that obligation to the State of California for lines within our State. The administration of that oversight falls under the California Public Utilities Commission (CPUC). The CPUC has only 41 inspectors covering those 6,000 miles of railroad lines in the State of California. Their primary task is ensuring equipment, bridges and rail lines are operationally safe.

The right-of-way areas along the rail lines are becoming increasingly used for illegal dumping, graffiti and homeless encampments. Rail operators have admitted that they have insufficient funds set aside to clean up or sufficiently police these right-of-way areas, despite reporting a net income of over \$13 billion in 2020. CPUC budget does not provide the resources to oversee whether rail operators are properly managing the right-of-way itself.

The City of South Gate has three rail lines traversing through its city limits covering about 4 miles. These lines are open and inviting to individuals to conduct illegal dumping, graffiti buildings and structures along with inviting dozens of homeless encampments. As private property, Cities like ourselves cannot just go upon them to remove bulky items, trash, clean graffiti or remove encampments. We must call and arrange for either our staff to access the site or have the rail operator schedule a cleanup. This can take weeks to accomplish, in the meantime residents or businesses that are within a few hundred feet of the line must endure the blight and smell. Trash is often blown from the right-of-way into residential homes or into the streets. Encampments can be seen from the front doors of homes and businesses.

South Gate is a proud city of hard working-class residents, yet with a median household income of just \$50,246 or 65% of AMI for Los Angeles County, it does not have the financial resources to direct towards property maintenance of any commercial private property. The quality of life of communities like ours should not be degraded by the inactions or lack of funding by others. Cities such as South Gate receive no direct revenue from the rail operators, yet we deal with environmental impacts on a daily basis, whether by emissions, illegal dumping, graffiti or homeless encampments.

The State of California has record revenues to provide CPUC with funding nor only for safety oversight but ensuring right-of-way maintenance by operators is being managed properly. Rail Operators should be required to set aside sufficient annual funds to provide a regular cleanup of their right-of-way through the cities of California.



LETTERS OF CONCURRENCE
Resolution No. 2

League of California Cities Staff Analysis on Resolution No. 2

Staff: Damon Conklin, Legislative Affairs, Lobbyist
Jason Rhine, Assistant Director, Legislative Affairs
Caroline Cirrincione, Policy Analyst

Committees: Transportation, Communications, and Public Works
Housing, Community, and Economic Development

Summary:

The City of South Gate submits this resolution, which states the League of California Cities should urge the Governor and the Legislature to provide adequate regulatory authority and necessary funding to assist cities with railroad right-of-way areas to address illegal dumping, graffiti, and homeless encampments that proliferate along the rail lines and result in public safety issues.

Background:

California Public Utilities Commission (CPUC) Railroad Oversight

The CPUC's statewide railroad safety responsibilities are carried out through its Rail Safety Division (RSD). The Railroad Operations and Safety Branch (ROSB), a unit of RSD, enforces state and federal railroad safety laws and regulations governing freight and passenger rail in California.

The ROSB protects California communities and railroad employees from unsafe practices on freight and passenger railroads by enforcing rail safety laws, rules, and regulations. The ROSB also performs inspections to identify and mitigate risks and potential safety hazards before they create dangerous conditions. ROSB rail safety inspectors investigate rail accidents and safety-related complaints and recommend safety improvements to the CPUC, railroads, and the federal government as appropriate.

Within the ROSB, the CPUC employs 41 inspectors who are federally certified in the five Federal Railroad Administration (FRA) railroad disciplines, including hazardous materials, motive power and equipment, operations, signal and train control, and track. These inspectors perform regular inspections, focused inspections, accident investigations, security inspections, and complaint investigations. In addition, the inspectors address safety risks that, while not violations of regulatory requirements, pose potential risks to public or railroad employee safety.

CPUC's Ability to Address Homelessness on Railroads

Homeless individuals and encampments have occupied many locations in California near railroad tracks. This poses an increased safety risk to these homeless individuals of being struck by trains. Also, homeless encampments often create unsafe work environments for railroad and agency personnel.

While CPUC cannot compel homeless individuals to vacate railroad rights-of-way or create shelter for homeless individuals, it has the regulatory authority to enforce measures that can reduce some safety issues created by homeless encampments. The disposal of waste materials or other disturbances of walkways by homeless individuals can create tripping hazards in the vicinity of railroad rights-of-way. This would cause violations of [Commission GO 118-A](#), which sets standards for walkway surfaces alongside railroad tracks. Similarly, tents, wooden structures, and miscellaneous debris in homeless encampments can create violations of

[Commission GO 26-D](#), which sets clearance standards between railroad tracks, and structures and obstructions adjacent to tracks.

Homelessness in California

According to the [2020 Annual Homeless Assessment Report \(AHAR\)](#) to Congress, there has been an increase in unsheltered individuals since 2019. More than half ([51 percent or 113,660 people](#)) of all unsheltered homeless people in the United States are found in California, about four times as high as their share of the overall United States population.

Many metro areas in California lack an adequate supply of affordable housing. This housing shortage has contributed to an increase in homelessness that has spread to railroad rights-of-way. Homeless encampments along railroad right-of-way increase the incidents of illegal dumping and unauthorized access and trespassing activities. Other impacts include train service reliability with debris strikes, near-misses, and trespasser injuries/fatalities. As of April 2021, there have been 136 deaths and 117 injuries reported by the [Federal Railroad Administration](#) over the past year. These casualties are directly associated with individuals who trespassed on the railroad.

Cities across the state are expending resources reacting to service disruptions located on the railroad's private property. It can be argued that an increase in investments and services to manage and maintain the railroad's right-of-way will reduce incidents, thus enhancing public safety, environmental quality, and impacts on the local community.

State Budget Allocations – Homelessness

The approved State Budget includes a homelessness package of \$12 billion. This consists of a commitment of \$1 billion per year for direct and flexible funding to cities and counties to address homelessness. While some details related to funding allocations and reporting requirements remain unclear, Governor Newsom signed AB 140 in July, which details key budget allocations, such as:

- \$2 billion in aid to counties, large cities, and Continuums of Care through the Homeless Housing, Assistance and Prevention grant program (HHAP);
- \$50 million for Encampment Resolution Grants, which will help local governments resolve critical encampments and transitioning individuals into permanent housing; and
- \$2.7 million in onetime funding for Caltrans Encampment Coordinators to mitigate safety risks at encampments on state property and to coordinate with local partners to connect these individuals to services and housing.

The Legislature additionally provided \$2.2 billion specifically for Homekey with \$1 billion available immediately. This funding will help local governments transition individuals from Project Roomkey sites into permanent housing to minimize the number of occupants who exit into unsheltered homelessness.

With regards to this resolution, the State Budget also included \$1.1 billion to clean trash and graffiti from highways, roads, and other public spaces by partnering with local governments to pick up trash and beautify downtowns, freeways, and neighborhoods across California. The program is expected to generate up to 11,000 jobs over three years.

Cities Railroad Authority

A city must receive authorization from the railroad operator before addressing the impacts made by homeless encampments because of the location on the private property. Additionally, the city

must coordinate with the railroad company to get a flagman to oversee the safety of the work crews, social workers, and police while on the railroad tracks.

A city may elect to declare the encampment as a public nuisance area, which would allow the city to clean up the areas at the railroad company's expense for failing to maintain the tracks and right-of-way. Some cities are looking to increase pressure on railroad operators for not addressing the various homeless encampments, which are presenting public safety and health concerns.

Courts have looked to [compel railroad companies](#) to increase their efforts to address homeless encampments on their railroads or [grant a local authority's application](#) for an Inspection and Abatement Warrant, which would allow city staff to legally enter private property and abate a public nuisance or dangerous conditions.

In limited circumstances, some cities have negotiated Memoranda of Understandings (MOU) with railroad companies to provide graffiti abatement, trash, and debris removal located in the right-of-way, and clean-ups of homeless encampments. These MOUs also include local law enforcement agencies to enforce illegally parked vehicles and trespassing in the railroad's right-of-way. MOUs also detailed shared responsibility and costs of providing security and trash clean-up. In cases where trespassing or encampments are observed, the local public works agency and law enforcement agency are notified and take the appropriate measures to remove the trespassers or provide clean-up with the railroad covering expenses outlined in the MOU.

Absent an MOU detailing shared maintenance, enforcement, and expenses, cities do not have the authority to unilaterally abate graffiti or clean-up trash on a railroad's right-of-way.

Fiscal Impact:

If the League of California Cities were to secure funding from the state for railroad clean-up activities, cities could potentially save money in addressing these issues themselves or through an MOU, as detailed above. This funding could also save railroad operators money in addressing concerns raised by municipalities about illegal dumping, graffiti, and homeless encampments along railroads.

Conversely, if the League of California Cities is unable to secure this funding through the Legislature or the Governor, cities may need to consider alternative methods, as detailed above, which may include significant costs.

Existing League Policy:

Public Safety:

Graffiti

The League supports increased authority and resources devoted to cities for abatement of graffiti and other acts of public vandalism.

Transportation, Communications, and Public Works

Transportation

The League supports efforts to improve the California Public Utilities Commission's ability to respond to and investigate significant transportation accidents in a public and timely manner to improve rail shipment, railroad, aviation, marine, highway, and pipeline safety

Housing, Community, and Economic Development

Housing for Homeless

Homelessness is a statewide problem that disproportionately impacts specific communities. The state should make funding and other resources, including enriched services, and outreach and case managers, available to help assure that local governments have the capacity to address the needs of the homeless in their communities, including resources for regional collaborations.

Homeless housing is an issue that eludes a statewide, one-size-fits-all solution, and collaboration between local jurisdictions should be encouraged.

Staff Comments:

Clarifying Amendments

Upon review of the Resolution, Cal Cities staff recommends technical amendments to provide greater clarity. To review the proposed changes, please see Attachment A.

The committee may also wish to consider clarifying language around regulatory authority and funding to assist cities with these efforts. The resolution asks that new investments from the state be sent to the CPUC to increase their role in managing and maintaining railroad rights-of-ways and potentially to cities to expand their new responsibility.

The committee may wish to specify MOUs as an existing mechanism for cities to collaborate and agree with railroad operators and the CPUC on shared responsibilities and costs.

Support:

The following letters of concurrence were received:

City of Bell Gardens
City of Bell
City of Commerce
City of Cudahy
City of El Segundo
City of Glendora
City of La Mirada
City of Paramount
City of Pico Rivera
City of Huntington Park
City of Long Beach
City of Lynwood
City of Montebello

2. A RESOLUTION CALLING UPON THE GOVERNOR AND THE LEGISLATURE TO PROVIDE ~~NECESSARY~~ NECESSARY FUNDING FOR ~~CUPC~~ THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) TO FUFILL ITS OBLIGATION TO INSPECT RAILROAD LINES TO ENSURE THAT OPERATORS ARE REMOVING ILLEGAL DUMPING, GRAFFITI AND HOMELESS ENCAMPMENTS THAT DEGRADE THE ~~QAULTY~~ QUALITY OF LIFE AND RESULTS IN INCREASED PUBLIC ~~SAFETLY~~ SAFETY CONCERNS FOR COMMUNITIES AND NEIGHBORHOODS THAT ABUT THE RAILROAD RIGHT-OF-WAY.

Source: City of South Gate

Concurrence of five or more cities/city officials

Cities: City of Bell Gardens; City of Bell; City of Commerce; City of Cudahy; City of El Segundo; City of Glendora; City of Huntington Park; City of La Mirada; City of Long Beach; City of Lynwood; City of Montebello; City of Paramount; City of Pico Rivera

Referred to: Housing, Community and Economic Development; and Transportation, Communications and Public Works

WHEREAS, ensuring the quality of life for communities falls upon every local government including that blight and other health impacting activities are addressed in a timely manner by private property owners within its jurisdictional boundaries for their citizens, businesses and institutions; and

WHEREAS, Railroad Operators own nearly 6,000 miles of rail right-of-way throughout the State of California which is regulated by the Federal Railroad Administration and/or the ~~California Public Utilities Commission~~ CPUC for operational safety and maintenance; and

WHEREAS, the ~~California Public Utilities Commission (CPUC)~~ is the enforcing agency for railroad safety in the State of California and has 41 inspectors assigned throughout the entire State to inspect and enforce regulatory compliance over thousands of miles of rail line; and

WHEREAS, areas with rail line right-of-way within cities and unincorporated areas are generally located in economically disadvantaged zones and/or disadvantaged communities of color where the impact of blight further lowers property values and increases the likelihood of unsound sanitary conditions and environmental impacts upon them; and

WHEREAS, many communities are seeing an increase in illegal dumping, graffiti upon infrastructure and homeless encampments due to the lax and inadequate oversight by regulatory agencies; and

WHEREAS, local governments have no oversight or regulatory authority to require operators to better maintain and clean their properties as it would with any other private property owner within its jurisdictional boundaries. Thus such local communities often resort to spending their local tax dollars on cleanup activities or are forced to accept the delayed and untimely response by operators to cleaning up specific sites, and;

WHEREAS, that railroad operators should be able to provide local communities with a fixed schedule in which their property will be inspected and cleaned up on a reasonable and regular schedule or provide for a mechanism where they partner with and reimburse local governments for an agreed upon work program where the local government is enabled to remove items like illegal dumping, graffiti and encampments; and

WHEREAS, the State has made it a priority to deal with homeless individuals and the impacts illegal encampments have upon those communities and has a budgetary surplus that can help fund the CPUC in better dealing with this situation in both a humane manner as well as a betterment to rail safety.

RESOLVED, at the League of California Cities, General Assembly, assembled at the League Cal Cities Annual Conference on September 24, 2021, in Sacramento, that the Cal Cities League calls for the Governor and the Legislature to work with the Cal Cities League and other stakeholders to provide adequate regulatory authority and necessary funding to assist cities with these railroad right-of-way areas so as to adequately deal with illegal dumping, graffiti and homeless encampments that proliferate along the rail lines and result in public safety issues. The Cal Cities League will work with its member cities to educate federal and state officials to the quality of life and health impacts this challenge has upon local communities, especially those of color and/or environmental and economic hardships.



CITY OF LAKEPORT

City Council

City of Lakeport Municipal Sewer District

Lakeport Redevelopment Successor Agency

STAFF REPORT

RE: Permanent Local Housing Grant

MEETING DATE: 9/7/2021

SUBMITTED BY: Jennifer M. Byers, Community Development Director

PURPOSE OF REPORT: Information only Discussion Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being requested to Adopt a Resolution Authorizing the City of Lakeport to Submit an Application to the California Department of Housing and Community Development for Funding under the Competitive Permanent Local Housing Allocation (CPLHA).

BACKGROUND: CPLHA is a new program within the California Department of Housing and Community Development (HCD) and is funded under the Building Homes and Jobs Act (SB 2, 2017 or “Bill”), which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. This Bill will provide a permanent source of funding to all local governments in California to help cities and counties implement plans to increase the affordable housing stock.

Funding will help cities and counties:

- Increase the supply of housing for households at or below 60% of area median income
- Increase assistance to affordable owner-occupied workforce housing
- Assist persons experiencing or at risk of homelessness
- Facilitate housing affordability, particularly for lower- and moderate-income households
- Promote projects and programs to meet the local government’s unmet share of regional housing needs allocation
- Ensure geographic equity in the distribution of the funds

HCD released a NOFA (Attachment 1) for the CPLHA Program on June 7, 2021, with applications due September 14, 2021. The NOFA provides grants to Non-entitlement Local Governments in California to assist persons experiencing or at risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income.

The eligible activities are:

1. Development of new multifamily rental housing that is affordable to households at or below 60 percent of AMI or substantial rehabilitation of multifamily rental housing that will be affordable

to households at or below 60 percent of AMI, but which is not currently restricted as affordable housing. In order to be eligible as “substantial rehabilitation”, a project must complete a minimum of \$40,000 per unit in hard construction costs; or

2. Assistance to persons who are experiencing or at risk of homelessness, including, but not limited to, through rapid rehousing, rental assistance, supportive services, and case management services that allow people to obtain and retain housing, operating and capital costs for Navigation Centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing

The maximum application amount, including administrative costs, for the development of new multifamily rental housing or substantial rehabilitation of a multifamily rental housing project, or development of a Navigation Center is \$5 million. The minimum application amount shall be \$500,000.

The maximum application amount, including administrative costs, for assistance through program activities is \$1 million. The minimum application amount shall be \$500,000.

Administrative expenses may be incurred to implement the project or program activity, up to a maximum of 5% of the grant amount.

DISCUSSION: Pacific Southwest Community Development Corporation, a non-profit affordable housing developer with communities located throughout California, has requested that the City apply for the CPLHA funds to assist with the development and construction of a new affordable family apartments at 1310 Craig Avenue. The community will offer 48 units with a mix of one-, two- and three-bedroom apartments. The Area Median Income (AMI) levels will be 30-60%.

Housing affordability is an urgent issue in California, where a majority of renters pay more than 30 percent of their income toward rent and nearly one-third spend more than 50 percent of their income on rent. The cost to develop safe, affordable housing is skyrocketing. To construct affordable housing it is not unusual for developers to cobble together multiple funding sources including tax credits, HOME, CDBG, MHP and the CPLHA grants to make projects feasible.

The City will soon be releasing an RFP for use of CDBG-DR (Disaster Recovery) funds, but requirements in that grant only allows 40% of costs. Pacific Southwest Community Development Corporation has expressed interest in pursuing the CDBG-DR money and approached the City to partner with applying for the CPLHA.

The project in question is currently a portion of the Parkside Subdivision. The applicant would be required to submit appropriate applications for modifications to the entitlement prior to award of funds and any construction activities. Council’s approval to submit an application for funding does not infer approval to entitlements. If the City is awarded the grant and the applicant is unable to obtain the appropriate entitlements, then the City would notify HCD that the project is not moving forward and therefore would not receive the grant.

CPLHA requires a resolution (Attachment 2) by the City Council to authorize submittal of an application.

At this time, Staff is recommending that Council adopt the resolution authorizing the City of Lakeport to submit an application to the California State Department of Housing and Community Development for funding under the CPLHA Program, and if selected, authorize the City Manager to execute a Standard

Agreement, any amendment thereto, and any related documents necessary to participate in the CPLHA Program; and approve corresponding budget revenue and expense amendments, if the application is awarded.

OPTIONS:

1. Direct staff to proceed with the preparation of the CPLHA grant application.
2. Take no action or provide other direction to staff.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$
Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other: Fund

SUGGESTED MOTION:

Move to Adopt the Resolution authorizing the City of Lakeport to submit an application to the California Department of Housing and Community Development for funding under the CPLHA Competitive Permanent Local Housing Allocation Program, and if selected, authorize the City Manager to execute a Standard Agreement, any amendments thereto, and any related documents necessary to participate in the CPLHA Competitive Permanent Local Housing Allocation Program.

Attachments:

1. CPLHA NOFA 2021
2. CPLHA Application Submittal Resolution

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670
Sacramento, CA 95833
(916) 263-2771
www.hcd.ca.gov



June 7, 2021

MEMORANDUM FOR: All Potential Applicants

FROM: Jennifer Seeger, Deputy Director
Division of State Financial Assistance

SUBJECT: Permanent Local Housing Allocation Program
2021 Non-Entitlement Local Government Competitive
Notice of Funding Availability

A handwritten signature in black ink that reads "Jennifer Seeger".

The California Department of Housing and Community Development (Department) is pleased to announce the release of this Non-Entitlement Local Government Competitive Notice of Funding Availability for approximately **\$29 million**, including the **\$6.7 million** remaining calendar year 2019 funds for the Permanent Local Housing Allocation (PLHA) program. This funding provides grants to Non-entitlement Local Governments in California to assist persons experiencing or At risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income.

Applications must be submitted electronically to the Department's website. Requirements for uploading the application workbook and required supporting documentation, including naming conventions, are described in the application instructions available at <https://hcd.ca.gov/grants-funding/active-funding/plha.shtml>. The submittal portal will be available beginning August 23, 2021.

Applicants must upload all application materials to the Department's website no later than **11:59 p.m. Pacific Daylight Time on August 31, 2021**. Please note that the online support and technical assistance closes at 5:00 p.m. Pacific Daylight Time on August 31, 2021.

Personal deliveries will not be accepted. No facsimiles, incomplete applications, application revisions, or walk-in application packages will be accepted.

The PLHA application forms, webinar details, and Guidelines are posted on the Department's [website](#). To receive information on webinars and other updates, please subscribe to the PLHA listserv by clicking on "Email Sign up" on the Department's website. If you have any further questions, please contact CPLHA@hcd.ca.gov.

Attachment

Permanent Local Housing Allocation Program

2021

Non-Entitlement Local Government Competitive Notice of Funding Availability



**Gavin Newsom, Governor
State of California**

**Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency**

**Gustavo Velasquez, Director
Department of Housing and Community Development**

2020 West El Camino Avenue, Suite 500, Sacramento, CA 95833
Telephone: (916) 263-2771

Website: <http://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>
Email: CPLHA@hcd.ca.gov

June 7, 2021

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**Permanent Local Housing Allocation
Non-Entitlement Local Government Competitive
Notice of Funding Availability**

I. Overview

A. Notice of Funding Availability

The California Department of Housing and Community Development (Department) is announcing the availability of approximately \$29 million in funding for the Permanent Local Housing Allocation (PLHA) program Non-Entitlement Local Government Competitive Notice of Funding Availability (NOFA). This NOFA is funded from moneys deposited in the Building Homes and Jobs Trust Fund (Fund) in calendar year 2019.

Funding for this NOFA is provided pursuant to Senate Bill 2 (SB 2) (Chapter 364, Statutes of 2017). SB 2 established the Fund and authorizes the Department to allocate 70 percent of moneys collected and deposited in the Fund, beginning in calendar year 2019, to Local Governments for eligible housing and homelessness activities. The intent of the bill is to provide a permanent, on-going source of funding to Local Governments for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. The non-Entitlement competitive grant program component prioritizes assistance to persons experiencing or At risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of Area Median Income (AMI).

This NOFA outlines threshold and application requirements for Non-Entitlement Local Governments as defined in Guidelines Section 101. Non-Entitlement Local Governments are governments in areas, which are not metropolitan cities or part of an urban county as defined in Appendix A.

B. Timeline

NOFA Release Date	June 7, 2021
Application Submittal Deadline	August 31, 2021
Award Announcement	November 2021

C. Authorizing Legislation and Regulations

SB 2 (Chapter 364, Statutes of 2017) established the PLHA program. The program operates under the requirements of Health and Safety Code (HSC), Part 2 of Division 31, Chapter 2.5 (commencing with Section 50470).

Section 50470 (b)(2)(B)(i) of the HSC authorizes the Department to allocate 70 percent of the moneys collected and deposited in the Fund, beginning in calendar year 2019, for the PLHA program.

Section 50470 (b)(2)(B)(i)(I) of the HSC requires the Department to allocate 90 percent of PLHA funds based on the federal CDBG formula specified in U.S. Code (USC), 42 USC, Section 5306, except that the portion allocated to Non-Entitlement Local Governments is required to be distributed through a competitive grant program for Non-Entitlement Local Governments.

HSC, Section 50470 (d) authorizes the Department to adopt Guidelines to implement the PLHA program, not subject to the rulemaking provisions of the California Administrative Procedure Act.

This NOFA governs the administration of funding from the Fund (created by USC, Section 50470, subdivision (a)(1) and appropriated by item 2240-103-3317 in the Budget Act of 2019) and made available under the PLHA program.

Capitalized terms not otherwise defined in this NOFA shall have the meanings set forth in Guidelines Section 101.

II. Program requirements

The following is provided as a summary for the allocation of the Competitive PLHA funds to Non-Entitlement Local Governments and is not to be considered a complete representation of all program requirements, terms and conditions that will be further set forth in the Standard Agreement.

A. Eligible Applicants

An Applicant must be a Non-Entitlement Local Government. A Non-Entitlement Local Government means:

1. A Local Government in an area, which is not a metropolitan city or part of an urban county;
2. A Local Government that, as of September 1, 2017, was an incorporated city with a population of less than 50,000 or a county with an unincorporated area population of less than 200,000 persons, which had not entered into a three-year Urban County Cooperation Agreement; or
3. A Local Government that was not otherwise entitled to receive CDBG funds directly from the U.S. Department of Housing and Urban Development (HUD).

See Appendix A for a list of eligible Applicants for Non-Entitlement Local Government for fiscal year 2020-21.

For applications that include the development of a Rental Housing project, the Sponsor must be a co-Applicant with the Non-Entitlement Local Government, pursuant to Guidelines Section 400. Sponsor includes the general partner(s); if there are two general partners, both must submit all the required co-Applicant documents.

B. Eligible Activities

Pursuant to Guidelines Section 401, eligible activities under this PLHA competitive NOFA are limited to the following and must take place within the jurisdiction of the Applicant Local Government:

1. Development of new multifamily rental housing that is Affordable to households at or below 60 percent of AMI or substantial rehabilitation of multifamily rental housing that will be Affordable to households at or below 60 percent of AMI, but which is not currently restricted as Affordable housing. In order to be eligible as “substantial rehabilitation”, a project must complete a minimum of \$40,000 per unit in hard construction costs; or
2. Assistance to persons who are experiencing or At risk of homelessness, including, but not limited to, through rapid rehousing, rental assistance, supportive services, and case management services that allow people to obtain and retain housing, operating and capital costs for Navigation Centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing

C. Funding limits

The maximum application amount, including administrative costs, for the development of new multifamily rental housing or substantial rehabilitation of a multifamily rental housing project, or development of a Navigation Center is \$5 million. The minimum application amount shall be \$500,000.

The maximum application amount, including administrative costs, for assistance through program activities is \$1 million. The minimum application amount shall be \$500,000.

Administrative expenses may be incurred to implement the project or program activity, up to a maximum of five percent of the grant amount.

The total NOFA amount will be distributed equally to the two eligible activities, based on scores relative to all other applications.

If there are insufficient eligible applications to utilize the allocation for one activity, unused funds will be used to fund any other eligible applications in the other activity set forth in Guidelines Section 401(a) and this NOFA.

D. Application review and project selection

The application review process consists of two phases: 1) threshold; and 2) rating and ranking.

1. Threshold

An Applicant must submit a complete application and other documents by the deadline stated in this NOFA. Applications submitted in response to this NOFA

must meet the threshold requirements set forth in Guidelines Section 402 in detail. Threshold requirements include:

- (a) For new construction projects, a Phase I Environmental Site Assessment prepared or updated within **12 months prior to** application due date, and a Phase II environmental report if recommended by the Phase I;
- (b) Housing Element Compliance;
- (c) The Annual Progress Report (APR) required by Government Code Section 65400 for the current or prior year by the application deadline date;
- (d) A complete application, which shall meet the following minimum requirements:
 - (1) Requests a grant pursuant to Guidelines Section 100(b)(3) in order to carry out one of the eligible activities set forth in Guidelines Section 401 and this NOFA.
 - (2) Is authorized by the governing board of the Applicant and by the developer co-Applicant, if any.
 - i. If there are two (2) co-Applicants, all of the required co-Applicant information and the Resolution must be submitted for both of the co-Applicants.
 - (3) Certification in the Resolution that, if the Local Government proposes allocation of funds for any Activity to another entity, the selection process shall avoid conflicts of interest and shall be accessible to the public;
 - (4) Demonstration of readiness, including site control for development Projects, land use entitlements, environmental review, commitments of at least 40 percent of permanent funding required and resources required, a timeline and plan for use of funds, and guidelines for determining amount of funds to be provided, based on the selected activity;
 - i. Site control must be in the name of the Sponsor;
 - (5) Underwriting requirements:
 - A. Uniform Multifamily Regulations (UMRs) Subchapter 19 of Title 25, Division 1, Chapter 7 (commencing with Section 8300), as amended from time to time, and the Multifamily Housing Program Guidelines (commencing with Section 7300), as amended from time to time, are hereby incorporated by reference into this subchapter and shall apply to Rental Housing Developments receiving assistance under the PLHA competitive allocation. In the event of a conflict between the provisions of Subchapter 19 and these Guidelines, the provisions of these Guidelines shall prevail.

- (i) UMRs Section 8312(c) is hereby amended to read: (c) For projects utilizing 4 percent tax credits, developer fee payments shall not exceed the amount that may be included in project costs pursuant to 4 California Code of Regulations (CCR), Section 10327. In addition, the developer fee paid from development funding sources shall not exceed the following: (1) for acquisition and/or rehabilitation projects, or adaptive reuse projects, the lesser of the amount of developer fee in project costs or \$2 million; and (2) for new construction projects, the base limit shall be the lesser of the amount that may be included in project costs or \$2.2 million. To arrive at the final limit on developer fee paid from development funding sources, the base limit shall then be multiplied by a ratio that is the average of:
 - a. the difference between (2) and the project's high-cost ratio, as calculated pursuant to Title 4, CCR, Section 10317(i)(6) or successor language; and
 - b. 100 percent.
 - (ii) Section 8312(d) of the UMRs shall not apply.
 - (iii) UMRs Section 8314(a)(1)(A) is amended to read: (A) Approved deferred developer fee, pursuant to Section 8312, provided that the aggregate of the developer fee paid from sources and paid as deferred shall not exceed \$3.5 million.
- B. Period of affordability: All assisted rental units shall be restricted for not less than 55 years.
- C. All development projects shall demonstrate fiscal integrity. The Department shall request any other information as set forth in this NOFA or application in order to determine fiscal integrity. This shall include, but is not limited to, the following:
- i The Sponsor's organizational documents;
 - ii A market study prepared in accordance with California Tax Credit Allocation Committee requirements, and prepared or updated within 12 months prior to the application due date, which demonstrates a market for the non-Assisted Units and documents the anticipated need for the Assisted Units;
 - iii An appraisal prepared or updated at the Sponsor's expense within 24 months prior to the application due date.
 - iv A preliminary title report;
 - v For new construction projects, a Phase I Environmental Site Assessment prepared or updated within 12 months prior to the application due date, and a Phase II environmental report if recommended by the Phase I;

- vi For rehabilitation projects, lead-based paint, mold, and asbestos reports.

2. Rating and ranking

Applications submitted within a competitive funding round shall be evaluated using the following criteria as set forth in Guidelines Section 403:

Selection Criteria	Max Point
Priority Points – 25 points	
<p>A. Population – 5 points</p> <p>(i) If the Applicant is a county that has a population of 200,000 or less within the unincorporated areas of the county, the Applicant shall receive all points.</p> <p>B. Prior Award – 5 points</p> <p>(i) If the Applicant did not receive an award based on the formula specified in 42 USC, Section 5306 in 2016, the Applicant shall receive all points.</p> <p>And either C. (i) or C. (ii) or C. (iii) below:</p> <p>C. Activity</p> <p>(i) Assistance for Homeless Persons through Program Activities - 15 points</p> <p>(a) Applications to assist persons experiencing or At risk of homelessness, including but not limited to, through programs providing rapid rehousing, or rental assistance, or operating assistance to Navigation Centers shall receive all points.</p> <p style="text-align: center;">or</p> <p>(ii) Assistance to Homeless Persons through development of Navigation Centers – 15 points</p> <p>(a) Applications for construction of Navigation Centers shall receive all points.</p> <p style="text-align: center;">or</p> <p>(iii) Assistance for Homeless Persons through Rental projects – 15 points</p> <p>(a) Applications for the new construction, rehabilitation, or preservation of permanent or transitional rental housing in which all or at least 10 percent of the units are restricted to occupancy by tenants who are homeless or At risk of homelessness shall receive all points.</p>	25

Evaluation Criteria -- 75 points

A. Community Need – 30 points

- (i) Applicants will receive up to a maximum of 30 points based on the rate of households experiencing the most severe housing need according to the most recent HUD Comprehensive Housing Affordability Strategy (CHAS) dataset in the Applicant Local Government. Applicants will receive points in proportion to this percentage.
 - 0% to 19% ~ 10 points
 - 20% - 35% ~ 20 points
 - 36% - 50% ~ 30 points

B. Applicant Administrative Experience – 15 points

- (i) Applicants with prior experience during the past five years administering local, state or federal Affordable housing or community development programs or who have entered into a contract with an entity with prior experience during the past five years in the implementation of local, state, or federal Affordable housing or community development programs will receive up to 15 points.
 - Applicants with experience administering three to five programs as described above ~ 5 points
 - Applicants with experience administering six to eight programs as described above ~ 10 points
 - Applicants with experience administering more than eight programs as described above ~ 15 points

C. Demonstrated Capacity – 30 points

- (i) Capacity points will be based on:
 - (a) Sponsor experience in Affordable Rental Housing Development and Ownership in the past five years (up to 30 points)
 - Sponsor has completed and owns two Affordable Rental Housing projects – 10 points
 - Sponsor has completed and owns four Affordable Rental Housing projects – 20 points
 - Sponsor has completed and owns six Affordable Rental Housing projects – 30 points
 - or**
 - (b) Navigation Center development experience in the past five years (for development of these facilities) (up to 30 points).
 - Applicant and/or co-applicant has completed and operated one Navigation center – 10 points
 - Applicant and/or co-applicant has completed and operated two Navigation centers – 20 points
 - Applicant and/or co-applicant has completed and operated three Navigation centers – 30 points

75

- (c) Program Operator experience (for non-development Activities) in the past five years (up to 30 points)
- Program Operator has operated three programs of less than \$750,000 each – 10 points
 - Program Operator has operated six programs of between \$750,000 and \$1 million each – 20 points
 - Program Operator has operated nine programs of more than \$1 million each – 30 points

3. Tie breaker

In the event of tied point scores and insufficient funding for both applications, the Department shall rank the tied applications as follows:

- (a) If one of the tied applications is for an Affordable Rental Housing Development and the other is for a program Activity or development of a Navigation Center, the Affordable Rental Housing Development application will be selected for funding;
- (b) If one of the tied applications is for a Navigation Center and the other is for a program Activity, the Navigation Center will be selected for funding;
- (c) If both of the tied applications are for Affordable Rental Housing Developments, the project with the lowest weighted average of affordability of Restricted Units will be selected;
- (d) If both of the tied applications are for Navigation Centers, the facility that provides overnight shelter to the greatest number of people will be selected; or
- (e) If both of the tied applications are for programs, the Local Government with the highest rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset will be selected.

4. Funding award

Pursuant to Guidelines Section 401(a), the PLHA funds awarded to eligible Applicants must be used to carry out the eligible activity for which the Applicant submitted the application.

An Applicant that receives an award of PLHA funds must comply with the deadline and funding requirements set forth in Guidelines Section 405.

III. Application submission and workshops

Applications must meet eligibility requirements for Sponsor, project, and costs upon submission; see Program Requirements above for eligible Applicants, eligible projects, and eligible uses of funds. Modification of the application forms by the Applicant is prohibited. It is the Applicant's responsibility to ensure the application is clear, complete, and accurate. After the application deadline, Department staff may request clarifying information, provided such information does not affect the competitive rating of the application. No information, whether written or oral, will be solicited or accepted if this

information would result in a competitive advantage to an Applicant or a competitive disadvantage to other Applicants. No Applicant may appeal the evaluation of another Applicant's application.

A. PLHA application

The PLHA application must be submitted under this NOFA and will be funded on a competitive basis, as set forth in the Guidelines and this NOFA. The PLHA application and program Guidelines are available on the PLHA webpage.

B. Application submittal

Applications must be submitted electronically to the Department's website. Requirements for uploading the application workbook and required supporting documentation, including naming conventions, are described in the application instructions available at <https://hcd.ca.gov/grants-funding/active-funding/plha.shtml>. The submittal portal will be available beginning August 23, 2021.

Applicants must upload all application materials to the Department's website no later than **11:59 p.m. Pacific Daylight Time on August 31, 2021**. Please note that the on-line support and technical assistance closes at 5:00 p.m. Pacific Daylight Time on August 31, 2021.

Personal deliveries will not be accepted. No facsimiles, incomplete applications, application revisions, or walk-in application packages will be accepted.

Applications that do not meet the filing deadline requirements will not be eligible for funding. Applications must be on the Department's forms and cannot be altered or modified by the Applicant. Excel forms must be in Excel format, not a PDF document.

C. Application workshops

Applicants are strongly encouraged to attend the PLHA Competitive NOFA webinar to gain information critical for preparing the application, which will be discussed during the webinar. PLHA webinar dates and times are located on the Department's PLHA [webpage](#). These webinars will cover the NOFA and application.

IV. Appeal

A. Basis of appeal

1. Upon receipt of the Department's notice that an application has been determined to be incomplete, ineligible, fail threshold review, or have a reduction to the initial point score, Applicants may appeal such decision(s) to the Department pursuant to this section.

2. No Applicant shall have the right to appeal a decision of the Department relating to another Applicant's eligibility, point score, award, denial of award, or any other matter related thereto.
3. The appeal process provided herein applies solely to decisions of the Department made in this NOFA and does not apply to any decisions made with respect to any previously issued NOFAs or decisions to be made pursuant to future NOFAs.

B. Appeal process and deadline

1. **Process:** To file an appeal, Applicant must submit a written appeal to the Department, which states all relevant facts, arguments, and evidence upon which the appeal is based. Furthermore, the Applicant must provide a detailed reference to the area or areas of the application that provide clarification and substantiation for the basis of the appeal. No new or additional information will be considered if this information would result in a competitive advantage to an Applicant. Once the written appeal is submitted to the Department, no further information or materials will be accepted or considered thereafter. Appeals are to be submitted to the Department at CPLHA@hcd.ca.gov according to the deadline set forth in Department review letters.
2. **Filing Deadline:** Appeals must be received by the Department no later than five (5) business days from the date of the Department's threshold review, or initial score letter, representing the Department's decision made in response to the application.

C. Decisions

Any request to appeal the Department's decision regarding an application shall be reviewed for compliance with the Guidelines and this NOFA. All decisions rendered shall be final, binding, and conclusive, and shall constitute the final action of the Department.

V. Award announcements and contracts

A. Award announcements

The Department intends to announce awards in November 2021. Award recommendations will be posted on the [PLHA webpage](#).

B. Contracts

Successful Applicants (Awardee(s)) will enter into Standard Agreements with the Department. The Standard Agreement contains relevant terms and conditions for the funding of the award.

Standard Agreements will be prepared upon receipt of all documents necessary to enter into an agreement with the Department including but not limited to an authorizing Resolution. Standard Agreements will be sent to the Awardee(s) within

90 days after receipt of all required documentation. To facilitate efficient processing of Standard Agreements, Sponsors are strongly urged to submit organizational documents with their application. The Awardee(s) shall remain a party to the Standard Agreement for the entire term of the Standard Agreement; removal of the Awardee(s) shall be prohibited.

VI. Other state requirements

A. Administration, monitoring, and reporting requirements

A recipient of the PLHA funds must meet the administration and monitoring requirements set forth in Guidelines Sections 500 and 501, and reporting requirements in Section 503.

B. Article XXXIV

All projects shall comply with Article XXXIV, Section 1 of the California Constitution, as clarified by the Public Housing Election Implementation Law (HSC Section 37000 - 37002). Article XXXIV documentation for loans underwritten by the Department shall be subject to review and approval by the Department prior to the announcement of award recommendations.

Article XXXIV requires local voter approval before any state public body can develop, construct, or acquire a low-rent housing project in any manner. However, the Public Housing Election Implementation Law (HSC Section 37000 – 37002) provides clarification as to when Article XXXIV is applicable. HSC Section 37001, for example, lists a number of project types that are not considered “low-rent housing projects.”

Applicants must submit documentation that demonstrates the project’s compliance with, or exemption from, Article XXXIV. If a project is subject to Article XXXIV, the Department requires an allocation letter from the locality, which shows that there is Article XXXIV authority for the project. A Local Government official with authority should prepare the allocation letter and it should include the following:

1. The name and date of the proposition and the number of units that were approved;
2. A copy of the referendum and a certified vote tally;
3. The number of units that remain in the locality’s “bank” of Article XXXIV authority (i.e., the number of units that are still available for allocation); and
4. The number of units that the locality will commit to this project, including the manager unit.

If a project is statutorily exempt from Article XXXIV, the Department requires an Article XXXIV opinion letter from the Applicant’s legal counsel. The Article XXXIV opinion letter must demonstrate that the Applicant has considered both the legal requirements of Article XXXIV and the relevant facts of the project (e.g., all funding provided by public bodies, including state, county or city sources, the number of low-

income restricted units, and the general content of any regulatory restrictions). Any conclusion that a project is exempt from Article XXXIV must be supported by facts and a specific legal theory for exemption that itself is supported by the Constitution, statute, and/or case law.

C. Pet Friendly Housing Act of 2017

Housing funded through this program is subject to the Pet Friendly Housing Act of 2017 (HSC Section 50466). Each awardee will be required to submit a signed and dated certification that residents of the program-funded Housing development will be authorized to own or otherwise maintain one or more common household pets as required by HSC Section 50466. Pursuant to this statute, “common household pet” means a domesticated animal, such as a dog or cat, commonly kept in the home for pleasure rather than for commercial purposes.

D. State Prevailing Wages

Program Funds awarded under this NOFA are subject to state Prevailing Wage Law, as set forth in Labor Code Section 1720 et seq. and require the payment of prevailing wages unless the project meets one of the exceptions of Labor Code Section 1720 (c), as determined by the Department of Industrial Relations (DIR). The DIR can be contacted via its website at <https://www.dir.ca.gov/oprl/DPreWageDetermination.htm>. Applicants are urged to seek professional advice as to how to comply with state Prevailing Wage Law.

E. Relocation

Both the Applicant and the Department must comply with applicable Relocation Law, pursuant to Government Code Section 7260 et seq., Title 25, CCR, Section 6000 et seq., and if federal law is applicable (depending on project financing), Code of Federal Regulations (CFR) at 49 CFR Part 24 of the UMRs and Real Property Acquisition for Federal and Federally Assisted Programs (the “URA”) (collectively referred to herein forth as “Relocation” or “Relocation Law”).

Relocation Law provides important protections and assistance for displaced persons and entities affected by the acquisition, rehabilitation, or demolition of real property for government funded projects. Relocation Law ensures that those displaced individuals and entities whose real property is acquired, or who move (even if temporarily), as a direct result of projects receiving government funds, are treated fairly and equitably and receive assistance in moving from the property they occupy. The Department seeks to ensure that displaced persons, which includes tenants, businesses, and homeowners, do not suffer disproportionately as a result of programs designed for the benefit of the public as a whole.

At the NOFA application stage, it is premature to conduct a detailed Relocation review. At this stage, the Department only needs to confirm that Relocation is properly budgeted. Due to the importance of satisfying Relocation Law, the Applicant is encouraged to employ the services of a Relocation consultant to procure a good faith estimate of the potential Relocation cost, which may (or may not) necessitate a

Relocation plan. The Department has found that the services of a professional Relocation consultant may save an Awardee money and time in the loan process.

The importance of satisfying Relocation Law cannot be understated. Failure to follow the Relocation requirements will result in the project not being funded by the Department. Applicants cannot circumvent Relocation Law to avoid Relocation payment assistance by simply not renewing leases, which is not permissible under Relocation Law. At the construction loan close stage, the Department will notify all lenders that failure to satisfy Relocation Law, particularly the improper displacement of individuals or entities, could jeopardize Department funding.

F. Accessibility and non-discrimination

All projects or programs shall adhere to the accessibility requirements set forth in California Building Code Chapter 11A and 11B and the Americans with Disabilities Act, Title II. In addition, projects or programs shall adhere to either the Uniform Federal Accessibility Standards (UFAS) standards, 24 CFR Part 8, or HUD's modified version of the 2010 Americans with Disabilities Act (ADA) Standards for Accessible Design (Alternative 2010 ADAS), HUD-2014-0042-0001, Federal Register, 79 FR 29671 (5/27/14) (commonly referred to as "the Alternative Standards" or "HUD Deeming Memo"). Accessibly units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project and be available in a sufficient range of sizes and amenities consistent with 24 CFR Section 8.26.

Recipients shall adopt a written non-discrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under state or federal fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with program funds made available pursuant to this NOFA.

Recipients shall comply with the requirements contained in the ADA, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Act, Government Code Section 11135, Rehabilitation Act Section 504, and regulations promulgated pursuant to those statutes, including 24 CFR Part 100, 24 CFR Part 8, and 28 CFR Part 35, in all of the Sponsor's activities.

VII. Other Terms and Conditions

A. Right to Modify or Suspend

The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA at any time, including without limitation, the

amount of funds available hereunder. If such an action occurs, the Department will notify all interested parties and will post the revisions to the Department's website. To receive updates, please subscribe to our PLHA listserv. Please note that in the event this NOFA is amended, the Department will require new authorizing Resolutions from successful Applicants and all constituent entities thereof.

B. Disclosure of application

Information provided in the application will become a public record and available for review by the public, pursuant to the California Public Records Act (Government Code section 6250 et seq.). As such, any materials provided will be disclosed to any person making a request under this Act. The Department cautions Applicants to use discretion in providing information not specifically requested, including, but not limited to, bank account numbers, personal phone numbers, and home addresses. By providing this information to the Department, the Applicant is waiving any claim of confidentiality and consents to the disclosure of submitted material upon request.

C. Conflicts

In the event of any conflict between the terms of this NOFA and either applicable state or federal law or regulation, the terms of the applicable state or federal law or regulation shall control. Applicants are deemed to have fully read and understand all applicable state and federal laws, and Guidelines pertaining to PLHA, and understand and agree that the Department shall not be responsible for any errors or omissions in the preparation of this NOFA.

APPENDICES

Appendix A: Non-Entitlement Local Government Competitive NOFA 2021

Eligible Applicants for Non-Entitlement Local Government				
Alpine County	Dixon	Lake County	Point Arena	Vernon
Alturas	Dorris	Lakeport	Portola	Wasco
Amador City	Dos Palos	Lassen County	Rancho Mirage	Weed
Amador County	Dunsmuir	Lemoore	Red Bluff	Westmorland
American Canyon	El Centro	Lincoln	Rio Dell	Wheatland
Anderson	El Dorado County	Live Oak	Rio Vista	Williams
Angels	Etna	Livingston	Riverbank	Willits
Arcata	Eureka	Loomis	San Benito County	Willows
Artesia	Exeter	Los Banos	San Joaquin	Winters
Arvin	Farmersville	Loyalton	San Juan Bautista	Woodlake
Atwater	Ferndale	Madera County	San Juan	Yolo County
Auburn	Firebaugh	Mammoth Lakes	Sand City	Yountville
Avenal	Fort Bragg	Maricopa	Santa Cruz	Yreka
Benicia	Fort Jones	Marina	Scotts Valley	Yuba County
Biggs	Fortuna	Mariposa County	Shasta County	
Bishop	Fowler	Marysville	Shasta Lake	
Blue Lake	Glenn County	McFarland	Sierra County	
Brawley	Grass Valley	Mendocino County	Siskiyou County	
Butte County	Greenfield	Merced County	Solano County	
Calaveras County	Gridley	Modoc County	Soledad	
Calexico	Grover Beach	Mono County	Sonora	
Calimesa	Guadalupe	Montague	South Lake Tahoe	
Calipatria	Gustine	Mount Shasta	St. Helena	
Calistoga	Hidden Hills	Napa County	Suisun City	
Capitola	Hollister	Nevada City	Susanville	
Carmel-by-the-Sea	Holtville	Nevada County	Sutter County	
Chowchilla	Humboldt County	Orange Cove	Sutter Creek	
Clearlake	Huron	Orland	Taft	
Coalinga	Imperial	Oroville	Tehama	
Colfax	Imperial County	Pacific Grove	Tehama County	
Colusa	Indian Wells	Palos Verdes	Trinidad	
Colusa County	Industry	Parlier	Trinity County	
Corcoran	Inyo County	Pismo Beach	Truckee	
Corning	Ione	Placer County	Tulare County	
Crescent City	Jackson	Placerville	Tulelake	
Del Norte County	King City	Plumas County	Tuolumne County	
Dinuba	Kings County	Plymouth	Ukiah	

RESOLUTION NO. XXXX (2021)

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT AUTHORIZING
THE APPLICATION FOR THE PERMANENT LOCAL HOUSING
ALLOCATION PROGRAM NON-ENTITLEMENT LOCAL GOVERNMENT
COMPETITIVE COMPONENT**

The City Council of the City of Lakeport (“Applicant”) hereby consents to, adopts and ratifies the following resolution:

- A. WHEREAS, the Department is authorized to provide up to \$29 million under the SB 2 Permanent Local Housing Allocation Program Competitive Component from the Building Homes and Jobs Trust Fund for assistance to Cities and Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2)).
- B. WHEREAS the State of California (the “State”), Department of Housing and Community Development (“Department”) issued a Notice of Funding Availability (“NOFA”) dated *06/07/2021* under the Permanent Local Housing Allocation (PLHA) Program Competitive Component.
- C. WHEREAS the City of Lakeport is an eligible non entitlement Local government who has applied for program funds to administer an eligible activity; for Parkside Apartments and the amount of CPLHA funds not to exceed \$5,000,000.
- D. WHEREAS the Department may award, subject to selection criteria set forth in PLHA guidelines section 403, funding allocations for applicants recommended for funding, subject to the terms and conditions of the Guidelines, NOFA, Program requirements, the Standard Agreement and other contracts between the Department and PLHA competitive grant recipients.

NOW THEREFORE BE IT RESOLVED THAT:

- 1. If Applicant is awarded a grant of PLHA funds from the Department pursuant to the above referenced PLHA Competitive Component NOFA, it represents and certifies that it will use all such funds in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including without limitation all rules and laws regarding the PLHA Program, as well as any and all contracts Applicant may have with the Department.
- 2. Applicant hereby agrees to use the PLHA funds for the eligible activity for which the Applicant has submitted an application, as set forth in Section 401 of the Guidelines, and as awarded and approved by the Department in accordance with all Program requirements, Guidelines, other rules and laws, as well as in a manner consistent and in compliance with the Standard Agreement and other contracts between the Applicant and the Department.

3. Pursuant to Applicant's certification in this resolution, the PLHA funds will be expended only for the eligible Activity for which the Applicant has submitted an application, and consistent with all program requirements.
4. Applicant certifies that, if funds are awarded for the development of new multifamily housing at or below 60 percent of AMI or substantial rehabilitation of multifamily rental housing at or below 60 percent of AMI, Applicant shall comply with Uniform Multifamily Regulations Subchapter 19, Title 25, Division 1, Chapter 7, commencing with Section 8300 and the Multifamily Housing Program Guidelines commencing with Section 7300.
5. Applicant certifies that, if funds are awarded for the development of an Affordable Rental Housing Development, the Local Government shall make PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project, and such loan shall be evidenced through a Promissory Note secured by a Deed of Trust and a Regulatory Agreement shall restrict occupancy and rents in accordance with the Department-approved underwriting of the Project for a term of at least 55 years.
6. Applicant shall be subject to the terms and conditions as specified in the Standard Agreement, the PLHA Program Guidelines and any other applicable SB 2 Guidelines published by the Department.
7. The City Manager is authorized to execute the PLHA Competitive Component Program Application, the PLHA Competitive Component Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the PLHA Competitive Component grant awarded to Applicant, as the Department may deem appropriate.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Lakeport held on September 7, 2021 by the following vote:

AYES: _____ NOES: _____

ABSENT: ___ ABSTAIN: ___

Kenneth Parlet II, Mayor
Lakeport City Council

CERTIFICATE AND SIGNATURE OF THE ATTESTING OFFICER

The undersigned, Officer of the City of Lakeport does hereby attest and certify that the foregoing Resolution is a true, full and correct copy of a resolution duly adopted at a meeting of the City Council of the City of Lakeport which was duly convened and held on

the date stated thereon, and that said document has not been amended, modified, repealed or rescinded since its date of adoption and is in full force and effect as of the date hereof.

ATTEST: _____
Kelly Buendia, City Clerk



City Council
City of Lakeport Municipal Sewer District
Lakeport Redevelopment Successor Agency

STAFF REPORT	
RE: Small Community Drought Relief Funding Application	MEETING DATE: 9/7/2021
SUBMITTED BY: Paul Harris, Utilities Superintendent	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to approve the resolution to submit an application for funding associated with the Small Community Drought Relief Program.

BACKGROUND/DISCUSSION:

The Department of Water Resources is currently accepting applications for the Small Community Drought Relief Program. The program is funded by the Budget Act of 2021 designed for small disadvantaged communities to improve, upgrade or replace infrastructure that will be impacted by drought.

With council approval, staff will be submitting an application to replace our 4" Well at Scotts Creek. This well will likely run dry in the Fall due to the current drought conditions as it did in 2014. This is our second highest producing well and will have an impact to our overall capacity and redundancy. The application is for the amount of \$1,000,000.00.

Staff just became aware of this funding opportunity and would like to submit an application in a timely manner as the funding will be a first come, first serve basis. We remain committed to seeking eligible grants to help offset capital improvement costs for long term rate stability. This particular project was previously identified and is currently part of our 10 year CIP.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments:

SUGGESTED MOTIONS:

Move to approve the resolution to submit an application to the Small Community Drought Relief Program for the replacement of our 4" Well.

- Attachments:**
 1. Authorizing Resolution
 2. Guidelines for the Small Community Drought Relief Program

RESOLUTION NO. (2021)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT AUTHORIZING THE GRANT APPLICATION, ACCEPTANCE, AND EXECUTION FOR THE 4' WELL REPLACEMENT

WHEREAS, City of Lakeport proposes to implement 4" Well Replacement; and

WHEREAS, 4" Well Replacement is being implemented in response to a drought scenario, as defined by Water Code section 13198(a) and is intended to: (1) address immediate impacts on human health and safety; (2) address immediate impacts on fish and wildlife resources; or, (3) provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies; and

WHEREAS, City of Lakeport has the legal authority and is authorized to enter into a funding agreement with the State of California;

WHEREAS, City of Lakeport intends to apply for grant funding from the California Department of Water Resources for the 4" Well Replacement;

THEREFORE, BE IT RESOLVED by the City Council of the City of Lakeport as follows:

1. That pursuant and subject to all of the terms and provisions of Budget Act of 2021 (Stats. 2021, ch. 69, § 112), the City of Lakeport City Manager, or designee is hereby authorized and directed to prepare and file an application for funding with the Department of Water Resources, and take such other actions as necessary or appropriate to obtain grant funding.
2. The City of Lakeport City Manager, or designee is hereby authorized and directed to execute the funding agreement with the Department of Water Resources and any amendments thereto.
3. The City of Lakeport City Manager, or designee is hereby authorized and directed to submit any required documents, invoices, and reports required to obtain grant funding.

The foregoing Resolution was passed and adopted at a regular meeting of the City Council on the 7th day of September, 2021 by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

KENNETH PARLET, Mayor

ATTEST:

KELLY BUENDIA, City Clerk

State of California
Natural Resources Agency
Department of Water Resources
Division of Regional Assistance

2021
GUIDELINES
for the
SMALL COMMUNITY DROUGHT RELIEF PROGRAM



Funded by:
GENERAL FUND PURSUANT TO THE BUDGET ACT OF 2021

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Foreword

This document contains the California Department of Water Resources' (DWR's) Small Community Drought Relief Program Guidelines (Guidelines). The Program is funded by the Budget Act of 2021 (Stats. 2021, ch. 69, § 112). This document is a standalone document intended to provide the required information for grant applicants. Potential applicants are encouraged to read the entire document prior to submitting their application.

This document contains the procedures for submitting applications for grant funding. All qualified, and interested parties are encouraged to submit a grant proposal.

Contact

For questions about this document or its contents, please contact the Small Community Drought Relief Program at (559) 230-3309 or by email at SmallCommunityDrought@water.ca.gov.

Website

This document, as well as other pertinent information about the Small Community Drought Relief Program, can be found at <https://water.ca.gov/Water-Basics/Drought>.

Due Date and Application Submittal

There will be no formal proposal solicitation for this Program. Small communities impacted by the drought are encouraged to apply as soon as possible. Applications for funding will be accepted on a first come first served basis until all the funds are awarded, or until December 29, 2023, whichever comes first. **No applications will be accepted after December 29, 2023.**

All applicants are encouraged to submit their applications electronically to SmallCommunityDrought@water.ca.gov.

Hard copy application packages should be submitted to:

California Department of Water Resources
Division of Regional Assistance
South Central Region Office
3374 E. Shields Avenue
Fresno, CA 93726
Attn: Alena Misaghi

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Acronyms and Abbreviations

§	Code or regulatory section
CEQA	California Environmental Quality Act
CLC	California Labor Code
CWC	California Water Code
DAC	Disadvantaged Community
DIR	Department of Industrial Relations
DWR	Department of Water Resources, State of California
GHG	Greenhouse Gas
Program	Small Community Drought Relief Program
SAFER	Safe and Affordable Funding for Equity and Resilience Program
SDAC	Severely Disadvantaged Community
SWRCB	State Water Resources Control Board

SMALL COMMUNITY DROUGHT RELIEF PROGRAM GUIDELINES

I. PURPOSE AND USE

This document establishes the process, procedures, and criteria that the Department of Water Resources (DWR) will use to implement the Small Community Drought Relief Program. It provides both general information of the program and detailed information for submitting applications. Included is information about program requirements; eligible applicants and projects; submittal, and review of grant applications; and the grant funding award process.

II. INTRODUCTION AND OVERVIEW

Two hundred million dollars of General Fund monies have been appropriated for the Small Community Drought Relief Program in response to the 2021 drought. Funds will be available for encumbrance or expenditure until June 30, 2024.

In the first quarter of 2021, it became apparent that California was in a drought because of the prevailing hydrological conditions. Climate change-induced early warm temperatures and extremely dry soils had depleted the expected runoff water from the Sierra-Cascade snowpack, resulting in historic and unanticipated reductions in the amount of water flowing to the major rivers and reservoirs in the state, especially in Klamath River, Sacramento-San Joaquin Delta and Tulare Lake Watershed counties.

Governor Newsom proclaimed a state of emergency for drought on April 21, 2021 and May 10, 2021 to cover the counties most affected. On July 8, 2021, the drought emergency proclamation was expanded to cover 50 counties of the State as the drought worsened. The drought emergency proclamations directed state agencies to take immediate action to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems if dry conditions extend to a third year.

A. Authority

The Small Community Drought Relief Program (Program) was authorized by the Legislature pursuant to the Budget Act of 2021 (Stats. 2021, ch. 69, §112) and its Trailer Bill, Assembly Bill 148 (Stats. 2021, ch. 115, § 97). The Trailer Bill authorized specified state agencies, defined as implementing agencies, to, subject to an appropriation for these purposes, to make grants and direct expenditures for interim or immediate relief in response to conditions arising from a drought scenario to address immediate impacts on human health and safety and on fish and wildlife resources and to provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies.

The Trailer Bill defined drought scenario as when the Governor has issued a proclamation of a state of emergency pursuant to the California Emergency Services Act based on drought conditions or when the State Water Resources Control Board determines, subject to specified requirements, that drought conditions necessitate urgent and immediate action to ensure availability of safe drinking water, to protect public health and safety, or to avoid serious and irreparable harm to fish or wildlife.

The Program is authorized to fund “interim or immediate relief” as defined in Water Code section 13198(c). “Interim or immediate relief” means any of the following:

- (A) Hauled water.
- (B) Temporary community water tanks.
- (C) Bottled water.
- (D) Water vending machines.
- (E) Emergency water interties.
- (F) New wells or rehabilitation of existing wells.
- (G) Construction or installation of permanent connections to adjacent water systems, recycled water projects that provide immediate relief to potable water supplies, and other projects that support immediate drought response.

B. Intent and Objectives

The intent of the Small Community Drought Relief Program is to provide immediate and near-term financial and technical support to help small communities survive this and future droughts. Financial support includes grants for recipients to implement projects that satisfy program objectives. Technical support includes, but not limited to, DWR directly providing project management, engineering and construction management services to construct infrastructure for beneficiaries where it will best serve the program objectives.

The program aims to implement needed resiliency measures and infrastructure improvements for small water suppliers and rural communities. The Program will support projects and programs that provide immediate and near-term water supply reliability benefits and improve small communities’ drought and water shortage resiliency and preparedness.

The specific objectives are to implement projects that provide reliable water supply sources, improve water system storage, replace aging and leaking pipelines, and provide alternative power sources for operation (emergency generators). Potential projects include emergency and permanent interties, well deepening, second well, fixing or replacing leaking water lines, construction or upgrade of intake structures, additional water storage facilities and tanks.

The Program will also provide funding for hauled water, temporary community water tanks, bottled water, water vending machines, and emergency water interties, as a bridge to more permanent and drought resilient solutions.

C. Coordination with Other Agencies

DWR is responsible for administering the Program, including soliciting proposals (where necessary), organizing application reviews, preparing and administering grant agreements, monitoring project progress, and program oversight through the terms of the grant agreement.

Proposals received by this Program will be coordinated with other DWR programs to ensure efficiency and avoid duplication. Furthermore, DWR will collaborate with the State Water Resources Control Board (SWRCB) Financial Assistance Program as well as the Safe and Affordable Funding for Equity and Resilience (SAFER) Program.

III. ELIGIBILITY REQUIREMENTS

A. Eligible Grant Applicants

Applicants applying to the Small Community Drought Relief Grant Program grants must meet all relevant eligibility criteria in order to be considered for funding. In addition, entities that are currently recipients of another grant from DWR must be in compliance with the terms of that grant, including up-to-date progress reports, at the time of award to be eligible to receive funds from this Program. Entities applicants include:

- Public agencies (e.g., Counties, cities)
- Public utilities
- Special districts (e.g., school districts, community service districts, irrigation districts, flood control districts, reclamation districts)
- Colleges and universities
- Mutual water companies
- Nonprofit organizations¹
- Federally recognized Indian tribes
- State Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List

DWR will also be considering projects referred from the SWRCB as well as projects developed through direct DWR engagement with communities via existing drought task forces and other existing local assistance programs.

B. Eligible Project Types

Eligible projects for the Small Community Drought Relief Program shall be in counties included in Governor Newsom's state of emergency proclamations for 2021. Any county or jurisdiction included in a future drought proclamation by the Governor or for circumstances for which the SWRCB determines that drought conditions necessitate urgent and immediate action to ensure availability of safe drinking water, to protect public health and safety, will also qualify for funding.

To be eligible for the Small Community Drought Relief Grant Program funding, projects must be designed to benefit small communities, and rural communities. Eligible projects must address one or more program objectives. Examples of projects that meet the intent of the program are provided below. This list is not exhaustive; other projects can be considered at the discretion of DWR as providing program benefits.

Table 1 - Examples of Eligible Projects	
Category	Project Examples
Hauled water	1. Transporting water via truck from source to beneficiary community. 2. Transporting water via rail from source to beneficiary community.
Temporary community water tanks	3. Installing temporary water tanks at locations for community use. 4. Installing temporary water tanks at private homes, if deemed feasible and necessary by program.

¹ "Non-profit organization" means an organization qualified to do business in California and qualified under Section 501(c)(3) of Title 26 of the United States Code.

Bottled water	5. Distribution of bottled water for drinking.
Water vending machines	6. Installing of potable water vending machines at public places for community consumption.
Emergency water interties	7. Constructing emergency water interties.
New wells or rehabilitation of existing wells	8. Drilling of new community wells. 9. Rehabilitation of existing water system wells. 10. Equipping of new wells. 11. Equipping of existing wells. 12. Installation of well-head treatment.
Construction or installation of permanent infrastructure	13. Connections to adjacent water systems. 14. Recycled water projects that provide immediate relief to potable water supplies. 15. Installation of water system pipelines. 16. Installation of booster pump stations. 17. Installation of water intake works. 18. Installation of water storage tanks. 19. Construction of other projects that support immediate and near-term drought response.

IV. PROGRAM REQUIREMENTS

For all projects awarded funding by DWR, the grantee will need to execute a funding agreement with the State. It is **HIGHLY** recommended that applicants review the grant agreement template prior to submission of their proposal. If applicants are not able to abide by the terms and conditions contained therein, applicants should not submit a proposal. The following is a partial list of requirements that will be contained within any funding agreement:

A. Conflict of Interest

All participants are subject to State conflict-of-interest laws. Failure to comply with these laws, including business and financial disclosure provisions, will result in the proposal being rejected and any agreement being declared void. Other legal action may also be taken. Applicable statutes include, but are not limited to, Government Code section 1090 and Public Contract Code sections 10410 and 10411.

As part of the conflict of interest requirements, individuals working on behalf of a funding recipient (grantee) may be required by the State to file a Statement of Economic Interests (Fair Political Practices Commission Form 700) if it is determined that an individual is a consultant for Political Reform Act purposes.

B. Confidentiality

Applicants should be aware that when submitting a proposal to the State, they will waive their rights to the confidentiality of the contents of the proposal. Once a decision on an application has been made by DWR, the proposal is subject to disclosure pursuant to the California Public Records Act (Gov. Code, § 6250 et seq.).

C. Labor Code Compliance

As part of the funding agreement, the funding recipient shall agree to be bound by all the provisions of the Labor Code regarding prevailing wages, and shall monitor all contracts subject to reimbursement from the funding agreement to assure that the prevailing wage provisions of the Labor Code are being met. Current Department of Industrial Relations (DIR) requirements may be found at: <http://www.dir.ca.gov/lcp.asp>. Before submitting an application, applicants are urged to consult with their legal counsel regarding Labor Code compliance. DWR will not advise applicants on Labor Code compliance. For more information, please refer to DIR's Public Works Manual at: <http://www.dir.ca.gov/dlse/PWManualCombined.pdf>. The funding recipient will also affirm that it is aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance.

D. Compliance with the CEQA and Other Environmental Laws

All activities funded pursuant to the Program must comply with the California Environmental Quality Act (CEQA) (Pub. Resources Code, § 21000 et seq.). Any work that is subject to CEQA and funded under a funding agreement shall not proceed until documents that satisfy the CEQA process are received by DWR, and DWR has completed its CEQA compliance. Alternatively, the grantee shall notify DWR if they believe their activities will not be considered a project under CEQA, or that their activities qualify for a CEQA exemption. DWR must ensure the adequacy of the CEQA documents before it can provide funding; therefore, early coordination between the lead agency and DWR during the preparation of the CEQA documents will help expedite DWR's review and approval process.

If CEQA compliance by the grantee or lead agency is not complete at the time a funding agreement is executed by the parties, once DWR has considered the environmental documents, it may decide to require changes, alterations, or other mitigation to the Project; or to not fund the Project. Should the State decide to not fund the Project, the funding agreement shall be terminated. Any work subject to CEQA that proceeds prior to DWR's review and approval process being completed, will not be reimbursed and the amount will be reduced from the award amount.

For general information about environmental compliance, refer to the website provided in Appendix A.

E. Greenhouse Gas Compliance

In 2005, California Governor Schwarzenegger's Executive Order S-3-05 committed the State to reduce greenhouse gas (GHG) emissions. One year later, the Governor signed the "Global Warming Solutions Act of 2006" (Assembly Bill [AB] 32), which legally obligates the state to reduce GHG emissions to 1990 levels by 2020. Analysis of GHG emissions was made a requirement in the CEQA Guidelines in December 2009, becoming effective March 18, 2010.

All CEQA documents must analyze potential project-related GHG emissions. As a Responsible Agency, DWR must also evaluate potential GHG emissions for the proposed project before exercising its discretion to give final approval for a grant. Applicants can refer to *Informal Guidance for DWR Grantees: GHG Assessment for CEQA Purposes*, which can be obtained at the link provided in Appendix A. This document provides an overview of how DWR approaches GHG emissions analysis in CEQA documents related to its grant-funded projects.

F. Competitive Bidding and Procurement

A grantee's contracts with other entities for the acquisition of goods, services, and construction of public works with funds provided by the State must be in writing and shall comply with all applicable laws and regulations regarding the securing of competitive bids and undertaking competitive negotiations. If a funding recipient does not have a written policy to award contracts through a competitive bidding or sole source process, Department of General Services' State Contracting Manual rules must be followed and are available at: <https://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting>. Applicants with questions regarding competitive bidding requirements should be directed to their counsel. DWR will not advise applicants on competitive bidding requirements.

G. Signage or Acknowledgement of Credit

To the extent practicable, a project supported by funds from the Small Community Drought Relief Grant Program, will include signage and other relevant forms of acknowledgement informing the public that the project received funds from DWR and the Budget Act of 2021. Specific verbiage will be included in the final grant agreement.

H. Indemnify and Hold Harmless

As part of the funding agreement, grantees shall indemnify and hold harmless the State, its officers, agents, and employees from any and all liability from any claims and damages (including inverse condemnation) arising from the planning, design, construction, repair, replacement, rehabilitation, maintenance, and operation of the project, and any breach of the funding agreement.

V. FUNDING LIMITATIONS

A total of \$192 Million in funding from the General Fund is available for grants under this program.

A. Project Time Limit

Applicants should note that the time allotted for the expenditure or encumbrance of funds is only three years. All funds must be encumbered or expended by June 30, 2024.

B. Funding Match/Cost Share Requirements

No cost-share is required but encouraged. Grantees are required to provide details of all other costs and funding sources integral to the project that are not covered by grant funding. In addition, grantees are required to show cost share (e.g., federal, local, other funds, or in-kind services) if an awarded project costs more than the grant amount. Any project awarded grant funds must be completed and operational such that it alleviates drought conditions. Failure to complete the project by a grantee may result in required repayment of grant funds disbursed.

C. Eligible Costs for Reimbursement

Only costs incurred from the issuance of commitment letters issued to successful applicants will be eligible for reimbursement. Advance funds will not be provided except as allowed. Applicants that have demonstrated cashflow problems to the satisfaction of DWR may be provided advance payment of up to 25 percent of grant funds awarded.

Eligible project costs may include the reasonable costs of studies, engineering, design, project construction, and other work directly related to the scope of work. Reimbursable administrative expenses are the necessary incidental costs that are directly related to the project.

Costs associated with travel are eligible for reimbursement if the travel expenses are reasonable, justifiable, and necessary for the successful completion of the project. Allowable reimbursement rates for mileage, lodging, and per diem are limited to the requirements specified by the California Department of Human Resources (<http://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>). No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from the State.

Costs that are not eligible for reimbursement include but are not limited to:

- Costs incurred prior to the execution of the funding agreement or issuance of a commitment letter.
- Purchase of equipment that is not an integral part of the project.
- Purchase of water supplies that are not an integral part of the project.
- Establishing a reserve fund.
- Replacement of existing funding sources for ongoing programs.
- Support of existing punitive regulatory agency requirements and/or mandates in response to negligent behavior.
- Purchase of land in excess of the minimum required acreage necessary to operate as an integral part of the project, as set forth and detailed by engineering and feasibility studies, or land purchased prior to the execution of the grant agreement.
- Payment of principal or interest of existing indebtedness or any interest payments.
- Operation and maintenance costs.
- Costs incurred as part of any necessary response and cleanup activities required under the Comprehensive Environmental Response, Compensation, and Liability Act; Resource Conservation and Recovery Act; Hazardous Substances Account Act; or other applicable law.
- Any federal or state taxes.
- Expenses incurred in preparation of the proposal or an application for another program
- Any indirect costs. Indirect Costs means those costs that are incurred for a common or joint purpose benefiting more than one cost objective and are not readily assignable to the funded project (i.e., costs that are not directly related to the funded project).

Examples of Indirect Costs include, but are not limited to: central service costs; general administration of the Funding Recipient; non-project-specific accounting and personnel services performed within the Funding Recipient's organization; depreciation or use allowances on buildings and equipment; the costs of operating and maintaining non-project-specific facilities; tuition; conference fees; and, generic overhead or markup. This prohibition applies to the grantee and any subcontract or sub-agreement for work on the funded project that will be reimbursed with grant funds from DWR.

VI. PROPOSAL SOLICITATION

The following sections provide instructions on proposal submittal requirements, information about the selection process, and program schedule. There will be no formal proposal solicitation package. Applicants are therefore encouraged to apply as soon as possible.

Applications will be processed as they are received until funds are exhausted or until December 29, 2023, whichever comes first. Applications and supporting documentation received after this date will not be reviewed or considered for funding.

A. Publication of Guidelines

Publication of the Guidelines will be posted on: <https://water.ca.gov/Water-Basics/Drought>. Proposals and enquiries can be sent to SmallCommunityDrought@water.ca.gov.

VII. APPLICATION INSTRUCTIONS

A complete application package will include one (1) original complete application marked as "ORIGINAL," and four copies or (1) electronic copy (in MS Word or searchable pdf format) of the original application submitted via email.

A. How to Submit

Applicants must submit the items stated above. Electronic submission to SmallCommunityDrought@water.ca.gov is preferred. The address for mailing by U.S. mail, overnight courier, or hand delivery of hardcopy application components is as follows:

California Department of Water Resources
Division of Integrated Regional Water Management
South Central Region Office
3374 E. Shields Avenue
Fresno, CA 93726
Attn: Alena Misaghi

B. What to Submit – Required Application Components

This section presents the required elements of an application for a grant funded by the Small Community Drought Relief Program. Applicants must submit a complete application by the deadline of December 29, 2023.

A complete application consists of the items included in Appendix B, including:

Attachment 1 – Organizational, Financial, and Legal Information

- Part I: Application Cover Sheet
- Part II: Applicant's Representatives
- Part III: Summary of Project Costs
- Part IV: Authorizing Resolution

Attachment 2 – Project Proposal, Tasks, and Budget

Appendix B contains an application checklist, followed by application Attachments 1, and 2. For reviewing purposes, it is recommended that applicants use the form documents provided (Attachment 1) and the outline provided for project proposals (Attachment 2), though other

formats with at least the same information will be considered.

VIII. REVIEW

A. Completeness and Eligibility Review

All applications will undergo eligibility and completeness review for the required items listed in these Guidelines. If an application is determined to be ineligible, the application will not be reviewed or considered for funding. All eligible applications will be evaluated as described below. The application will be evaluated based on what is contained in the application. Applicants may be asked to provide additional information as needed to complete the application upon DWR's request.

B. Technical Evaluation

All eligible grant applications will undergo a technical evaluation. First, project proposals will be evaluated by program staff. Program staff will evaluate the proposals to determine if they meet program objectives. Each proposal will be reviewed by at least two qualified program staff.

Following the completion of the technical reviews by program staff, DWR supervisory-level staff will review and finalize evaluations, then develop funding recommendations for the Program Division Manager's approval. Following approval of the funding recommendations by the Program Division Manager, the funding recommendations will be communicated through the appropriate DWR chain-of-command. The applicant will then be notified.

IX. EVALUATION CRITERIA

The grant funding is non-competitive. Therefore, the proposals will not be scored. The proposals will only be evaluated against program objectives. Applicants must specify their eligibility in their proposals.

A. Standard Criteria

Projects must benefit communities not supplied by an urban water supplier as defined in California Water Code (CWC) Sec 10617. Urban water suppliers are those that provide drinking water with 3,000 connections or more or more than 3,000 acre-feet per year.

B. Modified Funding Amounts

DWR may recommend modified grant amounts from that requested in order to equitably distribute the limited funding available for this Program and/or to better meet program objectives.

X. AWARD AND AGREEMENT PROCESS

A. Funding Awards

Once a funding recommendation is developed by program staff, and approved by DWR's management, the selected grant recipient/s will receive a commitment letter officially notifying them of their selection and the grant amount.

B. Grant Administration and Agreement Procedures

Following the funding commitment, DWR will execute a grant agreement with the grant recipient. Grant agreements are not executed until signed by the authorized representative of the grant recipient and DWR. For reference, Appendix C provides grantees with a summary of the minimum materials that will need to be maintained during the life of the grant agreement for State auditing purposes.

APPENDIX A – WEB LINKS

DWR

Home Page <https://water.ca.gov/>

Grants And Loan Information <https://water.ca.gov/Work-With-Us/Grants-And-Loans>
Small Community Drought Relief

Program <https://water.ca.gov/Water-Basics/Drought>

Environmental Compliance

General Environmental Compliance
Information <http://opr.ca.gov/ceqa/>

CEQA Document Submission <http://opr.ca.gov/clearinghouse/ceqa/document-submission.html>

Other Information

California Department Of Industrial
Relations <http://www.dir.ca.gov/>

APPENDIX B – GRANT APPLICATION PACKET

Grant Application Checklist <i>The following information is required to be submitted in proposal applications.</i>	
	ATTACHMENT 1 <i>Organizational, Financial, and Legal Information</i>
	Part I: Application Cover Sheet
	Part II: Applicant's Representatives
	Part III: Summary of Project Costs
	Part IV: Authorizing Resolution
	ATTACHMENT 2 <i>Project Proposal, Tasks, and Budget</i>
	Project Proposal

Attachment 1, Part I – Application Cover Sheet

Application for Small Community Drought Relief Grant Program pursuant to Budget Act of 2021

The City of Lakeport
(Exact legal name of local entity applying for the grant)

Of 225 Park St. Lakeport, CA 95453
(Mailing address of local entity)

Of the County of Lake, State of California, does hereby apply to the California Department of Water Resources for a grant in the amount of \$1,000,000.00. For the following project under the Small Community Drought Relief Program:

4" Well Replacement
(Specify project title)

By _____ Date _____
(Signature of authorized representative)

Kevin Ingram City Manager
(Print or type name of authorized representative) (Title)

Telephone (707)263-3578 ext. 402 _____ E-mail pharris@cityoflakeport.com

Brief Proposal Description:

Replace the 4" well at Scotts Creek. This is a shallow well that goes dry during drought
conditions. We anticipate losing this supply well by the end of September. It is our second
largest producer and will put a strain on our system.

Attachment 1, Part II – Applicant’s Representatives

Project Name 4” Well Replacement

Primary Project Contact

Name Paul Harris Title Utilities Superintendent

Address 225 Park St. Lakeport, CA 5453

Telephone (707)263-3578 ext. 402 FAX (707) 263-1514

E-mail pharris@cityoflakeport.com

Alternate Project Contact

Name Olivia Grupp Title Project Management

Address 225 Park Street, Lakeport CA 95453

Telephone (707)263-3578 ext. 406 FAX (707)263-1514

E-mail ogrupp@cityoflakeport.com

Alternate Project Contact (If Applicable)

Name _____ Title _____

Address _____

Telephone (_____) _____ FAX (_____) _____

E-mail _____

Type of Organization: City
(city, county, water district, non-profit, etc.)

Attach a copy of the applicant’s charter and the names and titles of its officers.

Attachment I, Part III – Summary of Project Costs

Provide a summary of the financing information about the proposed project, including cost share (if applicable).

		<u>% of Total Cost</u>
Total Cost of Project:	\$ <u>1,000,000</u>	
Amount Requested:	\$ <u>1,000,000</u>	<u>100</u>
Amount of Cost Share ⁽¹⁾ :	\$ _____	_____
Amount of Federal Contribution:	\$ _____	_____
In-kind Contributions:	\$ _____	_____
Amount to Funded by Others Sources: (Describe below in table.)	\$ _____	_____

Sources of funds from partner agencies for this project, if applicable:

Amount	Name of Source	Status of Funds ⁽²⁾
\$		
\$		
\$		
\$		
Total: \$		

Is the project entirely benefiting a Disadvantaged Community (DAC) or Severely Disadvantaged Community (SDAC)? (Y/N): Yes

If the project is partially benefiting DAC or SDAC, provide percentage of grant funds to directly benefit a DAC or SDAC: _____

Additional explanation, if necessary:

Notes:

⁽¹⁾ No cost share is required; however, grantees are required to show cost share (e.g., federal, local, or other funds) if an awarded project costs more than the grant amount.

⁽²⁾ Identify the current status of funds: available, planned/budgeted, awarded or pending.

Attachment I, Part IV – Authorizing Resolution

If possible, include a resolution adopted by the applicant's governing body authorizing the application for a grant under this program that designates a representative to sign the application, and in the event of an award of grant funds, a representative to execute the funding agreement and all necessary documentation (e.g., invoices, progress reports, etc.). If the resolution has not been adopted prior to the application's submission, indicate in the proposal document when a signed resolution will be received by DWR. A signed, certified resolution must be received prior to the execution of a grant agreement with the State. In some cases an applicant may have a standing (permanent) delegation, applicable ordinance, or bylaws that already delegate a representative. In such cases, please include the applicable documents with your application. Attached is a sample resolution template that may be used:

RESOLUTION NO. [xxxx]

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT
AUTHORIZING THE GRANT APPLICATION, ACCEPTANCE, AND EXECUTION
FOR THE 4' WELL REPLACEMENT

WHEREAS, City of Lakeport proposes to implement 4" Well Replacement;

WHEREAS, 4" Well Replacement is being implemented in response to a drought scenario, as defined by Water Code section 13198(a) and is intended to: (1) address immediate impacts on human health and safety; (2) address immediate impacts on fish and wildlife resources; or, (3) provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies;

WHEREAS, City of Lakeport has the legal authority and is authorized to enter into a funding agreement with the State of California; and

WHEREAS, City of Lakeport intends to apply for grant funding from the California Department of Water Resources for the 4" Well Replacement;

THEREFORE, BE IT RESOLVED by the City Council of the City of Lakeport as follows:

1. That pursuant and subject to all of the terms and provisions of Budget Act of 2021 (Stats. 2021, ch. 69, § 112), the [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to prepare and file an application for funding with the Department of Water Resources, and take such other actions as necessary or appropriate to obtain grant funding.

2. The [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to execute the funding agreement with the Department of Water Resources and any amendments thereto.
3. The [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to submit any required documents, invoices, and reports required to obtain grant funding.

CERTIFICATION I hereby certify that the foregoing Resolution was duly and regularly adopted by the [Governing Body Name] of the [agency name] at the meeting held on [date], motion by [member name] and seconded by [member name], motion passed by the following vote:

AYES:

12121NOES:

ABSTAIN:

ABSENT:

Kelly Buendia
City Clerk, City of Lakeport

Attest:

Kelly Buendia
City Clerk

Attachment 2 – Project Proposal, Tasks, & Budget

Applicants are required to submit a project proposal with a detailed task breakdown to complete the Small Community Drought Relief Program grant application. The proposal should provide detailed descriptions, discussion, and documentation for each of the proposal sections listed below. The proposal should describe the tasks that will be undertaken to implement the project and include a budget and schedule that support and are consistent with the identified tasks.

The level of detail must be sufficient to allow reviewers to understand the level of effort of the work being performed and to relate the proposed work to the budget so that the cost estimates can be substantiated. Page limits and character limits are not specified. The applicant should determine the level of detail required to convey how the proposed project meets the objectives and requirements outlined in the Guidelines.

The project proposal must include the following items, with at least as much detail as specified in the descriptions below.

1. Title of Project

Provide the title of the project. The title must be descriptive and provide an idea of what the project is meant to achieve.

2. Project Management

Provide the name, contact information, and description of qualifications of the following persons associated with the project. The roles of key personnel must be clearly defined. Key personnel associated with the project must have sufficient expertise to complete the project, and evidence of competence in the proposed area of work must be provided.

Project Director: Responsible for executing the grant agreement and any amendments and approving invoices for the applicant. Persons that are subcontractors to be paid with the grant funds cannot be listed as the Project Director.

Project Manager: Day-to-day contact from the applicant, agency, or organization.

Other Cooperators: Cooperating individuals and agencies, including consultants, who will be participating in the implementation of the project.

Information for other key personnel associated with the project may also be provided, if applicable. Qualifications may be enhanced through partnerships with other institutions; these relationships with other institutions should be clearly defined and described.

Discussion and evidence of institutional capacity to successfully complete the project should be provided in this section. The discussion should show that proposed personnel, facilities, and equipment are adequate for successfully completing the project.

3. Scope of Work and Project Description

Provide a scope of work that briefly summarizes the project activities and tasks that will be implemented to achieve proposed outcomes.

Provide a project description that explains the work to be performed and an overview of deliverables for assessing progress and accomplishments. A complete project description should be concise and include the following information:

A brief explanation of the goals and objectives, or purpose and need, for the project.

Description of the components of the project that will be funded by DWR.

If the project constitutes a phase of a larger, multi-phase project, including a discussion of how the phase of work supported by DWR funds can operate or be functional without the implementation of other phases of work.

A description of existing contracts, Memorandums of Understanding, Joint Powers Authorities, or other formal agreements with project partners, if applicable.

A description of the project location including overlying jurisdiction (city, county, state, or federal land), assessor parcel numbers, property addresses, and the latitude/longitude of the project site. It is suggested to include a project map that shows the project's geographical location and the boundaries of the work.

4. Project Objectives and Program Priorities

Project goals and objectives should be clearly described, adequately developed, and appropriate to help achieve the stated program objectives. When possible, quantifiable objectives should be proposed. Objectives may be presented in a tabular or bulleted format to aid in the review and presentation of the information.

The proposal should identify if the proposed project meets any of the stated program priorities and to what extent they are met. Describe and provide sufficient documentation to support how the project meets one or more of the program priorities stated in the Guidelines.

5. Task Breakdown

The task breakdown should contain descriptions of all of the tasks necessary to complete the proposed project. The descriptions must contain enough detail to sufficiently explain all the work necessary to complete each task, to demonstrate that the tasks are ready for implementation, to prove that there is a high expectation of successful implementation, and to show that the tasks are consistent with the project schedule and budget. Project tasks may be broken into subtasks for additional clarification of the project components. The task breakdown shall include, at a minimum, the following elements:

Description of the tasks and subtasks required to complete the project.

Identification of the budget and costs associated with each task. Proposed costs should be detailed and specific and should be reasonable for the proposed work.

Schedule for implementing each task, including the start and end date for each task.

Summary of deliverables and reporting tasks, including quarterly progress reports, invoices, a final report, and a post-completion report.

6. Schedule

Provide a schedule for implementation of the project showing the sequence of tasks and timing. The schedule should be detailed and specific. The schedule must show the start and end dates as well as milestones for each task and should be formatted in a horizontal bar or Gantt chart. The schedule should also illustrate dependencies on preceding tasks by showing appropriate linkages. The schedule must be consistent with the task breakdown and the budget. Assume a realistic start date for your proposed project, and anticipate a 2-year performance period. The schedule must indicate readiness to start the project when funding becomes available.

7. Budget

The budget should include a tabular summary of project costs. This section of the proposal should serve as a budget summary section, while the task breakdown should include a detailed explanation of the task item costs and documentation of costs and billing rates.

The tabular cost estimate should be organized by task breakdown and should indicate a funding source for the costs attributed to each task. Subtasks and their relative costs should also be included, if applicable. Consistency with the work items shown in the task breakdown should be apparent. The funding source breakdown included in the budget table should indicate costs from the following types of sources: grant amount requested, cost-share (if applicable), federal contribution, in-kind contributions, and other contributions. A column indicating total project cost should also be included.

8. Deliverables

Mandatory grant reporting tasks include the submittal of quarterly progress reports, invoices, a final report, and a post-completion report. Other additional deliverables may be applicable to the project, including technical studies, technical memorandums, and other documents useful for reporting the progress of the project. Provide a discussion of proposed project deliverables, proposed timelines for the deliverables (the schedule may be referenced), and other deliverables if appropriate to the project.

APPENDIX C – RECORDS RETENTION GUIDELINES FOR GRANTEES

The lists below provide details on the documents/records that State auditors would need to review in the event that a funding agreement is audited. Grantees should ensure that such records are maintained. Where applicable, this list of documents also includes documents relating to the grantee's cost share that will be required for audit purposes.

State Audit Document Requirements

Internal Controls

1. Organization chart (e.g. agency's overall organization chart and organization chart for the grant or loan funded program/project)
2. Written internal procedures and flowcharts for the following:
 - a. Receipts and deposits
 - b. Disbursements
 - c. State reimbursement requests
 - d. Grant or loan expenditure tracking
 - e. Guidelines, policies, and procedures on grant or loan-funded program/project
3. Audit reports of the agency's internal control structure and/or financial statements for the last two years
4. Prior audit reports on grant or loan-funded program/project

Grants or Loans

1. Original grant or loan agreement, amendment(s), and budget modification documents
2. A listing of all bond-funded grants or loans received from the State
3. A listing of all other funding sources for each program/project

Contracts

1. All subcontractor and consultant contracts and related or partners' documents, if applicable
2. Contracts between the agency and member agencies as related to the grant or loan funded program/project

Invoices

1. Invoices from vendors and subcontractors for expenditures submitted to the State for payments under the grant or loan
2. Documentation linking subcontractor invoices to State reimbursement, requests, and related grant or loan budget line items
3. Reimbursement requests submitted to the State for the grant or loan

Cash Documents

1. Receipts (copies of warrants) showing payments received from the State

2. Deposit slips (or bank statements) showing deposit of the payments received from the State
3. Cancelled checks or disbursement documents showing payments made to vendors, subcontractors, consultants, and/or agents under the grants or loans
4. Bank statements showing the deposit of the receipts

Accounting Records

1. Ledgers showing entries for or loan receipts and cash disbursements
2. Ledgers showing receipts and cash disbursement entries of other funding sources
3. Bridging documents that tie the general ledger to requests for grant or loan reimbursement

Administration Costs

1. Supporting documents showing the calculation of administration costs

Personnel

1. List of all contractors and agency staff that worked on the grant or loan-funded program/project
2. Payroll records including timesheets for contractor staff and the agency personnel who provided services charged to the program

Project Files

1. All supporting documentation maintained in the project files
2. All grant or loan-related correspondence

Cost Share Guidelines

Cost Share (often referred to as Funding Match) consists of non-State funds including in-kind services. In-kind services are defined as work performed or items contributed (i.e., dollar value of non-cash contributions) by the grantee (and potentially other parties involved) directly related to the execution of the scope of work (examples: volunteer services, equipment use, and facilities). Guidelines are provided below for documenting cost share with and without in-kind services.

1. Although tracked separately, in-kind services shall be documented and, to the extent feasible, supported by the same methods used by the funding recipient for its own employees. Such documentation should include the following:
 - a. Detailed descriptions of the contributed item(s) or service(s)
 - b. Purpose for which the contribution was made (tied to Funding Agreement Work Plan)
 - c. Name of contributing organization and date of the contribution
 - d. The real or approximate value of the contribution. Who valued the contribution and how the value was determined? (e.g., actual, appraisal, fair market value, etc.). Justification of rate. (See item #2, below)
 - e. For contributed labor, the person's name, the work performed, the number of hours contributed, and the pay rate applied

- f. If multiple sources exist, these should be summarized on a table with summed charges
 - g. Source of contribution and whether it was provided by, obtained with, or supported by government funds
- 2. Rates for volunteer or in-kind services shall be consistent with those paid for similar work in the funding recipient's organization. For example, volunteer service of clearing vegetation performed by an attorney shall be valued at a fair market value for this service, not the rate for professional legal services. In those instances in which the required skills are not found in the recipient's organization, rates shall be consistent with those paid for similar work in the labor market. Paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- 3. Funding match contribution (including in-kind services) shall be for costs and services directly attributed to activities included in the Funding Agreement Work Plan. These services, furnished by professional and technical personnel, consultants, and other skilled and unskilled labor, may be counted as in-kind if the activities are an integral and necessary part of the State-funded program/project under the Funding Agreement.
- 4. Cash contributions made to a program/project shall be documented as revenue and in-kind services as an expenditure. These costs should be tracked separately in the funding recipient's accounting systems.



CITY OF LAKEPORT

- City Council
- City of Lakeport Municipal Sewer District
- Lakeport Redevelopment Successor Agency
- Lakeport Industrial Development Agency
- Municipal Financing Agency of Lakeport

STAFF REPORT	
RE: Reserve/Pension Policy Adoption, Investment Policy Amendment, Presentation on Recommendation of POB options and Authorization to Issue POB	MEETING DATE: 09/07/2021
SUBMITTED BY: Nicholas Walker, ACM/Finance Director	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt a Reserve/Pension Policy, amend the Investment Policy, receive a presentation on the recommendation to issue Pension Obligation Bonds (“POB’s”) and adopt a resolution confirming the issuance of POB’s to refinance outstanding obligations of the City of Lakeport (“City”), approving an Official Statement and Bond Purchase Agreement and related actions.

BACKGROUND/DISCUSSION:

On May 18, 2021 the City Council voted to appoint Mayor Parlet and Councilmember Green to a UAL Policy and Restructuring Ad Hoc Committee (“Ad Hoc”). Over the past several months the Ad Hoc has been working closely with the financing team consisting of staff, NHA Advisors, Jones Hall and Hilltop Securities. After multiple meetings and significant progress, we have reached a point for staff to present the Ad Hoc recommendations.

RESERVE/PENSION AND INVESTMENT POLICY:

A primary task of the Ad Hoc was to prepare and recommend policy to support the management of the City’s unfunded accrued liability (“UAL”) with CalPERS and potential issuance of POB’s. An existing pension policy did not exist at the City and the reserve policies adopted annually as a part of the budget are simple and relatively weak. The budget document reserve policies are provided for reference as Attachment #1.

A key component of a financially stable organization is sufficient reserves. Strong reserves allow an organization to weather economic downturns and address unexpected emergencies while keeping impacts to City services to

a minimum. In addition to strengthening the City General Reserve, this policy sets forth funding mechanisms to achieve the goals of improving City streets and roads, replacing vehicles and paying down unfunded liabilities.

Attachment #2 is a Reserve and Pension Policy that is being recommended by the Ad Hoc. The recommended Reserve and Pension Policy achieves multiple objectives as follows:

1. Provides for conformity with United States Generally Accepted Accounting Principles in relation to Government Accounting Standards Board Statement Number 54.
2. Establishes a Road Improvement and Maintenance Fund
3. Establishes a Vehicle and Equipment Replacement Fund
4. Establishes a Pension and Other Post Employment Benefit Reserve Fund (“PORF”) which will be established in the form of an Internal Revenue Code Section 115 Trust Fund.
5. Establishes components for General Reserve and Enterprise Reserve minimum fund balance requirements.

For illustrative purposes an example of fund balance reporting in accordance with the policy is provided below:

	June 30, 2020 Audited Ending General Fund Balance		\$ 5,664,956
	21-22 General Fund Operating Expenditures		\$ 5,750,133
	Recommended Policy Allocations to Components of Fund Balance:		
	Nonspendable		
	Advances to other funds		289,481
	Restricted		
	Law Enforcement		9,887
	Debt Reserve		45,000
	Committed		
	General Reserve:		
	Operating Reserve	15%	862,520
	Reserve for Economic Uncertainties	20%	1,150,027
	Disaster Reserve	10%	575,013
	Total General Reserve	45%	<u>2,587,560</u>
	Road Improvement and Maintenance Fund		100,000
	Vehicle and Equipment Replacement Fund		30,000
	Pension and Other Post Employment Benefit Reserve Fund		600,000
	Lakefront Park Contribution		805,570
	Assigned		
	Capital Improvement Program		1,000,000
	Unassigned		
			197,458
	Total General Fund Balance		<u>5,664,956</u>

Attachment #3 is a tracked changes version of a proposed change to the existing City of Lakeport, City of Lakeport Municipal Sewer District and Lakeport Municipal Financing Agency Investment Policy. The proposed change excludes investment activities of pension and other post-employment benefit trust fund like the PORF established by the Reserve and Pension Policy which will take form as an Internal Revenue Code Section 115 Trust Fund.

RESERVE/PENSION AND INVESTMENT POLICY ANALYSIS:

Upon the City issuance of any POB, the Reserve and Pension Policy will trigger the formation of a PORF. Proceeds from the sale of the POB will be used to pay off bases of UAL directly with CalPERS. The PORF will be established as an Internal Revenue Code Section 115 Trust Fund with an initial deposit of \$600,000 from City General Fund balance. In establishing the Internal Revenue Code Section 115 Trust Fund, staff will solicit interested Section 115 Retirement Trust providers. Providers typically offer a variety of investment funds which are composed of different allocations of marketable securities that could range from conservative to aggressive asset allocations. Proposals from Section 115 Retirement Trust providers will be presented to the City Council for selection in the future, together with the selection of the proposed asset allocations.

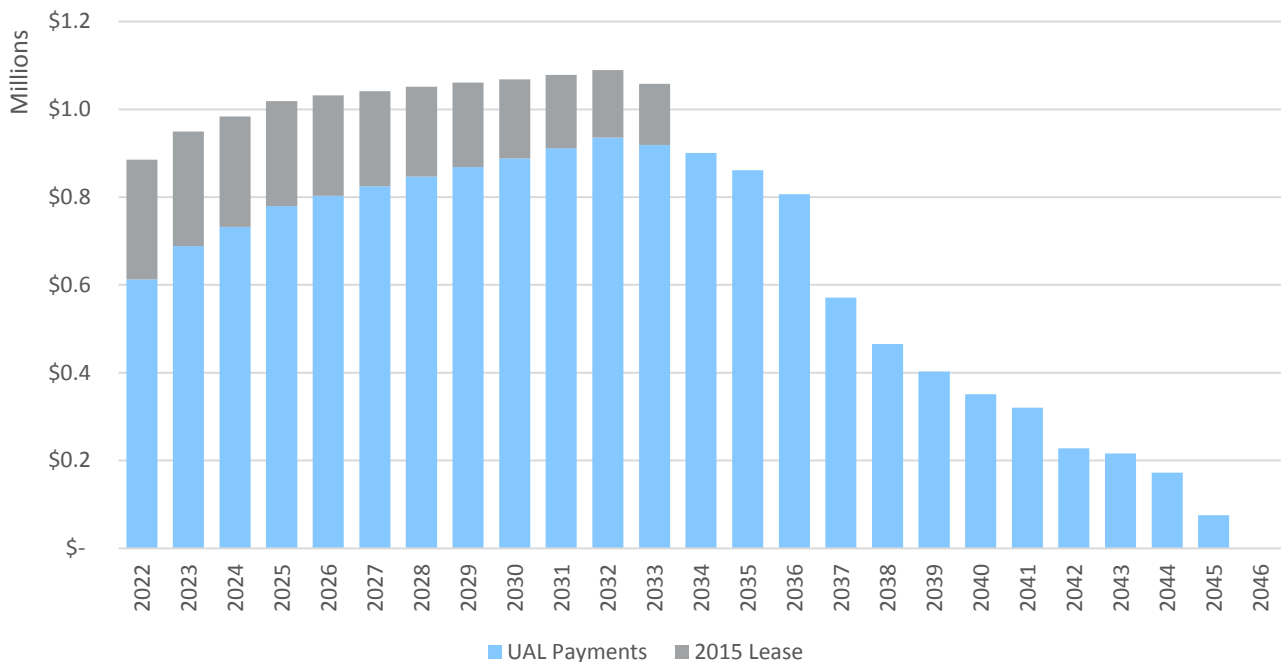
PENSION OBLIGATION BONDS:

Over the last 8 years, the City’s unfunded accrued liability (“UAL”) for its CalPERS Miscellaneous and Safety Plans has grown 22%, from \$6.9 million to about \$8.4 million (6/30/2021 projected valuation). This UAL represents the shortfall/gap between what is needed to pay retiree benefits versus how much in current assets the City actually has in its accounts with CalPERS. Combined with the remaining principal on the lease agreement with Umpqua Bank that the City entered into in 2015 to restructure a portion of its then-existing UAL, the City has about \$10.4 million in pension liability on its balance sheet. Annual payments made to amortize the existing CalPERS UAL and payments to Umpqua Bank have grown rapidly from about \$602,000 in FY 2017 to \$791,000 in FY 2021 and are projected to grow to over \$1.0 million per fiscal year by FY 2025 and nearly \$1.1 million by FY 2032.

The City’s \$8.4 million UAL is not required to be repaid all at once but is amortized over a longer period (with different components amortized over different time periods, most between 8 and 29 years) at a discount rate (equivalent to an interest rate on bonded debt) of 7%. The City’s 2015 UAL restructuring lease with Umpqua Bank is scheduled to mature in FY 2033 and carries an interest rate of 4.25%.

Pension cost increases are the largest financial challenge facing most cities and other local agencies throughout the state and are primarily due to factors outside of their control, namely actuarial assumption changes made by CalPERS and investment returns generated by CALPERS that do not meet CALPERS’ 7% discount rate.

Lakeport UAL + 2015 Lease Payment Schedule

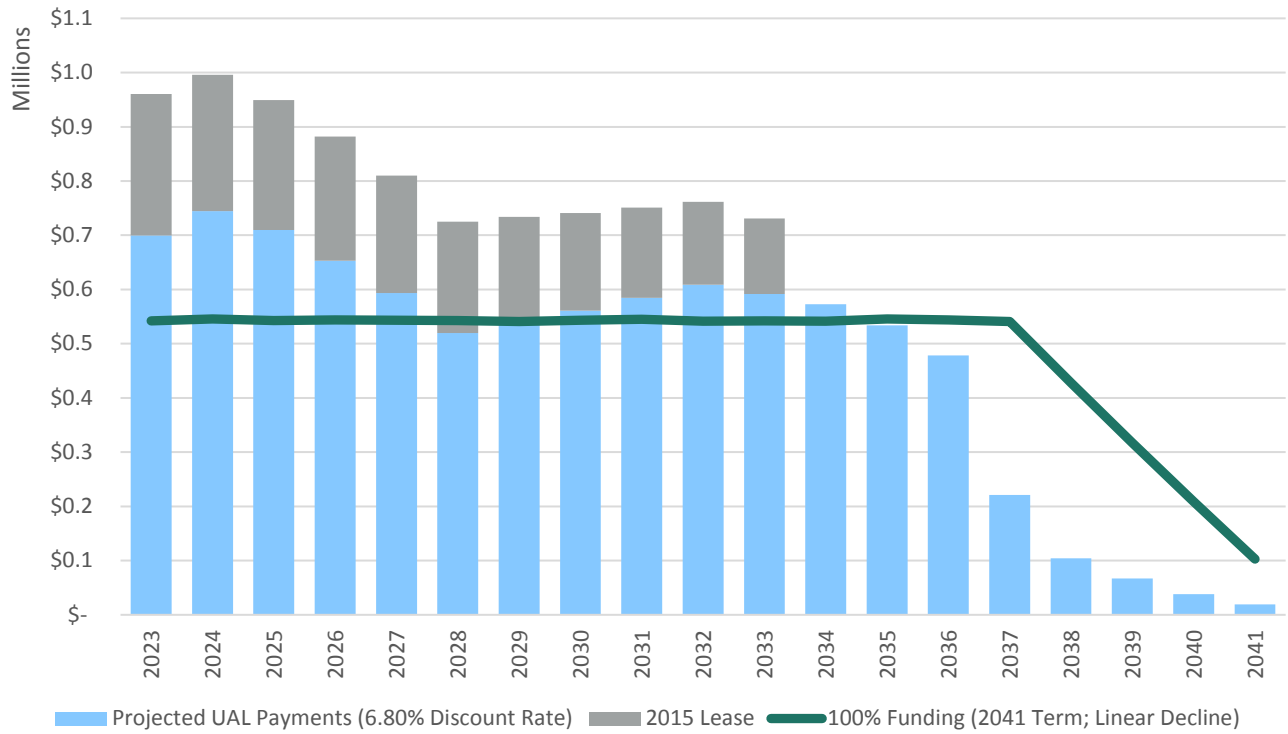


Another primary task of the Ad Hoc was to investigate and recommend, if appropriate, issuing pension obligation bonds (POBs) to pay off all or a portion of the UAL and the Umpqua Bank obligation to achieve several objectives:

- **Fiscal Sustainability Tool:** Ability to “re-shape” the City’s overall pension repayment in a way that creates enhanced long-term fiscal sustainability, budgetary predictability, and enhanced resiliency to future economic shocks.
- **Near-Term Budgetary Savings:** By modifying the current near term “peak” in scheduled payments to CALPERS into a more predictable (i.e., level or nearly level) structure, near term cash flow savings are created and could be used to address other City priorities (capital, building reserves, etc.).
- **Interest Rate Savings “Arbitrage”:** City can borrow at rates much lower (currently ≈ 3.00% depending on term and credit) than those CalPERS is charging on the UAL debt (7.00%) or that is payable with respect to the Umpqua Bank obligation (4.25%).
- **Increase Pension Funding Ratio:** Current ratios range from about 74% (Miscellaneous) to 78% (Safety); these could be increased to between 90% and 100% through the restructuring.
- **Modify Maturity:** Shorten or lengthen repayment period as deemed most fiscally appropriate.
- **Leverage Savings through Improved Policies:** The City could consider developing a policy that includes leveraging the savings created through the restructuring to continue funding its separate irrevocable trusts to higher levels which will be solely dedicated to pension and OPEB expenses.
- **Other Refinancing Benefits:** The 2015 lease is currently able to be refinanced for economic savings and also allows the City to unencumber City assets used to secure the lease (i.e. City Hall, Fire Station, Westside Park).

Impacts from Recent 21.3% Returns and Imminent Discount Rate Reduction: The City is expected to benefit from a UAL reduction due to the recent strong earnings of 21.3% by CalPERS. However, some of that benefit will be offset by a discount rate (CalPERS target rate of return) reduction. It is expected that the discount rate will be lowered to somewhere between 6.50% and 6.80%. Thus, the City’s UAL is expected to drop to between \$5.7 million (6.80% discount rate) and \$7.3 million (6.50% discount rate) once these changes are incorporated in next year’s actuarial reports. ***Since there is a chance that the City’s UAL may be as low as \$5.7M, the proposed POB size has been prudently lowered to match this projected sizing.***

At the August 11, 2021 UAL Restructure Ad Hoc meeting, a comprehensive presentation was made summarizing the POB evaluation and financing process. After the results of the stress testing were discussed, staff determined to move forward with exploring a 19-year level POB option with a linear decline structure. Based on current interest rates, the estimated savings to the City (assuming CalPERS earns 6.8% in the future) for this structure are shown below:



Metrics	100% Funding (2041 Term; Linear Decline)
UAL Funded (\$)	\$5,756,226
% UAL Funded (Current Asset Valuations)	69%
Funded Ratio (Current Asset Valuations)	93%
% UAL Funded (Projected After FY 2021 Returns)	100%
Funded Ratio (Projected After FY 2021 Returns)	100%
Maturity	19 Years
Average Life	9.6 Years
All-In Interest Rate	2.66%
Present Value Savings (%)	24.38%
Present Value Savings (\$)	\$1,869,245
Cumulative Savings	\$24,988,776
Savings (2023-2033)	\$3,068,792
Avg. Annual Savings (2023-2033)	\$278,981

The savings metrics shown above are estimated based on current market conditions and a 6.8% CalPERS discount rate and investment returns. Projected savings is ultimately dependent on future CalPERS returns and assumption changes, which are unknown at the time of issuance. A general rule of thumb is that present value savings occur so long as CalPERS earns greater returns than the pension bond interest rate. Additionally, near-term market

swings after issuance can exacerbate market timing and reinvestment risk given the large lump sum deposit that would be invested with CalPERS.

NHA and Hilltop Securities performed a series of stress-tests to quantify this risk for the City and potential downside scenarios. The table below provides a high-level overview of estimated changes to projected savings under various discount rate and market return scenarios. Stress tests include a significant reduction in the discount rate (to 5.5% and 6.0%) as well as a near term market downturn (CalPERS misses their mark by 10%, 15%, and 20%). While PV savings is reduced under each of these downside scenarios, the results shown below show that the City is still projected to be better off having issued the POB that if it hadn't (i.e. PV savings drops from \$1.9M to between \$700K and \$1.3M under these downside scenarios).

Estimated UAL Sensitivity (100% UAL Funding)					
	Discount Rate Change		CalPERS Target Missed in 1st Year After Issuance (6.8% Returns Thereafter)		
	5.5% Discount Rate & Annual Earnings	6.0% Discount Rate & Annual Earnings	Target Missed by 10% (-3% Returns)	Target Missed by 15% (-8% Returns)	Target Missed by 20% (-13% Returns)
Baseline PV Savings	\$1,869,245	\$1,869,245	\$1,869,245	\$1,869,245	\$1,869,245
Reduction in PV Savings	(\$874,153)	(\$594,004)	(\$595,422)	(\$893,132)	(\$1,190,843)
Net PV Savings (\$)	\$995,092	\$1,275,241	\$1,273,823	\$976,113	\$678,402
Net PV Savings (%)	12.98%	16.63%	16.62%	12.73%	8.85%

PENSION OBLIGATION BOND DOCUMENTS FOR REVIEW AND APPROVAL:

On May 18, 2021, the City Council approved a resolution authorizing the issuance of pension obligation bonds to refund a portion of the City's obligation owed to CalPERS and the Umpqua Bank obligation, and to initiate a judicial validation action. With the assistance of bond counsel (Jones Hall), the City successfully obtained a default judgment in the action in late July, and the 30-appeal period expired in late August. It is therefore now appropriate and timely to approve the Official Statement and Bond Purchase Agreement related to the bonds so the bonds can be sold via public offering.

Resolution 2021- XXX (Attachment #3) being recommended for approval tonight authorizes staff to complete the pension obligation financing, and approves forms of the following documents:

1. Preliminary Official Statement (Attachment #4); and
2. Bond Purchase Agreement (Attachment #5)

Preliminary Official Statement: Disclosure Counsel prepares a preliminary Official Statement with input from the financing team including tables relating to the City's general fund finances. Following City Council authorization, the preliminary Official Statement will be distributed by the Underwriter (Hilltop Securities) and used as the primary marketing document to prospective bond purchasers. A table of contents identifies critical topics such as the plan of finance, security for the bonds, information on the City, information on the general fund of the City, the continuing disclosure requirements and the form of opinion of bond counsel. The agenda packet includes a draft of the preliminary Official Statement that the financing team considers to be essentially final. A final Official Statement will be made available shortly after the pension obligation bonds are sold; it will be identical to the preliminary Official Statement except that it will reflect the final bond sale information.

The distribution of the preliminary Official Statement and the final Official Statement is subject to the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the preliminary Official Statement to include all facts that would be material to an investor in the pension obligation bonds. Material information exists where there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell securities. The Securities and Exchange Commission (SEC), the agency with regulatory authority over compliance with the federal securities laws, has indicated that if a member of a legislative body, like the City Council, has knowledge of any facts or circumstances that an investor would want to know prior to investing in securities, like the pension obligation bonds, whether relating to their repayment, taxable status, undisclosed conflicts of interest

with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the preliminary Official Statement. The steps that a member of the City Council could take to fulfill this obligation include becoming familiar with the preliminary Official Statement and questioning staff and other members of the financing team about the disclosure of such facts.

Bond Purchase Agreement: The bond purchase agreement is between the City and Hilltop Securities Inc., as Underwriter, whereby the Underwriter will agree to purchase the pension obligation bonds contingent upon the City satisfying the obligations imposed within the agreement. The Underwriter agrees to make a bona-fide public offering of the bonds to the general public and to purchase the bonds from the City in an “arms-length” transaction.

UPDATED SCHEDULE:

Upon approval of the Preliminary Official Statement and Bond Purchase Agreement, the City’s financing team will begin the process of marketing the POBs to investors. It is expected that the earliest the City will sell its POBs and close the financing is late September or early October. However, it is important to note that the City’s financing team is actively monitoring current market conditions and other financing considerations in determining the best time to sell the bonds into the market. Assuming City Council approval, the financing team is prepared to move quickly to sell the POBs at the optimal time and maximize the City’s benefit.

OPTIONS:

1. Adopt the Pension and Reserve Policy, amendments to the Investment Policy and Resolution XXX confirming the issuance of POBs and related documents as recommended by the Ad Hoc and staff.
2. Modify and adopt policies and/or resolution.
3. Do not approve policies and/or resolution and provide direction to staff.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Water OM Fund Sewer OM Fund Other:

Comments:

SUGGESTED MOTIONS:

Move to Adopt the Pension and Reserve Policy, amendments to the Investment Policy and Resolution XXX confirming the issuance of POBs and related documents.

Attachments:

1. Reserve Policies from Budget Document
2. City of Lakeport and CLMSD Reserve and Pension Policy
3. City of Lakeport, CLMSD and LMFA Investment Policy
4. Presentation Slide Deck
5. Resolution Confirming Issuance and Approving Bond Documents
6. Preliminary Official Statement
7. Bond Purchase Agreement

Reserve Policies

- A minimum fund balance reserve in the General Fund will be maintained at all times. The minimal, optimal level required for this reserve will be 25% of the General Fund operating budget. The reserve will be drawn down as a funding source of last resort and used only after other reserve accounts have been accessed.
- The actual and final General Fund surplus will first be used to fully fund the required General Fund reserve. At the recommendation of the City Manager to the City Council, and remaining general fund surplus or balance may be transferred to any other governmental or proprietary fund.
- The unappropriated fund balance in the General Fund will be maintained at a level sufficient to provide adequate working capital and to accommodate required adjustments to other reserve accounts, including the reserves for advances to other funds, deposits and prepaid items.
- Funding levels of General Fund reserves will be reviewed during periods of economic stagnation to avoid reductions in operating service levels.
- Appropriations or use of funds from any designated reserves will require City Council approval.

CITY OF LAKEPORT AND CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT

RESERVE AND PENSION POLICY

PURPOSE AND INTENT

A key component of a financially stable organization is sufficient reserves. Strong reserves allow an organization to weather economic downturns and address unexpected emergencies while keeping impacts to City services to a minimum. In addition to strengthening the City General Reserve, this policy sets forth funding mechanisms to achieve the goals of improving City streets and roads, replacing vehicles and paying down unfunded liabilities.

DEFINITIONS

“Assigned Fund Balance” means fund balance that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

“Committed Fund Balance” means fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Disaster Reserve” means committed fund balance equal to 10% of annual operating expenditures for the purpose of funding costs or revenue losses as a result of a city council declared disaster.

“General Reserve” means committed fund balance equal to 45% of annual operating expenditures. The General Reserve currently includes a Disaster Reserve, an Operating Reserve and a Reserve for Economic Uncertainties.

“Generally Accepted Accounting Principles” or “GAAP” means a collection of commonly-followed accounting rules and standards for financial reporting.

“Nonspendable Fund Balance” means fund balance that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

“Operating Reserve” means committed fund balance equal to 15% of annual operating expenditures for the purpose of maintaining sufficient cash on hand for general fund expenditures.

“Pension Obligation Bond” or “POB” means General Obligation Bonds issued with the sole purpose of funding pension related unfunded accrued liability.

“Reserve for Economic Uncertainties” or “REU” means committed fund balance equal to 20% of annual operating expenditures for the purpose of funding costs or revenue losses as a result of an economic downturn

“Restricted Fund Balance” means fund balance that is subject to externally imposed restrictions, imposed by law, covenant or enabling legislation.

“Unfunded accrued liability” or “UAL” means the market value of the assets minus the discounted value of the future liabilities.

“Unassigned funds” means the residual fund balance that is not non-spendable, restricted, committed, or assigned.

Any other term not specifically defined herein shall be defined in accordance with Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” as issued by the Governmental Accounting Standards Board.

FUND BALANCE COMMITMENTS

The Council may, from time to time, consider whether to commit unrestricted revenue streams to specific purposes. Any such future commitments of fund balance will be enacted by means of a Council Resolution.

FUND BALANCE ASSIGNMENTS

The Council authorizes the City Manager to identify intended uses of funds and to assign residual balances. Any such assignments will be presented at regular financial and budget reporting periods. Council action to approve such financial and budget reports will represent ratification of any such assignments.

GENERAL FUND MINIMUM FUND BALANCE

Reserves accumulated during years when revenues exceeded expenditures cushion the City's transition to a lower revenue base and allow the City to adjust spending in response to economic downturns and State revenue takeaways.

The City is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unanticipated expenditures. The City's General Reserve is made up several components as follows:

Operating Reserve – 15% (approximately two months of operating cash)

Reserve for Economic Uncertainties – 20% (amount is approximately \$1,000,000)

Disaster Reserve – 10% (amount is approximately \$500,000)

Total General Reserve – 45% (of annual operating expenditures)

Balances are reflected as a percentage of annual operating expenditures.

Budgeted use of General Reserve components must be approved by the Council. If balances should fall below the amounts above, any amount of revenue above expenditures or surplus will be used first to replenish general fund reserves to required levels in the priority listed above. If reserve levels are met surplus amount will be considered for additional reserve funding or other discretionary purposes.

Under no circumstances should the total general reserve balance drop below the operating reserve amount of 15%.

The City Council has discretion on budgeting the use of fund balances which exceed the calculated general fund reserve.

ROAD IMPROVEMENTS AND MAINTENANCE FUND (RIMF)

The Road Improvements and Maintenance Fund is established for the purpose of improving and maintaining the City's streets and roads. Cost estimates to bring the city-wide Pavement Management Index score to 100 are \$50 million. From time-to-time road improvement and maintenance projects get postponed as a result of unforeseen circumstances or rising costs. Road improvement and maintenance projects are expensive and oftentimes exceed the City's ability to budget will current resources in a single year. The RIMF would allow for resources previously budgeted for road improvement and maintenance projects to be accumulated and expended specifically to benefit the City's road improvement and maintenance fund. Contributions to the RIMF will be equal to the difference between budgeted one-time road department expenditures and actual one-time road department expenditures for a given fiscal year. RIMF funds may be used towards improving and maintaining streets and roads within the City.

VEHICLE AND EQUIPMENT REPLACEMENT FUND (VERF)

The General Fund operates, maintains and replaces vehicles and equipment with a book value of approximately \$3,000,000. The replacement value of these assets today would exceed \$6,000,000. Many of the assets have exceeded their accounting useful life. Combined the assets have a straight-line depreciation value of approximately \$300,000.

Funding requirements for the VERF are as follow:

- Beginning fiscal year 2022-2023 the City shall budget a minimum of 10% (ten percent) combined straight-line depreciation value of general fund operated, maintained and replacement vehicles.
- Additionally, 10% (ten percent) of all future surplus funds shall be transferred to the VERF for the purposes of that fund. The remaining amount will be considered available for additional reserve funding or other discretionary purposes.
- The VERF is considered fully funded when its balance equals 110% of the replacement value of general fund operated and maintained vehicles and equipment. In years in which the VERF is fully funded, required contributions are suspended.
- In the event of an economic hardship, or other unanticipated fiscal emergency, the City Council may make an emergency declaration to reduce the annual transfer to the VERF. This declaration will only apply to the fiscal year in which it was made. Ongoing fiscal challenges will require a second or third emergency declaration.

VERF funds may be used towards: purchasing, repairing and financing vehicles and equipment operated and maintained by the general fund.

PENSION AND OTHER POST EMPLOYMENT BENEFIT (OPEB) RESERVE FUND (PORF)

Upon the issuance of a Pension Obligation Bond ("POB"), a Pension and Other Post Employment Benefit Reserve Fund ("PORF") will be established in the amount of \$600,000 initially. This amount represents the City's estimated annual contribution amounts for pension and OPEB UAL.

Funding requirements for the PORF are as follow:

- This fund will take the form of an Internal Revenue Code Section 115 Trust Fund.
- All allocations for the PORF will only occur after the full funding of the 45% General Reserve.
- If Pension Obligation Bonds are issued, the City shall budget a minimum of 10% (ten percent) of the net annual savings for bond fiscal years 1 through 10 to be transferred to the PORF on an annual basis. The net annual savings shall be determined at the time of bond issuance for years 1-10. The net annual savings calculated for the issued bonds shall not be adjusted to reflect any subsequent increase or decrease in unfunded liability or any change in actuarial assumptions.
- Additionally, at least 10% (ten percent) of all future surplus funds shall be transferred to the PORF for the purposes of that fund. The remaining amount will be considered available for additional reserve funding or other discretionary purposes.
- The PORF is considered fully funded when its balance equals 110% of the Pension UAL, OPEB UAL and outstanding POBs combined. In years in which the PORF is fully funded, required contributions are suspended.
- The Finance Department shall provide a comprehensive reserve fund status report, including five-year reserve fund balance projections, annually to the City Council along with the Comprehensive Annual Financial Report.
- In the event of an economic hardship, or other unanticipated fiscal emergency, the City Council may make an emergency declaration to reduce the annual transfer to the PORF. This declaration will only apply to the fiscal year in which it was made. Ongoing fiscal challenges will require a second or third emergency declaration.

PORF funds may be used for any lawful purpose, including but not necessarily limited to: Repayment of future CalPERS unfunded liability in part or whole; normal cost pension payments to CalPERS; the issuance of debt for the purposes of refinancing or issuing pension obligation bonds or other similar debt instruments; employer contributions to the OPEB plan; to pay off any outstanding POBs; and to pay any other unanticipated pension or benefit-related cost or charge.

USE OF FUND BALANCE

In the event that multiple fund balance types are available for an expenditure, the expenditure will be made from the most restricted resource available at the time. Implementation of this policy requires Restricted funds to be expended before Committed Funds and Committed Funds to be expended before Assigned Funds. Unassigned funds should, therefore, only be used when all other available resources have been exhausted.

ENTERPRISE FUND TYPES and REPORTING

Enterprise fund financial statements are presented on a flow of economic resources method which reports all assets and liabilities whether current or long term. This method is also referred to as accrual accounting and is similar to the type of presentation that is used in private industry. For budgeting and reserve calculation purposes a metric similar to fund balance is used. In enterprise funds this metric is called working capital. Working capital is the difference between current assets and current liabilities with is a commonly used calculation to measure current financial resources.

ENTERPRISE FUNDS

For purposes of this policy the City maintains two Operating and Maintenance Funds for Water and Wastewater. Unique to these funds is the responsibility to quickly repair the water and wastewater infrastructure in the event of a failure.

MINIMUM RESERVE

The City is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The City's Water and Wastewater Enterprise Reserves are made up several components as follows:

Operating Reserve – 33% (approximately 120 days of operating cash)
Reserve for unexpected infrastructure failure – 25%
Reserve for Economic Uncertainties – 20% (amount is approximately \$400,000)
Disaster Reserve – 10%
Unfunded Liability Reserve – 12% (approximately the annual contribution amounts for unfunded OPEB and Pension Liabilities)
Total Enterprise Reserve – 100%

Balances are reflected as a percentage of annual operating expenditures.

Budgeted use of Enterprise Reserves must be approved by the Council. If balances should fall below the amounts above any amount of revenue above expenditures or surplus will be used first to replenish reserves to required levels in the priority listed above. If reserve levels are met surplus amount will be considered for one-time expenditures.

Under no circumstances should the enterprise reserve balance drop below the operating reserve amount of 33%

**CITY OF LAKEPORT, CITY OF LAKEPORT MUNICIPAL
SEWER DISTRICT AND LAKEPORT MUNICIPAL FINANCING
AGENCY**

INVESTMENT POLICY

POLICY

It is the policy of the City of Lakeport, the City of Lakeport Municipal Sewer District (CMLSD) and the Lakeport Municipal Financing Agency (LMFA) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City of Lakeport and conforming to all state and local statutes governing the investment of public funds.

It is intended that this policy cover all funds and investment activities under the direct authority of the City of Lakeport, CMLSD and the LMFA, excluding pension trust funds, other post-employment benefit trust funds, and the proceeds of debt issues. Investments authorized by Fiscal Agents pursuant to bonded debt are controlled by the terms and conditions of the specific bond and may not necessarily coincide with the Investment Policy outlined herein. Investments must conform to Government Code section 53601 concerning custody of all securities. Wherever practical, investments made by a Fiscal Agent on behalf of the City of Lakeport, CMLSD and the LMFA will be consistent with this Policy.

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The City of Lakeport shall strive to maintain the level of investment of all idle funds as near 100 percent as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Finance Director or his/her designee.

SCOPE

The City of Lakeport pools all cash for investment purposes, and this policy is applicable to all current City funds or any new funds created. These funds include: The General Fund, capital projects funds, special revenue funds, enterprise funds, fiduciary funds, and Successor Agency funds. Exceptions to pooling of investments are bond fund reserves

- Bond fund reserves have conditions imposed by bond indentures which require a segregation of funds. Bond fund reserves accrue investment earnings directly to the reserved funds as required by the bond prospectus. For bond fund reserves, the investment policy is stipulated by the bond indenture.

PRUDENCE

Under all circumstances, the "prudent investor rule" shall apply. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable investment earnings to be derived.

The Finance Director and/or his/her designee, and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

1. Safety of Principal

Safety of principal is the foremost objective of the City's investment policy. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. The City shall seek to preserve principal by mitigating credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in high investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by: (1) limiting the average maturity of the City's investment portfolio to three years, (2) limiting the maximum maturity of any one security to five years, and (3) structuring the portfolio based on historic and current cash flow analysis. This policy eliminates the need to sell securities prior to maturity and avoids the purchase of securities for the sole purpose of short-term speculation. It is recognized, however, that in a diversified investment portfolio, occasional measured losses are inevitable and must be considered within the context of the overall investment return and current economic circumstances.

2. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements reasonably anticipated. Historical and current cash flow needs are analyzed continually.

3. Return on Investment

The City's investment portfolio shall be designed to attain a market-average rate of return through economic cycles.

4. Social and Political Considerations

In addition, the City recognizes that it has an equal obligation to be aware of the social and political impacts of its investments, and subsequently to act responsibly in making its financial decisions.

The City shall not knowingly make any investments in any institution, company, corporation, subsidiary or affiliate that practices or supports directly or indirectly through its action's discrimination on the basis of race, religion, color, creed, national or ethnic origin, age, sex, sexual preference or physical disability.

The City shall strive to make investments that benefit the local area and are consistent with the City's plans and policies. Priority shall be given to investments that promote community economic development, for example, by doing business with local banks provided that the criteria for safety, liquidity and yield are met.

DELEGATION OF AUTHORITY

The City Council, by Resolution, assigned the responsibility of investing idle funds to the City Manager. The Finance Director and/or his/her designee shall have day to day responsibility of the investment program and shall establish procedures for routine operations consistent with this investment policy. The City Manager or designee shall review and render quarterly reports to the City Council, as set forth by the *California Government Code*.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or that impairs their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interest that could be related to the performance of the City's investment portfolio.

SAFEKEEPING OF SECURITIES

The City shall endeavor to ensure safety of principal invested to the maximum extent possible. This may include procuring an insurance policy for accounts maintained by broker/dealers, such as those offered by the Security Investor Protection Corporation (SIPC).

INTERNAL CONTROL

The Finance Director shall establish procedures that separate the internal responsibility for management and accounting of the investment portfolio. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies and procedures.

An investment committee consisting of no less than the City Manager, the Finance Director, and two Council Members, shall meet regularly to review both the investment policy of the City of Lakeport, CMLSD and the LMFA and/or investment strategies and practices to determine appropriate improvements. Two additional committee members may be added at the recommendation of the City Manager and approval by Council. A staff report by the Finance Director consisting of the committee's review, comments, and/or recommendations will be presented to the full Council annually, no later than the first regularly scheduled Council meeting in October.

REPORTING

Under the provisions of Section 53646 of the *California Government Code*, the Finance Director shall render a quarterly report to the City Council showing the types of investments, institutions, rates of interest, maturity dates, amounts of deposit, and current market values of securities with maturity in excess of twelve months. The market values of all investments shall be reported quarterly.

DIVERSIFICATION

The purpose of diversifying is to reduce the overall portfolio risk while attaining an average market rate of return. Diversification needs to be conceptualized in terms of maturity, instrument types and issuer. The portfolio shall consist of a mix of various types of securities, issuers, and maturity dates. Diversification of investment funds among a variety of securities offers an independent return.

COLLATERALIZATION

The *California Government Code* requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the City's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes at least equal to 150% of the City deposits. Collateral requirements may be waived for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

AUTHORIZED INVESTMENTS

The City is governed by the *California Government Code*, Sections 53600 *et. seq.* Within the context of the *California Government Code*, the following investments are authorized:

1. Government Agency Issues

As authorized in *Government Code* § 53601(a) through (f), this category includes a wide variety of government securities such as: Local government bonds or other indebtedness; U.S. Treasury notes or other indebtedness secured by the full faith and credit of the Federal government; State bonds or other indebtedness; and other Federal agency securities including those offered by the Small Business Administration, Fannie Mae, Freddie Mac, etc... There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

2. Bankers Acceptance

As authorized in *Government Code* §53601(g), up to 40 percent of the City's portfolio may be invested in bankers' acceptances (BAs) that are eligible for purchase by the Federal Reserve System, although no more than 30% of the portfolio may be invested in BAs with any one commercial bank. Additionally, the maturity period cannot exceed 270 days.

3. Commercial Paper

As authorized in *Government Code* §53601(h), up to 15 percent of the City's portfolio may be invested in "prime" quality commercial paper (CP) as rated by Moody's or Standard & Poor's. The amount may be increased to 30 percent if the dollar weighted average maturity does not exceed 31 days. Issuing corporations must be organized and operating in the U.S., have \$500 million total assets, and have an "A" or better rating for other debt. The City cannot purchase more than 10 percent of the outstanding CP of an issuing corporation, with maturities not to exceed 180 days.

4. Negotiable Certificates of Deposit (NCD's)

As authorized in *Government Code* §53601(i), up to 30 percent of the City's portfolio may be invested in negotiable certificates of deposit (NCDs) issued by commercial banks, Federal or State chartered savings and loans and State licensed branches of a foreign bank. A maturity limitation of five years is applicable.

5. Repurchase and Reverse Repurchase Agreements

As authorized in *Government Code* Repurchase Agreements: §53601(j), the City may invest in repurchase agreements (Repos) or reverse repurchase agreements, although investment in reverse Repos requires the prior approval of the City Council except when investment is part of a City designated investment pool. Repos are generally used for short-term investments varying from one day to two weeks, with a maximum maturity limitation of 30 days.

6. Medium-Term Notes

As authorized in *Government Code* §53601(k), up to 30 percent of the City's portfolio may be invested in medium-term notes issued by corporations organized and operating within the United States and with a maximum maturity of five years. Medium-term notes shall be rated "A" or better by a recognized rating service. A maturity limitation of five years is applicable.

7. Mutual Funds

As authorized in *Government Code* §53601(l), up to 20 percent of the City's portfolio may be invested in shares issued by diversified management companies, as defined in §23701(m) of the *Revenue and Taxation Code*, which invest in securities complying with this article. Diversified management companies must either attain the highest rating by two of the three largest nationally recognized rating agencies, or have an investment advisor registered with the SEC with not less than five years' experience in local agency investments and with assets under management in excess of \$500 million.

8. Certificates of Deposit (CDs)

As authorized in *Government Code* §53635.8, up to 30 percent of the City's portfolio may be invested in certificates of deposit issued by a nationally or state-chartered bank or state or federal savings institution. A maturity limitation of five years is applicable.

9. Local Agency Investment Fund (LAIF)

As authorized by *Government Code* §16429.1, 90 percent of the City's portfolio may be invested in the Local Agency Investment Fund, which is managed by the California State Treasurer's Office.

10. Passbook Savings Account

As authorized by *Government Code* §53601, Demand Deposits, the City may place any amount of funds into a passbook savings account.

POLICY REVIEW

The City's investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives and preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any State of California legislative action that further restricts allowable maturities or percentage allocations will be incorporated into the City's investment policy and supersede any and all previous applicable language. Amendments to the policy shall be forwarded to the City Council for approval.

INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be adopted by resolution by the City Council. Any modifications made thereto must be approved by the City Council.

Approved by the City Council of the City of Lakeport and the Board of Directors of the CMLSD and the LMFA joint meeting thereof, held on the November 20, 2018, by Resolution No. 2692 (2018).



CITY OF LAKEPORT
ADDRESSING CALPERS PENSION COST INCREASES
2021 POB – POS AND FINANCING APPROVAL

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

SEPTEMBER 7, 2021

Background

- ▶ Since March 2021, the City and its financing team have conducted several workshops to explore the concept of restructuring its unfunded pension liability (UAL) with CalPERS to achieve budgetary predictability/flexibility and cash flow savings
- ▶ City initiated a validation process in May 2021
 - ▶ Process recently concluded; City now has ability to issue POBs
- ▶ After CalPERS strong 21.3% investment returns, the City's UAL is expected to drop significantly: from \$8.4M to between \$5.7M and \$7.3M
 - ▶ Includes the likely discount rate reduction to somewhere between 6.50% and 6.80%
- ▶ Proposed POB sizing and term lower now given reduced UAL and shortened UAL repayment schedule
 - ▶ Lower expected POB interest rate (<3%) and maturity (20 years or shorter)
- ▶ 2015 Lease Revenue Bond will also be refinanced (at lower rate) through the POB which will "free-up" City Hall, parks and other assets

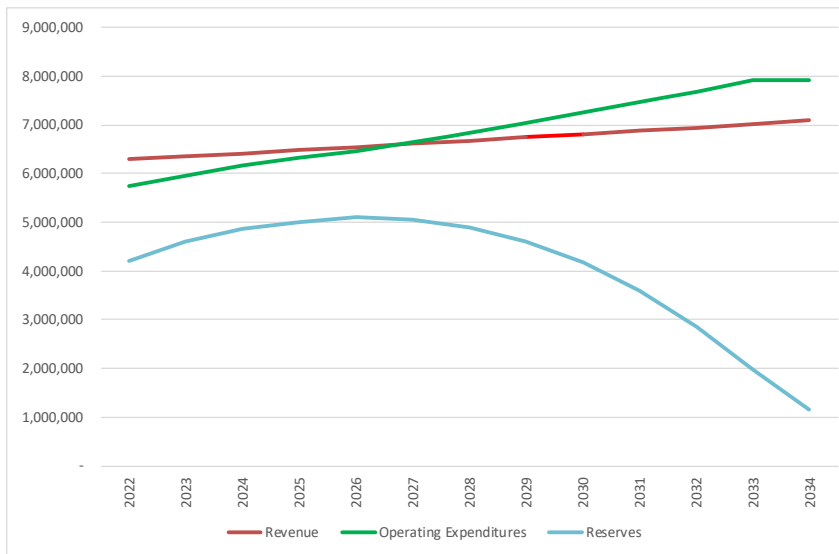


Process Update - Structure

- ▶ City and its team have been evaluating several structuring options for the proposed POBs
 - ▶ Sizing: UAL pay off reduced to \$5.75M
 - ▶ Only 69% of current UAL, but will be closer to 100% once the gains from FY 2021 are incorporated in FY 2022/23 and assumes a discount rate reduction to 6.80%
 - ▶ Staff and financing team narrowed down structuring options to 3 and presented to Ad-Hoc Committee on August 11th
 - ▶ Recommendation: 19-year term with level payments + linear decline in later years to better mimic current CalPERS UAL repayment shape
 - ▶ Stress testing analysis included on slide 7 to quantify downside risk and potential reduction in savings if these scenarios were to occur
- ▶ Team also discussed several other options including: funding UAL with cash, POB's to pay off a smaller % of UAL and borrowing for CIP through a tax-exempt bond
 - ▶ Not recommended at this time given that the City (1) does not currently project a surplus of revenues over expenditures in the near future and (2) smaller POB does not provide optimal savings/repayment shape to meet City's objective and (3) would prefer not to encumber assets again through a lease at this time



General Fund Long Term Projections and Current Reserve Balances

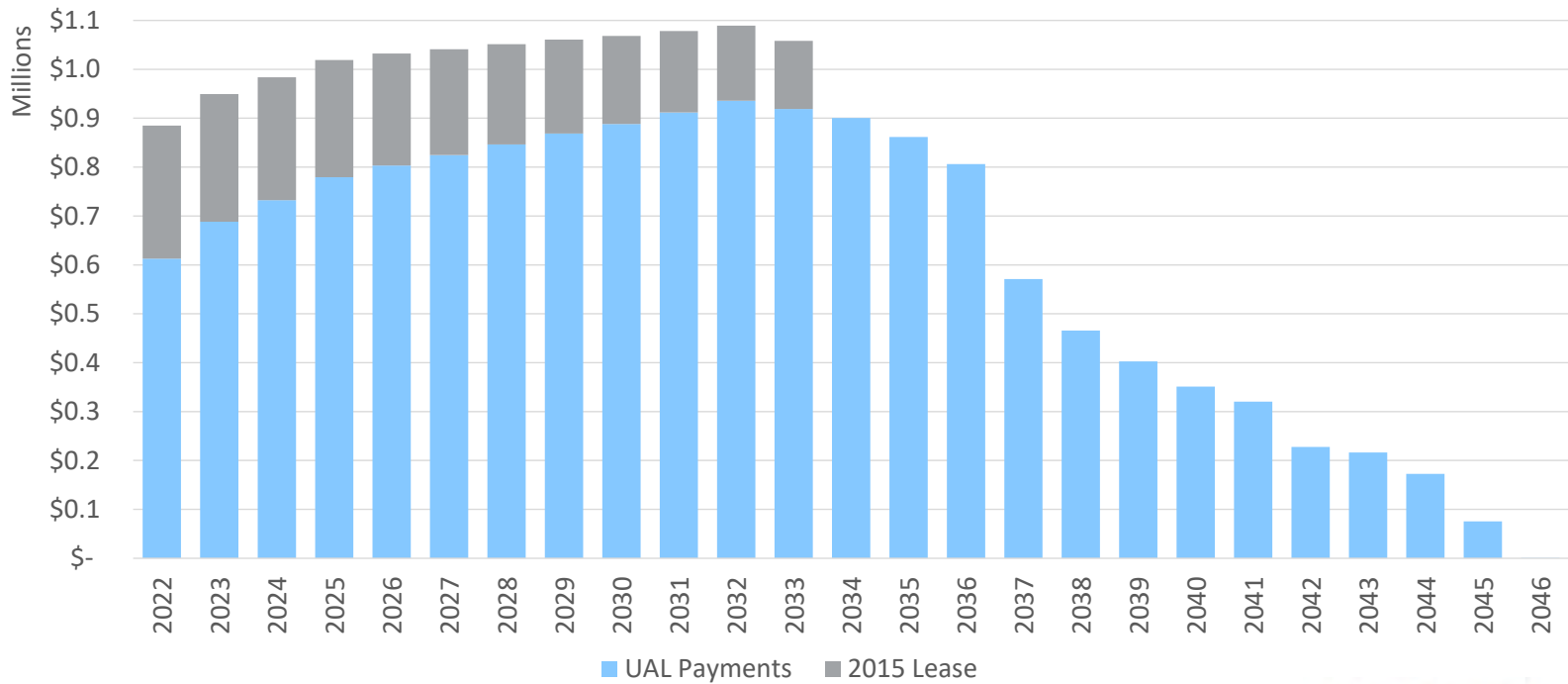


June 30, 2020 Audited Ending General Fund Balance		\$	5,664,956
21-22 General Fund Operating Expenditures		\$	5,750,133
Recommended Policy Allocations to Components of Fund Balance:			
Nonspendable			
Advances to other funds			289,481
Restricted			
Law Enforcement			9,887
Debt Reserve			45,000
Committed			
General Reserve:			
Operating Reserve	15%		862,520
Reserve for Economic Uncertainties	20%		1,150,027
Disaster Reserve	10%		575,013
Total General Reserve	45%		2,587,560
Road Improvement and Maintenance Fund			100,000
Vehicle and Equipment Replacement Fund			30,000
Pension and Other Post Employment Benefit Reserve Fund			600,000
Lakefront Park Contribution			805,570
Assigned			
Capital Improvement Program			1,000,000
Unassigned			197,458
Total General Fund Balance			5,664,956



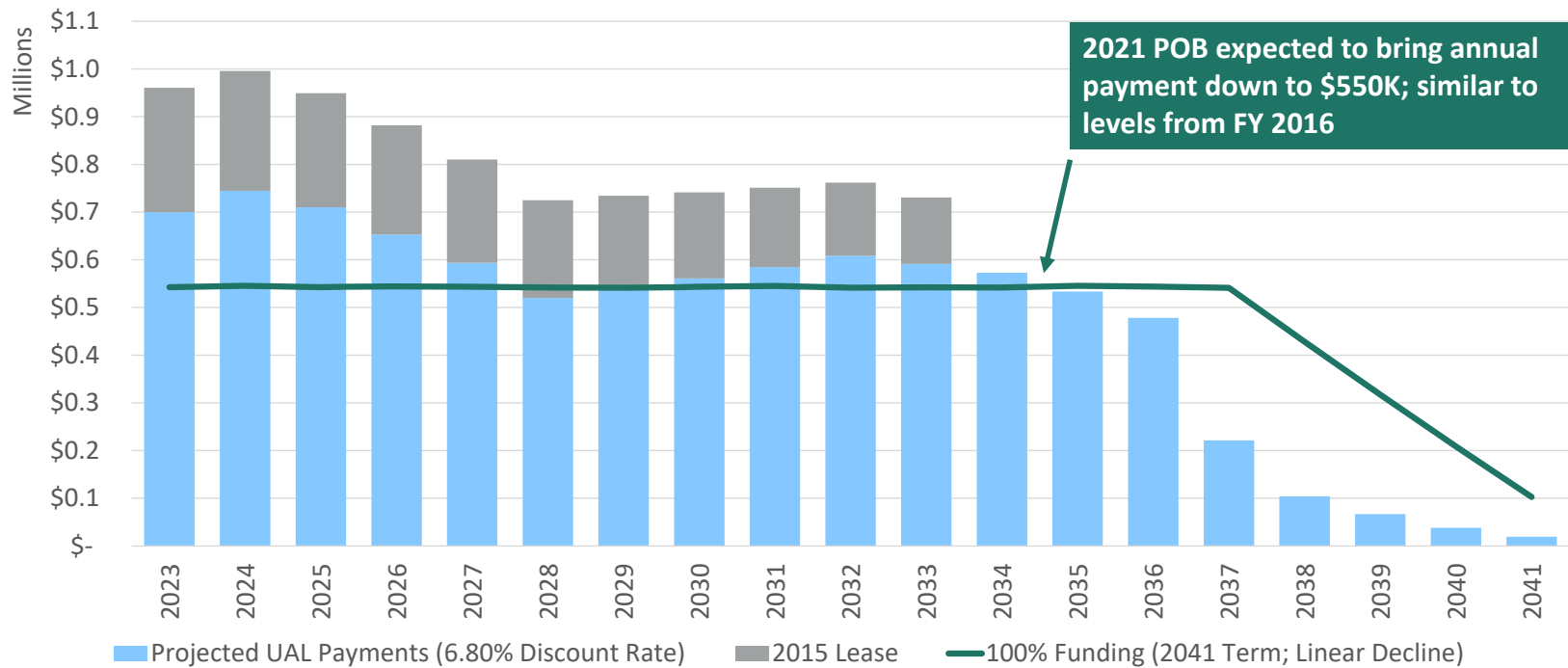
Current UAL + Lease Payments

Prior to 6.8% Discount Rate Reduction & FY 2021 Returns (21.3%)



City of Lakeport

Projected UAL + Lease Payments vs. New 2021 POB UAL Restructuring



Note: Figures shown are preliminary estimates for illustration. Assumes CalPERS earns 6.8% investment earnings. Lines may represent combined debt service + unfunded UAL payments.

City of Lakeport Projected Savings from 2021 POB

Metrics	100% Funding (2041 Term; Linear Decline)
UAL Funded (\$)	\$5,756,226
% UAL Funded (Current Asset Valuations)	69%
Funded Ratio (Current Asset Valuations)	93%
% UAL Funded (Projected After FY 2021 Returns)	100%
Funded Ratio (Projected After FY 2021 Returns)	100%
Maturity	19 Years
Average Life	9.6 Years
All-In Interest Rate	2.66%
Present Value Savings (%)	24.38%
Present Value Savings (\$)	\$1,869,245
Cumulative Savings	\$24,988,776
Savings (2023-2033)	\$3,068,792
Avg. Annual Savings (2023-2033)	\$278,981



Note: Figures shown are preliminary estimates for illustration. Assumes CalPERS earns 6.8% investment earnings. Lines may represent combined debt service + unfunded UAL payments.

Addressing the Core Risk of a POB: CalPERS Reinvestment Risk

Stress Testing to Quantify Impact of Poor CalPERS Reinvestment Performance

Estimated UAL Sensitivity (100% UAL Funding)					
	Discount Rate Change		CalPERS Target Missed in 1st Year After Issuance (6.8% Returns Thereafter)		
	5.5% Discount Rate & Annual Earnings	6.0% Discount Rate & Annual Earnings	Target Missed by 10% (-3% Returns)	Target Missed by 15% (-8% Returns)	Target Missed by 20% (-13% Returns)
Baseline PV Savings	\$1,869,245	\$1,869,245	\$1,869,245	\$1,869,245	\$1,869,245
Reduction in PV Savings	(\$874,153)	(\$594,004)	(\$595,422)	(\$893,132)	(\$1,190,843)
Net PV Savings (\$)	\$995,092	\$1,275,241	\$1,273,823	\$976,113	\$678,402
Net PV Savings (%)	12.98%	16.63%	16.62%	12.73%	8.85%

- ▶ Savings would be reduced assuming the “downside” scenarios above were to occur
 - ▶ However, City would still be projected to better off having issued POB than if it hadn't



Note: Figures shown are preliminary estimates for illustration. Assumes CalPERS earns 6.8% investment earnings. Lines may represent combined debt service + unrefunded UAL payments.

Schedule

- August 11 Finance Committee Workshop
- September 7 Council Approval of Pension Funding Policy and POS/Resolution
- September 14 Credit Rating Presentation
- Late September Bond Pricing
- Mid October Closing



Recommendation: Approve Resolution 2021 - ____

Approves POS and BPA

▶ Preliminary Official Statement (POS)

- ▶ Primary marketing document to prospective bond purchasers
- ▶ Identifies critical topics such as the plan of finance, security for the bonds, information on the City, information on the general fund of the City, the continuing disclosure requirements and the form of opinion of bond counsel

▶ Bond Purchase Agreement (BPA)

- ▶ The bond purchase agreement is between the City and Hilltop Securities Inc., as Underwriter, whereby the Underwriter will agree to purchase the POBs contingent upon the City satisfying the obligations imposed within the agreement



RESOLUTION NO. _____

A Resolution of the City Council of the City of Lakeport Confirming the Issuance of Pension Obligation Bonds to Refinance Outstanding Obligations of the City, Approving an Official Statement and Bond Purchase Agreement and Related Actions

WHEREAS, the City of Lakeport (the “City”) has previously elected to become a contracting member of the California Public Employees’ Retirement System (“PERS”), and as such the City is obligated by Sections 20000 *et seq.* of the California Government Code (the “Retirement Law”), to make payments to PERS relating to pension benefits accruing to current and former City employees who are PERS members, including retired employees (the “PERS Obligations”); and

WHEREAS, the City currently has an unfunded actuarial accrued liability in respect of the PERS Obligations; and

WHEREAS, pursuant to Resolution No. 2558 (2015), adopted by the City Council on September 15, 2015, the City executed and delivered a Lease Agreement, dated as of December 1, 2015, by and between Umpqua Bank and the City, the proceeds of which were used to pay a portion of the then-outstanding PERS Obligations, thereby converting a portion of the then-outstanding PERS Obligations into an obligation owed to Umpqua Bank (the “Umpqua Obligation”); and

WHEREAS, the City is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”), to issue its bonds for the purpose of refunding certain outstanding obligations of the City, including the PERS Obligations and the Umpqua Obligation; and

WHEREAS, pursuant to Resolution No. 2806, adopted by the City Council on May 18, 2021, the City Council authorized the issuance of pension obligation bonds (the “Bonds”) pursuant to an Indenture of Trust between the City and U.S. Bank National Association, as trustee (the “Indenture”) and the Bond Law for the purpose of refinancing the PERS Obligations and the Umpqua Obligation, in whole or in part, and to pursue a judicial validation action with respect to such issuance; and

WHEREAS, the judicial validation action has been successfully completed and City staff, with the aid of outside consultants, have prepared drafts of a Preliminary Official Statement and Bond Purchase Agreement related to the Bonds for approval by the City Council; and

WHEREAS, the City Council wishes at this time to confirm the issuance of the Bonds and approve the forms of the Preliminary Official Statement and Bond Purchase Agreement;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKEPORT HEREBY RESOLVES AS FOLLOWS:

Section 1. Confirmation of Issuance of Bonds. The City Council hereby confirms its actions in Resolution No. 2806, authorizing the issuance of the Bonds pursuant to the Indenture and the Bond Law.

Section 2. Approval of Official Statement. The City Council hereby approves the preliminary Official Statement in substantially the form on file with the City Clerk. Distribution of the preliminary Official Statement by the City and Hilltop Securities, Inc., as underwriter (the "Underwriter"), is hereby approved, and, prior to the distribution of the preliminary Official Statement, each of the City Manager and the Finance Director (each, an "Authorized Officer") is hereby authorized and directed, on behalf of the City, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Bonds, and each Authorized Officer, acting alone, is authorized and directed to execute and deliver the final Official Statement for and on behalf of the City, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a continuing disclosure undertaking substantially in the form appended to the final Official Statement.

Section 3. Approval of Bond Purchase Agreement. The City Council hereby approves the Bond Purchase Agreement prescribing the provisions for sale of the Bonds by the City to the Underwriter. Each Authorized Officer is hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The City Council hereby authorizes the delivery and performance of the Bond Purchase Agreement by the City.

Section 4. Official Actions. The Authorized Officers and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Bonds. Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 5. Effective Date. This Resolution shall take effect immediately upon approval thereof.

Introduced, approved and adopted this _____ day of _____ 20____.

ATTEST: (s) _____ (s) _____
City Clerk Mayor

I, _____, City Clerk of the City of Lakeport, California, DO HEREBY CERTIFY that the foregoing resolution was duly introduced, approved and adopted by the City

ATTACHMENT 5

Council of the City of Lakeport, at a regular meeting of said Council held on the _____ day of _____, 2021, by the following roll call vote:

Ayes: (Names of Councilmembers)

Noes: (Names of Councilmembers)

Absent: (Names of Councilmembers)

(s) _____
City Clerk

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2021**NEW ISSUE — BOOK-ENTRY ONLY****RATING: S&P: “___”
See “RATING”**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

\$ _____ *

**CITY OF LAKEPORT
2021 TAXABLE PENSION OBLIGATION BONDS**

Dated: Date of Delivery**Due: June 1; see inside cover**

The Bonds. The above-captioned bonds (the “Bonds”) are being issued by the City of Lakeport (the “City”) as fully registered bonds in book-entry form only, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2021, and principal payable on the Bonds will be paid on June 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, San Francisco, California, as trustee (the “Trustee”) under an Indenture of Trust, dated as of October 1, 2021 (the “Indenture”) between the City and the Trustee, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS.”

Purpose. The Bonds are being issued to (i) refund certain obligations of the City owed to the California Public Employees’ Retirement System and to Umpqua Bank with respect to pension benefits accruing to current and former City employees, and (ii) pay costs of issuing the Bonds. See “PLAN OF REFUNDING”.

Redemption. The Bonds are subject to redemption prior to maturity. See “THE BONDS – Redemption.”

Security. Payment of the principal of and interest on the Bonds is not limited to any special source of funds and is payable from all legally available moneys or funds of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. However, the City covenants pursuant to the Indenture to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Indenture, and to make the necessary annual appropriations for all such payments. If any payment of debt service on the Bonds requires the adoption by the City of a supplemental budget or appropriation, the City covenants to promptly adopt the same. See “SECURITY FOR THE BONDS” and “RISK FACTORS.”

MATURITY SCHEDULE

(See inside cover)

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED “RISK FACTORS”, FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE BONDS. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THIS OFFICIAL STATEMENT.

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds in book-entry form, will be available for delivery to DTC on or about October __, 2021.

[Hilltop Logo]

Dated: _____, 2021.

*Preliminary; subject to change.

MATURITY SCHEDULE

(Base CUSIP†: _____)

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
---	---	--	---------------------	---------------------	----------------------

\$ _____ % Term Bonds due June 1, 20__, Price: ____% CUSIP†: _____

\$ _____ % Term Bonds due June 1, 20__, Price: ____% CUSIP†: _____

† Copyright 2021, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assume any responsibility for the accuracy of these CUSIP data.

CITY OF LAKEPORT
(LAKE COUNTY, CALIFORNIA)

CITY COUNCIL

Kenneth (Kenny) Parlet, II, *Mayor*
Stacey Mattina, *Mayor Pro Tem*
Michael Froio, *Council Member*
Michael S. Green, *Council Member*
Mireya Turner, *Council Member*

CITY STAFF

Kevin Ingram, *City Manager*
Nicholas Walker, CPA, *Assistant City Manager/Finance Director*
Kelly Buendia, *Administrative Services Director/City Clerk*
David J. Ruderman of Colantuono, Highsmith & Whatley, PC, *City Attorney*

SPECIAL SERVICES

Municipal Advisor
NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee
U.S. Bank National Association,
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. 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. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable.

Underwriter Statement. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture of Trust 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.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate 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 others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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APPENDIX E - Book Entry Provisions

Location Map

OFFICIAL STATEMENT

\$ _____ *

CITY OF LAKEPORT
2021 TAXABLE PENSION OBLIGATION BONDS

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. Certain defined terms used herein are set forth in APPENDIX B – Summary of Certain Provisions of the Indenture.

General

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the issuance of the above-captioned bonds (the “**Bonds**”).

The City

The City of Lakeport (the “**City**”) is the county seat of Lake County (the “**County**”), and about 125 miles northwest of Sacramento. The City is located on the west shore of Clear Lake, and has a total area of 3.2 square miles. The population as of January 2021 was estimated at 4,774. The City has a council-manager form of government. There are five council Members who serve staggered terms of four years. See “THE CITY” and “CITY FINANCIAL INFORMATION” for additional information about the City and the County.

Authority for the Bonds

The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of October 1, 2021 (the “**Indenture of Trust**”), between the City and U.S. Bank National Association, as trustee (the “**Trustee**”).

Purpose

The proceeds of the sale of the Bonds will be used to (i) refund certain obligations of the City owed to the California Public Employees’ Retirement System (“**PERS**”) and to Umpqua Bank with respect to pension benefits accruing to current and former City employees (the “**Prior Pension Obligations**”), and (ii) pay costs of issuing the Bonds. See “PLAN OF FINANCING.”

* Preliminary; subject to change.

Security for the Bonds

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due, and the obligation of the City to make the deposits required for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds 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 City covenants pursuant to the Indenture to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Indenture, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City covenants to promptly adopt the same. See “SECURITY FOR THE BONDS” and “APPENDIX B – Summary of Certain Provisions of the Indenture.”

Redemption

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption”.

Risk Factors

For certain risks that potential investors should consider before making an investment decision with respect to the Bonds, including the impact of the COVID-19 pandemic on the City’s finances, see “RISK FACTORS.”

Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See “APPENDIX B – Summary of Certain Provisions of the Indenture” for summaries of certain of such definitions.

PLAN OF REFUNDING

General

The Bonds are being issued to: (i) refund the Prior Pension Obligations, and (ii) pay the costs of issuance of the Bonds. The Prior Pension Obligations consist of an Unfunded Liability (as defined herein) owed to PERS and payments owed to Umpqua Bank pursuant to a lease arrangement the proceeds of which were previously used to pay amounts owed to PERS.

Refunding Unfunded Liability to PERS. A portion of the proceeds of the Bonds will be used to refund a portion of the City’s unfunded accrued actuarial liability (“**Unfunded Liability**”) with respect to certain retirement benefits accruing to members of PERS under the Contract between the City and the Board of Administration of PERS (the “**PERS Contract**”). PERS prepared four actuarial valuation reports for the City (collectively, the “**Actuarial Valuations**”), setting forth the Unfunded Liability of the City with respect to each of its retirement plans with PERS (collectively, the “**Plans**”) as of June 30, 2019 and projected as of June 30, 2020. As shown in the Actuarial Valuations, the balance of the City’s total Unfunded Liability as of June 30, 2019 is \$8,188,554, representing the sum of (i) \$5,344,815 for the Miscellaneous Plan, (ii) \$2,745,983 for the Safety Plan, (iii) \$54,070 for the PEPRM Miscellaneous Plan and (iv) \$43,686 for the PEPRM Safety Plan.

The City anticipates prepaying approximately \$_____ of its Unfunded Liability to PERS. Prior to the closing date for the Bonds, the City will obtain from PERS one or more “pay-off” letters setting forth the Unfunded Liability as of the closing date for the Bonds, on which date the pay-off amounts set forth therein will be sent to PERS. The Bonds have been structured to produce a more sustainable projected annual pension cost schedule.

Refunding Umpqua Bank Obligation. The City previously executed and delivered a Lease Agreement, dated as of December 1, 2015, by and between Umpqua Bank and the City, the proceeds of which were used to pay a portion of the then-outstanding Unfunded Liability to the Retirement System, thereby converting a portion of the then-outstanding Unfunded Liability into an obligation owed to Umpqua Bank (the “**Umpqua Obligation**”). The Umpqua Obligation is currently outstanding in the principal amount of \$2,003,000, and will be prepaid in full on or about the closing date for the Bonds.

Pension and OPEB Funding Policy. In connection with the issuance of the Bonds, the City adopted a reserve and pension funding policy to guide the use of future reserves and handle its future liabilities. For additional details, see “– Pension and OPEB Funding Policy.”

Sources and Uses of Funds

The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

<u>SOURCES OF FUNDS:</u>	
Principal Amount of Bonds	\$ _____
Total Sources:	\$ _____
 <u>USES OF FUNDS:</u>	
Refunding of PERS Unfunded Liability	\$ _____
Refunding of Umpqua Obligation	
Costs of Issuance ⁽¹⁾	
Total Uses:	\$ _____

(1) Includes Underwriter’s discount, legal fees, Trustee fees, rating agency fees, printing expenses, and other costs of issuing the Bonds.

THE BONDS

General

The Bonds will be issued in the form of fully registered bonds, without coupons, in authorized denominations of \$5,000 or any integral multiple of \$5,000, and will be dated the date of delivery to the original purchaser. The Bonds will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Bonds shall mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC “Participants” (as defined in APPENDIX E) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in APPENDIX E) will be the responsibility of the Participants, as more fully described in “– Book-Entry Only System” below.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2021, and continuing to and including the date of maturity or redemption, whichever is earlier, to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as otherwise provided below. Interest on the Bonds is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless: (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (iii) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on a Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date. Principal represented by the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Bond may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and the payment of such reasonable transfer fees as the Trustee may establish.

Bonds may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee may charge the Owner a reasonable sum for each new Bond issued upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not

required to register the transfer or exchange of any Bond during the period the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

Redemption*

Optional Redemption. The Bonds maturing on or before June 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the City, on any date on or after June 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 20__ and June 1, 20__ (the “**Term Bonds**”) are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following tables. If some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

**Term Bonds Maturing
June 1, 20__**

Sinking Fund Redemption Date (<u>June 1</u>)	Principal Amount <u>To Be Redeemed</u>
--	---

**Term Bonds Maturing
June 1, 20__**

Sinking Fund Redemption Date (<u>June 1</u>)	Principal Amount <u>To Be Redeemed</u>
--	---

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of

* Preliminary; subject to change.

separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

If only a portion of a Bond is called for redemption, then upon surrender of such Bond the City will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Right to Rescind Notice of Optional Redemption. The City may rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent as described above for the original notice.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest on the Bonds so called for redemption 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 specified in such notice.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX E – Book-Entry Provisions."

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, 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 City 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 E – Book-Entry Provisions.”

SECURITY FOR THE BONDS

Source of Payment

The City is obligated to satisfy its obligations under the Bonds from all legally available funds. The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The City has other obligations payable from its General Fund, and the Indenture does not limit the amount of General Fund obligations that the City may incur.

The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. See “LEGAL MATTERS – Validation Proceedings.”

Pursuant to the Indenture, the City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City to pay principal of and interest on the Bonds, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City has covenanted in the Indenture to promptly adopt the same. The covenants on the part of the City are deemed to constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Indenture.

The assets of PERS are not available for payment of the Bonds and the Bonds do not constitute an obligation of PERS.

Debt Service Fund

Pursuant to the Indenture, the City will transfer an amount of legally available funds to the Trustee for deposit in the debt service fund established pursuant to the Indenture (the “**Debt Service Fund**”) at the times and in the amounts sufficient to pay debt service on the Bonds. The Debt Service Fund will be held by the Trustee and so long as any Bonds are outstanding, the amounts on deposit therein will be used to pay principal of and interest on the Bonds.

Not later than the 5th Business Day preceding each Interest Payment Date, the City is required to transfer to the Trustee for deposit in the Interest Account and the Principal Account, as applicable, of the Debt Service Fund, an amount which, when added to the amount then on deposit in the such account, equals the aggregate amount of interest or principal, as applicable,

coming due and payable on the Bonds on such date. Funds held by the Trustee may be invested in Permitted Investments (as defined in the Indenture) specified by the City.

THE CITY

General

The City was incorporated in 1888 and is the county seat of the County. The City is located on the west shore of Clear Lake, the City is about 125 miles northwest of Sacramento and has a total area of 3.2 square miles. The City provides a range of municipal services to its citizens including public safety, public works, planning and building regulation, recreation and parks, and water and sewer services. The population as of January 2021 was estimated at 4,774.

Municipal Government

The City has a council-manager form of government. There are five council Members who serve staggered terms of four year. There is an election each November of even numbered years with either two or three seats up for election. The Council selects a Mayor and Mayor Pro Tem from among its members to serve a one-year term. The Mayor presides over the Council meetings. The City Council adopts goals and policies which set the direction for the City. The Council also approves and adopts the City's Financial Plans, General Plan and the Capital Improvement Plan. For the implementation of policies, the Council provides direction to the City Manager during Council meetings. In addition to appointing the City Manager and City Attorney, the Council is responsible for appointing members of City Commissions, Committees, and Boards.

Population

As of January 1, 2021, the population of the City was estimated to be 4,774, a decrease of approximately 0.1% percent over the estimated population of the City in 2020. The following table presents population data for both the City and County, as well as the State.

Table 1
CITY OF LAKEPORT
Population of the City, County and State

Year	City of Lakeport	Lake County	State of California
2012	4,736	64,829	37,924,661
2013	4,730	64,759	38,269,864
2014	4,834	64,891	38,556,731
2015	4,832	64,958	38,865,532
2016	4,834	64,550	39,103,587
2017	4,799	64,451	39,352,398
2018	4,802	64,599	39,519,535
2019	4,793	64,187	39,605,361
2020	4,781	64,005	39,648,938
2021	4,774	63,940	39,466,855

Source: California Department of Finance (Demographic Research Unit).

Major Employers

The following table lists the major employers within the County, as specific data is not available for the City, as of June 30, 2020.

Table 2
LAKE COUNTY
Principal Employers as of June 30, 2020

Employer Name	No. of Employees	Percent of total Employment
County of Lake	849	20.3%
Adventist Health	693	16.6
St. Helena Hospital	569	13.6
Konocti Unified School District	449	10.7
Sutter Lakeside Hospital	403	9.6
Calpine Corp.	280	6.7
Twin Pine Casino	277	6.6
Kelseyville Unified School District	230	5.5
Safeway	219	5.2
Wal-Mart	213	5.1

Source: City of Lakeport Comprehensive Annual Financial Report for fiscal year ended June 30, 2020.

CITY FINANCIAL INFORMATION

City Accounting Policies and Financial Reporting

Annual Budget. The City operates under the general laws of the State of California and annually adopts a budget for its governmental and proprietary funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one account to another within the same fund. Debt service on bond issues constitutes a legally authorized “non-appropriated budget.” Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. Encumbrances are considered to be expenditures in the year the commitment is entered into. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval. The basis of accounting for all funds is more fully explained in APPENDIX A hereto.

The City’s budget is presented to the City Council multiple times each year – when adopted, at mid-year and each quarter. The budget is based on a dynamic model prepared by the City’s Finance Director that is updated as part of each year’s budget cycle, and incorporates multi-year budget projections.

Audited Financial Statements. The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as

such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City's current auditor (the "**Auditor**") is the firm of JJACPA, Inc. The audited financial statements of the City for fiscal year 2019-20 are contained in APPENDIX A. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit of the financial condition of the City.*

Financial Policies and Practices. The City maintains robust and sound financial policies and practices. For example, the City employs a forecasting model that provides detailed projections for planning purposes. Forecasting goes out 7 years, and stress-testing can be incorporated into the model, as was done in connection with the structuring of the Bonds. In addition, the City maintains the following policies:

- **Reserve and Pension Policy.** This policy, anticipated to be adopted in September 2021, governs the City's use of reserves. The policy recognizes that a key component of a financially stable City is sufficient reserves, as strong reserves allow an organization to weather economic downturns and address unexpected emergencies while keeping impacts to City services to a minimum. In addition to strengthening the City General Reserve, the policy sets forth funding mechanisms to achieve the goals of improving City streets and roads, replacing vehicles and paying down unfunded liabilities (for example, pension and OPEB).

The policy requires the following General Fund minimum fund balances (stated as percentages of annual operating expenditures):

- *Operating reserve:* 15% (approximately 2 months of operating cash)
- *Reserve for economic uncertainties:* 20% (approximately \$1 million)
- *Disaster reserve:* 10% (approximately \$0.5 million)
- *Total General Reserve:* 45% (sum of the foregoing)
- **Debt Management Policy.** This policy, adopted in February 2017, governs the City's use of debt to achieve its financing and policy-related goals.
- **Investment Policy.** This policy, reviewed and adopted annually, governs the City's investment of its funds. See "– City Investment Policy and Portfolio" for additional details on the City's current investment portfolio.

General Fund Financial Information. The City's General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes and assessments, fines and forfeitures, intergovernmental revenues, charges for services, and other revenue. General Fund expenditures are classified by the functions of general government, public safety, public ways and facilities, community development, recreation and culture, capital outlays, and debt service.

General Fund Financial Summary

Set forth below are excerpts from the City's general fund financial statements for fiscal years 2015-16 through 2019-20.

Table 3
CITY OF LAKEPORT
Revenues, Expenditures and Fund Balances (General Fund)
For Fiscal Years 2015-16 through 2019-20 (Audited)

	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
REVENUES					
Taxes:					
Sales	\$2,090,972	\$2,519,672	\$3,383,579	\$3,751,230	\$3,567,487
Property	873,453	918,053	931,679	869,506	1,105,592
Transient occupancy	199,551	228,024	62,124	197,785	161,535
Business license	79,849	73,009	85,817	81,400	76,976
Licenses and permits	315,065	326,859	566,919	439,043	509,005
Fines and forfeitures	17,584	18,604	22,824	27,107	6,887
Intergovernmental	255,896	255,451	137,001	546,962	1,105,137
Use of money and property	124,926	133,340	45,170	117,880	130,686
Charges for service	80,271	88,290	126,097	79,384	106,509
Other revenues	172,713	100,457	112,490	148,034	35,346
Total Revenues	4,210,280	4,661,759	5,473,700	6,258,331	6,805,160
EXPENDITURES					
Current:					
General government					
Council	90,464	112,053	72,860	87,431	86,771
Administration	166,649	177,388	267,344	259,217	405,898
Attorney	100,842	47,249	47,751	95,491	165,080
Finance and information technology	132,192	151,708	238,942	236,179	255,376
Non-departmental	305,595	182,631	274,530	224,203	247,142
Community development					
Planning	193,258	200,074	166,113	177,565	233,075
Building	207,902	209,653	147,392	141,721	276,947
Roads and infrastructure					
Public works	639,622	441,241	904,995	1,234,991	993,795
Engineering	29,868	73,447	144,197	187,341	129,084
Housing and support programs	4,434	--	--	--	--
Economic development	55,686	82,011	61,045	79,806	100,398
Public safety	1,783,232	1,853,097	1,827,644	1,946,402	2,070,477
Parks, buildings and grounds	364,603	355,454	322,722	621,019	249,757
Capital outlay	--	108,353	58,047	103,986	390,733
Debt service:					
Principal	91,754	175,450	170,991	148,438	135,172
Interest and fiscal charges	42,180	78,282	93,249	142,559	119,401
Total Expenditures	4,208,281	4,248,091	4,797,822	5,686,349	5,859,106
REVENUE OVER (UNDER) EXPENDITURES	1,999	413,668	675,878	571,982	946,054
OTHER FINANCIAL SOURCES (USES)					
Proceeds from sale of capital leases	--	2,550	--	--	--
Payment to PERS side fund	(1,974,074)	--	--	--	--
Issuance of debt	1,974,074	--	(4,390)	--	--
Transfers In	25,167	272,582	35,503	29,500	265,810
Transfers Out	--	(387,154)	--	(99,778)	--
Total Other Financing Sources (Uses)	25,167	(112,022)	31,113	(70,278)	265,810
Net change in fund balances	27,166	301,646	706,991	501,704	1,211,864
Fund Balance – Beg.	2,915,585	2,942,751	3,244,397	3,951,388	4,453,092
Fund Balance – Ending	\$2,942,751	\$3,244,397	\$3,951,388	\$4,453,092	\$5,664,956

Source: City of Lakeport Comprehensive Annual Financial Reports 2015-16 through 2019-20.

Table 4
CITY OF LAKEPORT
General Fund Budgets
For Fiscal Years 2018-19, 2019-20 (Adopted Budgets),
2020-21 (Estimated Actuals) and 2021-22 (Adopted Budget)

	Adopted Budget 2018-19	Adopted Budget 2019-20	Estimated Actuals 2020-21	Adopted Budget 2021-22
REVENUES				
Taxes	\$4,749,040	\$4,827,250	\$4,908,750	\$5,346,500
Franchises	206,000	206,000	285,000	320,000
Licenses	1,550	750	500	200
Permits	72,500	72,500	102,500	62,500
Fines, forfeitures, and penalties	15,500	15,500	12,000	10,000
Use of money and property	52,000	77,000	77,000	87,000
Income from other agencies	140,000	140,000	328,394	193,000
Federal funding	3,500	1,000	1,000	1,000
State funding	100,500	100,500	100,500	132,500
Charges for service	54,510	74,510	130,000	75,000
Interfund services provided	169,000	84,000	--	--
Other revenues	163,000	308,994	31,800	31,800
Total Revenues	5,727,100	5,908,004	5,974,800	6,259,500
EXPENTIDURES				
Salaries and benefits	2,917,298	3,286,313	3,082,482	3,470,487
Operations	1,535,561	1,658,710	1,788,482	2,019,720
Debt service	37,115	37,115	--	--
Capital Outlay/CIP	1,231,531	1,043,939	899,327	1,197,531
Total Expenditures	5,721,505	6,026,077	5,770,043	6,687,738
FINANCING SOURCES (USES)				
Transfers in	29,500	29,500	29,500	29,500
Transfers out	(253,722)	(223,658)	(1,070,542)	(259,926)
Total net sources (uses)	(224,222)	(194,158)	(1,041,042)	(230,426)
RESOURCES - USES	\$(218,567)	\$(312,231)	\$(790,191)	\$(658,664)

Source: City of Lakeport – 2021-22 Adopted Budget.

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, the largest of these sources of revenue is described in greater detail.

Table 5
CITY OF LAKEPORT
General Fund Revenues By Source
Fiscal Years 2017-18 through 2019-20

Category	2017-18		2018-19		2019-20	
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
<u>Taxes and assessments:</u>						
Sales and use taxes	\$3,383,579	61.82%	\$3,751,230	60%	\$3,567,487	52%
Property taxes	931,679	17.02%	869,506	14%	1,105,592	16%
Transient occupancy taxes	62,124	1.13%	197,785	3%	161,535	2%
Business license Taxes	85,817	2%	81,400	1%	76,976	1%
Licenses, permits and franchises	566,919	10%	439,043	7%	509,005	7%
Fines, forfeitures and penalties	22,824	0%	27,107	0%	6,887	0%
Intergovernmental	137,001	2.50%	546,962	9%	1,105,137	16%
Use of money and property	45,170	1%	117,880	2%	130,686	2%
Charges for service	126,097	2%	79,384	1%	106,509	2%
Other revenues	112,490	2%	148,034	2%	35,346	1%
Totals	\$5,473,700	100%	\$6,258,331	100%	\$6,805,160	100%

Source: City of Lakeport.

Sales and Use Taxes

Sales and use taxes typically represent the largest source of revenues to the City's general fund (as shown in Table 5 above). This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State.

Background on Sales and Use Taxes. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the CDTFA (defined below)) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "**Sales Tax Law**"), as shown in the following table. Taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

Table 6
CITY OF LAKEPORT
Sales Tax Rates
Effective October 1, 2020

Statewide Rate	7.25%
City of Lakeport 2017 Trans. and Use Tax (LAKG)	1.00
City of Lakeport 2005 Trans. and Use Tax (LPGT)	<u>0.50</u>
Total	8.75%

Source: California Department of Tax and Fee Administration.

State-Wide Sales Tax Law. 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 Publication No. 61 (February 2017) 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 reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

City of Lakeport Sales Tax Overrides (Measure I and Measure Z). In 2005, voters in the City approved, Measure I, a transaction and sales use tax equal to 0.50%. It became effective on April 1, 2005 and does not have a sunset date. In November 2016, voters in the City approved Measure Z, an additional transaction and sales use tax equal to 1.00%. The tax was created to maintain and enhance general City services. Some of these being recruiting, hiring, and retaining qualified police officers. Thus improving neighborhood patrols, maintaining response to property, burglary, and violent crimes. Additionally, repairing local streets/potholes; enhancing business attraction/youth recreational programs and keeping the City's parks/pool safe/clean. This tax became effective on April 1, 2017 and does not have a sunset date. These measures combined add a substantial amount of General Fund revenues to the City annually. No assurance can be given that voters in the City will not seek to terminate one or both taxes pursuant to the referendum process or other procedures available under State law.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (the "CDTFA"). This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The CDTFA receives an administrative fee based on the cost of services provided by the Board 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.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2016 through 2020 are shown in the following table. Total taxable sales during calendar year 2020 in the City were reported to be \$101,008,203, a 12.83% decrease over the total taxable sales of \$115,879,232 reported during calendar year 2019.

**Table 7
CITY OF LAKEPORT
Taxable Transactions
For Calendar Years 2016 Through 2020
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits as of July 1	Taxable Transactions	Number of Permits as of July 1	Taxable Transactions
2016	231	\$104,010	367	\$111,904
2017	245	106,622	378	113,268
2018	245	108,168	403	115,115
2019	243	198,035	403	115,879
2020	248	93,301	421	101,008

Source: State Department of Tax and Fee Administration.

Ad Valorem Property Taxes

Ad valorem property taxes generally represent the second-largest source of general fund revenue for the City (as shown in Table 5 above). This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property taxpayers in the City.

General. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of 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) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Property Tax Levies and Collections; Teeter Plan. The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds as provided for in the State Revenue and Taxation Code (the “**Teeter Plan**”), which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due, including the City. Under these provisions, the County has established a delinquency reserve and assumes responsibility for all secured delinquencies.

Under the Teeter Plan, the City is assured of 100% collection of its secured tax levies so long as the conditions established by the Teeter Plan are met. However, the City is not entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments. The Teeter Plan is to remain in effect unless the Board of Supervisors 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 has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts

in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* property taxes in the City would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the City. The City is not aware of any plans by the County to discontinue the Teeter Plan.

Proposition 8 Reductions in Assessed Valuation. The Lake County Assessor (the “County Assessor”) assesses property as of its assessed valuation on January 1 of each year. If the market value as of January 1 is less than its base year value, annually adjusted by the inflation factor (generally 2 percent) pursuant to Article XIII A of the State Constitution, then Proposition 8, adopted in November, 1978, allows for a temporary reduction in assessed value. In these cases, the County Assessor may lower the assessed valuation of any such real property. See “RISK FACTORS – Appeals of Assessed Values” for additional information.

Assessed Valuation History. The following table shows historical assessed valuations of taxable property in the City since Fiscal Year 2016-17.

**Table 8
CITY OF LAKEPORT
Assessed Value of Taxable Property
Fiscal Years 2016-17 through 2020-21**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2016-17	\$454,568,692	\$0	\$21,389,200	\$475,957,892	--%
2017-18	469,113,259	0	23,293,930	492,407,189	3.5
2018-19	486,303,842	0	23,875,770	510,179,612	3.6
2019-20	510,692,317	0	24,273,348	534,965,665	4.9
2020-21	542,945,735	0	27,710,663	570,656,398	6.7

Source: California Municipal Statistics, Inc.

Assessed Valuations by Land Use. The following table shows assessed valuations and parcels by land use for Fiscal Year 2020-21.

**Table 9
CITY OF LAKEPORT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2020-21**

	2020-21 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$507,280	0.09%	4	0.16%
Commercial	161,875,136	29.81	288	11.75
Industrial	743,756	0.14	7	0.29
Recreational	1,255,845	0.23	21	0.86
Government/Social/Institutional	2,514,752	0.46	20	0.82
Miscellaneous	96,834	0.02	4	0.16
Subtotal Non-Residential	\$166,993,603	30.76%	344	14.03%
Residential:				
Single Family Residence	\$303,600,758	55.92%	1,506	61.42%
Hotel/Motel	5,032,550	0.93	9	0.37
Mobile Homes and Lots	20,445,224	3.77	229	9.34
Mobile Home Park	11,276,430	2.08	7	0.29
2+ Residential Units/Apartments	28,120,223	5.18	112	4.57
Subtotal Residential	\$368,475,185	67.87%	1,863	75.98%
Vacant Parcels	\$7,476,947	1.38%	245	9.99%
Total	\$542,945,735	100.00%	2,452	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuations of Single-Family Homes. The following table shows the Fiscal Year 2020-21 per parcel assessed valuation of single-family homes in the City.

**Table 10
CITY OF LAKEPORT
Per Parcel 2020-21 Assessed Valuation of Single-Family Homes**

Single Family Residential	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	1,506	\$303,600,758	\$201,594	\$185,676

2020-21 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	8	0.531%	0.531%	\$176,943	0.058%	0.058%
\$25,000 - \$49,999	52	3.453	3.984	2,009,872	0.662	0.720
\$50,000 - \$74,999	91	6.042	10.027	5,659,576	1.864	2.584
\$75,000 - \$99,999	101	6.707	16.733	9,069,307	2.987	5.572
\$100,000 - \$124,999	129	8.566	25.299	14,601,936	4.810	10.381
\$125,000 - \$149,999	168	11.155	36.454	23,122,826	7.616	17.997
\$150,000 - \$174,999	143	9.495	45.950	23,296,502	7.673	25.671
\$175,000 - \$199,999	139	9.230	55.179	26,006,246	8.566	34.237
\$200,000 - \$224,999	134	8.898	64.077	28,483,231	9.382	43.619
\$225,000 - \$249,999	114	7.570	71.647	27,048,877	8.909	52.528
\$250,000 - \$274,999	107	7.105	78.752	27,942,184	9.204	61.732
\$275,000 - \$299,999	72	4.781	83.533	20,749,103	6.834	68.566
\$300,000 - \$324,999	81	5.378	88.911	25,319,668	8.340	76.906
\$325,000 - \$349,999	34	2.258	91.169	11,356,948	3.741	80.646
\$350,000 - \$374,999	36	2.390	93.559	12,931,602	4.259	84.906
\$375,000 - \$399,999	21	1.394	94.954	8,113,725	2.672	87.578
\$400,000 - \$424,999	20	1.328	96.282	8,219,711	2.707	90.286
\$425,000 - \$449,999	21	1.394	97.676	9,182,615	3.025	93.310
\$450,000 - \$474,999	11	0.730	98.406	5,045,946	1.662	94.972
\$475,000 - \$499,999	4	0.266	98.672	1,973,186	0.650	95.622
\$500,000 and greater	<u>20</u>	<u>1.328</u>	100.000	<u>13,290,754</u>	<u>4.378</u>	100.000
	1,506	100.000%		\$303,600,758	100.000%	

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

Largest Taxpayers. The 20 largest secured property taxpayers for Fiscal Year 2020-21, which comprise approximately 17% of the total secured assessed valuation, are as follows:

Table 11
CITY OF LAKEPORT
Top Twenty Local Secured Taxpayers
Fiscal Year 2020-21

	Property Owner	2020-21 Primary Land Use	% of Assessed Valuation	Total⁽¹⁾
1.	Safeway Inc.	Supermarket	\$18,877,672	3.48%
2.	California AVIV LLC	Senior Housing	6,909,550	1.27
3.	Arton Inc.	Mobile Home Park	6,422,539	1.18
4.	Henri and Barbara O. Jeanrenaud	Business Park	6,135,300	1.13
5.	Brunos Property Management LLC	Grocery Store	6,041,342	1.11
6.	Lany Lakeport LP	Shopping Center	6,007,800	1.11
7.	Lakeport Investment LLC	Medical Facilities	5,150,000	0.95
8.	Clifford D. & Nancy L. Ruzicka, Trustees	Comm./Office Props.	4,634,243	0.85
9.	Pontus Vault Portfolio LLC	Bank	4,180,351	0.77
10.	Shoreline Mini Storage LLC	Self Storage	4,099,093	0.75
11.	625 16th Street LLC	Assisted Living	2,705,283	0.50
12.	Derek R. Butcher, Trustee	Residential Properties	2,664,737	0.49
13.	Kenneth J. and Patricia L. Burger, Trustees	Discount Store	2,557,854	0.47
14.	Carl Edward and Linda Lee Olson, Trustees	Commercial Properties	2,491,719	0.46
15.	Savings Bank of Mendocino County	Bank	2,481,475	0.46
16.	Stephen W. Sloan, Trustee	Office Building	2,273,400	0.42
17.	Offenbach Trust	Residential	2,127,000	0.39
18.	Samudra Priya Dias, Trustee	Hotel/Motel	2,107,500	0.39
19.	First Class Capital LLC	Marina and Mobile Home Park	2,100,000	0.39
20.	Kelly L. Butcher, Trustee	Self Storage	<u>2,094,364</u>	<u>0.39</u>
			<u>\$92,061,222</u>	<u>16.96%</u>

(1) 2020-21 Local Secured Assessed Valuation: \$542,945,735.

Source: California Municipal Statistics, Inc.

Current and Proposed Development in the City. There are projects in the City proposed for future development, which are anticipated to further increase assessed valuations in the future, including a hotel project in early stages of the City approval process, and projects intended to revitalize the downtown and lakefront areas. However, no assurance can be given that any planned development will actually take place.

One relevant application active for the City is:

- *South Lakeport Annexation Project* – application to annex an area adjacent to South Main Street and Soda Bay Road, consisting of 50 parcels which total 123.64 acres in area (plus additional road rights-of-way for a total acreage of 136.78 acres). If approved, would extend the City limits to include the area, transferring control of the area from the County to the City.

Other Taxes

In addition to sales and uses taxes and property taxes, the City collects various other taxes, although none is as significant to the General Fund finances of the City. Other Taxes include: franchise taxes, transient occupancy tax and business license taxes.

General Fund Long-Term Obligations

The City currently has various long-term obligations that are payable from the General Fund, as shown below.

USDA Police Station Bonds. For its police station, the City previously entered into a long-term financing with the United States Department of Agriculture, Rural Development (“**USDA**”) in the amount of \$1,095,000. Principal and interest payments of approximately \$43,000 per year are payable semiannually, and accrue at an interest rate of 2.375%, and have a final maturity in 2056. The principal outstanding as of June 30, 2020 was \$1,044,000.

Umpqua Obligation. To pay-off its PERS side fund obligation, the City entered into a lease agreement with Umpqua Bank in 2015 in the amount of \$3,184,000 at an interest rate of 4.25% with a final maturity on January 1, 2033 (previously defined as the “**Umpqua Obligation**”). Interest is payable semi-annually on the Umpqua Obligation on January 1 and July 1. Approximately 62% of the obligation is payable from the General Fund, with the remaining 38% split evenly between the Water Fund and Sewer Fund. Proceeds of the Bonds will be used in part to pay off the Umpqua Obligation. See “PLAN OF REFUNDING.”

2018 Series B Solar Bonds. To fund a solar and energy efficiency retrofit project, the City issued \$4,770,000 of revenue bonds in 2018. The interest rates on the bonds range from 2.0% to 3.5%, with a final maturity date of October 1, 2043. Interest is payable semi-annually on April 1 and October 1. The obligation is payable from revenues received from the General Fund, Water Fund and Sewer Funds. For additional information, see Note 6 to the City’s audited financial statements for Fiscal Year 2019-20 attached hereto as APPENDIX A.

Direct and Overlapping Bonded Debt

The ability of land-owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the “**Debt Report**”) set forth below was prepared by California Municipal Statistics, Inc. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

**Table 12
CITY OF LAKEPORT
Direct and Overlapping Bonded Debt
As of June 1, 2021**

2020-21 Assessed Valuation: \$570,656,398

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt</u>
Mendocino-Lake Community College District	4.821%	\$2,962,579
Lakeport Unified School District	42.028	7,062,628
City of Lakeport Reassessment District No. 2017-1	100.000	<u>2,328,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$12,353,207
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
City of Lakeport Lease Revenue Bonds	100.000%	\$2,003,000
City of Lakeport Pension Obligation Bonds	100.000	<u>1,160,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$3,163,000 ⁽¹⁾
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$4,190,000
COMBINED TOTAL DEBT		\$19,706,207 ⁽²⁾

Ratios to 2020-21 Assessed Valuation:

Combined Direct Debt (\$3,163,000)	0.55%
Overlapping Tax and Assessment Debt	2.16%
Combined Total Debt	3.45%

Ratios to Redevelopment Incremental Valuation (\$136,394,818):

Total Overlapping Tax Increment Debt	3.07%
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(1) Excludes Bonds to be sold.

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

Source: California Municipal Statistics, Inc.

Employee Relations

For Fiscal Year 2019-20, the City had 48.5 full-time-equivalent employees (FTEs), 46 of which are represented by labor groups, plus 2.5 FTEs that are un-represented. The City has begun the process of bargaining extension terms with each of the unions, and the terms of the existing agreements will remain in effect if new agreements are not reached prior to the expiration thereof. The City believes its relations with its employees are good, and has not experienced a labor-related work stoppage in the past 5 years.

Table 13
CITY OF LAKEPORT
Negotiated Employee Agreements
As June 30, 2021

Labor Group	Contract Expiration
LPOA – Lakeport Police Officers’ Association	06/30/2022
LEA – Lakeport Employee’s Association	12/31/2020*
Unrepresented Employees	06/30/2021
Confidential Employees	12/31/2020*

*Employees are operating pursuant to expired contracts and are currently in active negotiations.
Source: City of Lakeport.

Pension Plans

General. The following information concerning the California Public Employees’ Retirement System (“**PERS**”) is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Bonds, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street Sacramento, California 95814 or (888) 225-7377 for other information, including information relating to its financial position and investments.

The City provides retirement benefits to certain of their employees through contracts with PERS, a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains more than one pension plan (each, a “**PERS Plan**” or a “**Plan**”) for cities based on the type of employee (i.e. a city may have a PERS Plan for “Safety Employees” and a separate PERS Plan for “Miscellaneous Employees”). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

Actuarial Valuations. The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuations express the City’s required contribution rates in percentages of payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared. PERS rules require the City to

implement the actuary’s recommended rates. See “PLAN OF REFUNDING” for additional details on the City’s current funding status and plan to pay down a portion of its Unfunded Liability.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the UAAL. The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years. As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owe to PERS under its respective PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets of the PERS Plans at the end of the Fiscal Year. The PERS actuary uses a smoothing technique to determine actuarial value that is calculated based on certain policies.

PERS Actuarial Assumptions and Policies. The Board of Administration has adopted policies aimed at stabilizing rising employer costs and mitigating the impact of recent investment declines. These policies are used to set employer contribution rates for each city. In recent years the Board of Administration has made significant changes to its actuarial assumptions and policies.

On December 21, 2016, the Board of Administration voted to lower its discount rate (assumed rate of return) to 7.0% over the next three years according to the following schedule, and in July 2021 announced the discount rate will drop from the then-current 7.0% to 6.8%.

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the City, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many PERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the City with respect to the Plans, are anticipated to increase further beginning in fiscal year 2020-21.

PEPRA. On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees’ Pension Reform Act of 2012 (“**PEPRA**”) and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, PEPRA: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Unfunded Liability of PERS Plans. The PERS Contract represents the City’s contractual and statutory obligation to make such payments to PERS on behalf of Plan participants. Payments under the PERS Contract are an absolute and unconditional obligation imposed upon the City and enforceable against the City and are not limited as to payment as to any special source of funds of the City. PERS prepared four actuarial valuation reports for the City (collectively, the “**Actuarial Valuations**”), setting forth the Unfunded Liability of the City with respect to each of its retirement plans as of June 30, 2019 and projected as of June 30, 2021. As shown in the Actuarial Valuations, the combined total Unfunded Liability of the City as of June 30, 2019 is \$8,394,917, representing the sum of the Plans, as shown in the following table.

Table 14
CITY OF LAKEPORT
Unfunded Liability of PERS Plans
As of June 30, 2019

Plan	Unfunded Liability
Miscellaneous	\$5,457,131
PEPRA Miscellaneous	63,002
PEPRA Safety Police	49,615
Safety	2,825,169

Source: PERS actuarial valuations dated as of June 30, 2019.

Actions to Address Unfunded Liability. The City is taking multiple steps to address its current pension liabilities, including issuing the Bonds and adopting a reserve and pension policy. Portions of the reserve and pension policy are summarized above, under “–City Accounting Policies and Financial Reporting – Financial Policies and Practices.” As relevant to the City’s

pension and OPEB liabilities, they key provisions of the reserve and pension policy are summarized below under “– Pension and OPEB Funding Policy.”

Other Post-Employment Benefits (OPEB)

The City’s single-employer defined benefit retiree health plan (the “**Plan**”) provides certain health care benefits to qualified retired employees until they become eligible for Medicare benefits. Employees of the City may become eligible for these benefits when they reach normal retirement age while working for the City based upon years of service.

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the City’s cash contributions were \$243,284. See Note 11 to the City’s Audited Financial Statements for the Fiscal Year Ended June 30, 2020 attached as APPENDIX A for additional details.

Pension and OPEB Funding Policy

Upon the issuance of the Bonds, in accordance with its reserve and pension funding policy, a Pension and Other Post Employment Benefit Reserve Fund (“**PORF**”) will be established in the amount of \$600,000. This amount represents the City’s estimated annual contribution amounts for pension and OPEB UAL. Funding requirements for the PORF are as follow:

- This fund will take the form of an Internal Revenue Code Section 115 Trust Fund.
- All allocations for the PORF will only occur after the full funding of the 45% General Reserve.
- If the Bonds and any other pension obligation bonds, the City shall budget a minimum of 10% (ten percent) of the net annual savings for bond fiscal years 1 through 10 to be transferred to the PORF on an annual basis. The net annual savings shall be determined at the time of bond issuance for years 1-10. The net annual savings calculated for the issued bonds shall not be adjusted to reflect any subsequent increase or decrease in unfunded liability or any change in actuarial assumptions.

Additionally, at least 10% of all future surplus funds shall be transferred to the PORF for the purposes of that fund. The remaining amount will be considered available for additional reserve funding or other discretionary purposes.

The PORF is considered fully funded when its balance equals 110% of the Pension UAL, OPEB UAL and outstanding POBs combined. In years in which the PORF is fully funded, required contributions are suspended.

The Finance Department shall provide a comprehensive reserve fund status report, including five-year reserve fund balance projections, annually to the City Council along with the Comprehensive Annual Financial Report.

In the event of an economic hardship, or other unanticipated fiscal emergency, the City Council may make an emergency declaration to reduce the annual transfer to the PORF. This

declaration will only apply to the fiscal year in which it was made. Ongoing fiscal challenges will require a second or third emergency declaration.

PORF funds may be used for any lawful purpose, including but not necessarily limited to: Repayment of future CalPERS unfunded liability in part or whole; normal cost pension payments to CalPERS; the issuance of debt for the purposes of refinancing or issuing pension obligation bonds or other similar debt instruments; employer contributions to the OPEB plan; to pay off any outstanding POBs; and to pay any other unanticipated pension or benefit-related cost or charge.

Risk Management

Through June 30, 2021, the City was an associate member of the Redwood Empire Municipal Insurance Fund (“REMIF”), a public entity pool comprised of 15 northern California charter and associate member cities. Effective July 1, 2021, REMIF and Public Agency Risk Sharing Authority of California (“PARSAC”) merged to form a new risk pool called California Intergovernmental Risk Authority (“CIRA”). CIRA is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of CIRA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The City pays an annual premium to CIRA for its workers’ compensation, general liability and property coverage. For more information on the City’s insurance coverages, see Notes 8 and 9 to the City’s Audited Financial Statements for the Fiscal Year Ended June 30, 2020 attached as APPENDIX A.

General Fund – Fund Balances

The following table shows the fund balances in the City’s General Fund for the years shown.

Table 15
CITY OF LAKEPORT
General Fund – Fund Balances
For Fiscal Years 2016-17 through 2019-20 (Audited)

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
FUND BALANCES				
Nonspendable	\$293,871	\$289,481	\$289,481	\$289,481
Restricted	20,569	10,387	10,387	10,387
Committed	421,099	--	--	--
Assigned:				
Capital projects	--	2,000,000	2,000,000	2,000,000
General reserves	1,874,707	1,199,455	1,199,455	1,199,455
Subsequent year’s budget approp.	186,999	--	--	--
Debt service reserve	110,000	111,000	111,000	111,000
Unassigned	337,152	341,065	842,769	2,054,633
Total Fund Balances	\$3,244,397	\$3,951,388	\$4,453,092	\$5,664,956

Source: Audited Financial Statements for Fiscal Years 2016-17 through 2019-20

City Investment Policy and Portfolio

On an annual basis, the City reviews and approves its Investment Policy to govern the investment of its funds. In accordance with the policy, the City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond

indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The City’s pooled investment portfolio as of June 30, 2020, had a market value of approximately \$4.9 million (including cash). The following table illustrates the current composition of investments.

Table 16
CITY OF LAKEPORT
Investment Portfolio as of June 30, 2020

Type	Amount
Money market mutual funds	\$92,920
Certificate of Deposits	2,102,130
Local Agency Investment Fund (LAIF)	2,669,641
Total	\$4,864,691

Source: City of Lakeport Audited Financial Statements for Fiscal Year 2019-20.

Capital Improvement Program

The City reviews its capital improvement program (“CIP”) in its annual budgets, which includes certain projects that span multiple years. The program consists of projects aimed at improving the City’s public infrastructures such as streets, transportation, sewer and storm drains and public buildings.

During Fiscal Year 2019-20 the City completed reconstruction of the Library Park seawall, damaged in the 2017 winter storms, and completed the first installment of the lakefront promenade adjacent to the wall. The City was also able to continue to make progress on the improvement of pedestrian and roadways within the downtown area with the installation of new sidewalk, lighting, landscaping and roadway improvements along Second Street between Main and Park Streets in front of City Hall. The City also completed the reconstruction of a segment of Main Street between Peckham Court, the last segment in the rehabilitation of the portion of South Main Street from Lakeport Boulevard to the City Limits. A number of other improvements to local roadways also occurred this past fiscal year including; repaving of First Street (between Park and Main), the repaving of Fourteenth Street (between Orchid & Palm) and chip-seal added to rural roadways including Berry and Armstrong Streets.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2017 through 2021.

Table 17
CITY OF LAKEPORT
Personal Income
For Calendar Years 2017 through 2021

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2017	City of Lakeport	\$97,149	\$36,578
	Lake County	1,158,280	33,195
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Lakeport	\$99,504	\$44,419
	Lake County	1,291,132	37,241
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Lakeport	\$115,741	\$47,079
	Lake County	1,470,566	41,201
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Lakeport	\$119,697	\$51,179
	Lake County	1,517,580	45,357
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Lakeport	\$142,484	\$57,004
	Lake County	1,685,359	46,805
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five years.

Table 18
CITY OF LAKEPORT BUILDING PERMIT ACTIVITY
For Calendar Years 2016 through 2020
(Valuation in Thousands of Dollars)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$408.0	\$262.3	\$524.5	\$0.0	\$3,645.1
New Multi-family	0.0	0.0	4,269.0	0.0	0.0
Res. Alterations/Additions	595.3	567.0	199.3	801.2	470.4
Total Residential	1,003.3	829.3	4,992.8	801.2	4,115.5
New Commercial	20.9	442.2	4,679.0	0.0	2,409.2
New Industrial	0.0	0.0	0.0	0.0	1,072.1
New Other	283.4	104.0	134.9	102.6	494.3
Com. Alterations/Additions	204.4	2,523.6	460.5	535.0	95.0
Total Nonresidential	508.7	3,069.8	5,274.4	637.6	4,070.6
<u>New Dwelling Units</u>					
Single Family	2	1	2	0	19
Multiple Family	0	0	24	0	0
TOTAL	2	1	26	0	19

Source: Construction Industry Research Board, Building Permit Summary.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the City to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see “THE CITY” and “CITY FINANCIAL INFORMATION” herein.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of 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.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property–tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “newly constructed” the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living,

population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978–79 fiscal year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a fiscal year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long term General Fund lease obligations are generally excluded from the City’s appropriations limit.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter–approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a “special benefit,” as defined in Article XIII D, over and

above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding 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 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 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, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for 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 bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

The City does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s operations could be adversely affected. See “CITY FINANCIAL INFORMATION.”

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on

the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Gardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Gardino* decision did not address whether it should be applied retroactively.

In response to *Gardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Gardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Gardino* decision on a retroactive basis remains unclear.

The *Gardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Felder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

The City believes the taxes constituting City revenues are levied in compliance with Proposition 62.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing 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 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. This shift of local government property tax can be accomplished 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.

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State–mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“**Unitary Property**”), commencing with the 1988–89 fiscal year, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State–assessed revenue; and (ii) if county–wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State–assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting the City’s revenues or its ability to expend revenues.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. There can be no assurance that other risk factors will not become evident at any future time.

Limitations on Remedies; Bankruptcy

The enforcement of any rights and remedies provided in the Indenture, including but not limited to the remedy of suit in law or equity, could be substantial and the process lengthy. The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the United States Bankruptcy Code (the “**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; equitable principles which may limit the specific enforcement under State law of certain remedies; the

exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Municipal bankruptcies within the past 10 years, particularly as to the cities of Stockton and San Bernardino, California, and of the city of Detroit, have brought scrutiny to pension obligation bonds. In the San Bernardino bankruptcy, the court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to PERS. A variety of events, including, but not limited to, additional rulings adverse to the interests of bond owners in bankruptcy cases could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds if the City were to file for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that the Owners may not recover all of their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Any suit requesting accelerated payment of the Bonds and/or money damages could be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights, including their right to full repayment as well as payment terms. Many issues under Chapter 9, have not yet been the subject of reported appellate decisions, and it has become difficult to anticipate judicial rulings in municipal bankruptcies due to inconsistencies in opinions at the Bankruptcy Court and District Court level. For example, there is now some uncertainty regarding whether bondholders would be entitled to receive remittances of special revenues net of permitted necessary operating expenses during the pendency of a Chapter 9 bankruptcy proceeding and prior to confirmation of a plan of adjustment. This is based upon a lack of relevant appellate decisions, as well as inconsistencies in District Court holdings in in Puerto Rico's ongoing proceedings pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") (which contains similarities to and incorporates certain provisions of Chapter 9 of the Bankruptcy Code, but which was not enacted as a part thereof) and prior municipal bankruptcy case decisions.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations that would constitute additional charges against its general revenues without limitation under the Indenture. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may decrease.

Future Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the levels of benefits provided or in the contribution rates 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 PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans, in addition to making payments to amortize the Bonds, in order to fully fund of the City's obligations to its PERS Plans.

Certain Risks Associated with Sales Tax Revenues

Sales tax revenues are typically the largest source of General Fund revenue to the City. Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers, which could be impacted by a variety of factors.

For example, before the final maturity of the Bonds, the City or the State may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. See “–COVID-19 Pandemic” for additional details on the impact of the COVID-19 pandemic on the City's sales tax revenues that may occur in the future.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the CDTFA for administering the City's sales tax could also be changed.

A large portion of the sales tax revenues received by the City each year is attributable to a 1.5% sales tax override levied on taxable transactions in the City, as approved by the voters pursuant to two separate ballot measures. No assurance can be given that voters in the City will not seek to terminate one or both taxes pursuant to the referendum process or other procedures available under State law. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution.”

Certain Risks Associated with Property Tax Revenues

Property tax revenues are typically the second-largest source of General Fund revenue to the City. Property tax revenues are based primarily upon the assessed valuation of taxable real property in the City, and could be impacted by a variety of factors.

Assessed Value of Taxable Property. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, coastal erosion, sea level rise, or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In

addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Reductions in the market values of taxable property may cause property owners to appeal assessed values and may be associated with an increase in delinquency rates for taxes. See also “-Geologic, Topographic and Climatic Conditions” below.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution.”

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not materially reduce the City's property tax revenues.

COVID-19 Pandemic

The ongoing spread of the COVID-19 coronavirus pandemic, and the governmental and private actions to respond to it have resulted in a significant impacts on national, state and local economies. The impact of the pandemic may result in material adverse impacts to the General Fund finances of the City. There can be no assurances that the spread of the virus and the related shelter in place orders and social distancing requirements that may from time to time be imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the amount or timing of General Fund revenues received by the City.

To date, the City has not experienced any material adverse impact to its General Fund finances from COVID-19, but this may change without notice in the future. The City's property taxes and sales and use taxes have not materially declined; while transient occupancy taxes (TOT) have declined significantly as a result of COVID-19, those revenues make up a very small percentage of overall General Fund revenues. While the City does not presently foresee significant negative economic impacts on its General Fund due to COVID-19 restrictions, the status and impact of restrictions remain unpredictable and material negative impact to the finances of the City are possible.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, ransomware, malware 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 systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The City has never had a major cyber breach that resulted in a financial loss. It uses a combination of signature, protocol and anomaly-based inspection methods to ensure a high level of security for its network, including next generation firewalls that utilize a packet processing engine to analyze network traffic up to and including layer 7, using fingerprinting to identify users, content, and applications on the network. Network flow is categorized, and access control policies are enforced; layer 7 classification of tracking is designed to control evasive, encrypted, and peer-to-peer applications that cannot be controlled by traditional firewalls. The system utilizes an integrated intrusion detection and prevention (IDS/IPS) engine which protects the network against malicious entities and threats.. All network traffic is monitored 24/7 and alerts are generated allowing tech support personnel to react to anomalies in network traffic in real time.

No assurance can be given that the City's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers, such as the County for operation of the Teeter Plan or such as the Trustee in its role under the Indenture and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the operations or finances of the City, e.g., systems related to the timeliness of payments to owners of the Bonds or compliance with disclosure filings pursuant to the continuing disclosure certificate.

Proposition 218

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution,” for information about certain risks to the City’s general fund revenues under Articles XIIC and Article XIID of the California Constitution, which were initially implemented via an initiative measure known as “Proposition 218.”

Geologic, Topographic and Climatic Conditions

General. The financial stability of the City could be materially adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Wildfires, floods, earthquakes, drought, liquefaction, landslides, dam failure and other severe weather events are among the hazard that could have a material adverse impact on the City and property values within the City. The City sits at 1,355 feet of elevation, and is generally flat in topography. To the west of the City, the terrain rises quickly. Between 1950 and 2019, the County experienced 27 federal disaster declarations, 15 of which were associated with flood events (including heavy rain and storms) and 10 with wildfires. Certain of the risks to the City are described in more detail below.

Wildfire. In recent years, drought conditions in the State have led to increased risk of wildfire. In particular, certain electrical operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives; lightning storms are also frequently a cause of wildfires. In 2018, for example, the Mendocino Complex Fires severely impacted land within the County. Similarly, in 2015, 2016, and 2017, wildfires near the City devastated land in the area. While the City’s lakeside location offers some degree of fire protection to the east, fire severity zones on government information system (“GIS”) maps classified as “high” and “very high” are present to the west.

Seismic. The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. Groundshaking, liquefaction of soils, and landslide/debris flows may all result from seismic events. Immediately east of the City, between the City limits and Clear Lake, there is a potentially active rupture zone. Little is known of this zone, and within the past 200 years, no major earthquakes have occurred along any faults in the County. To the west of the City lie the San Andreas fault and the Healdsburg fault (30 and 15 miles away, respectively). Both of these faults have been responsible for moderate to major seismic events in the past. If there were to be an occurrence of severe seismic activity in the City, there could be an adverse impact on the City’s ability to pay debt service on the Bonds.

Flooding and Dam Failure. Short-term, heavy storms can cause both widespread flooding as well as extensive localized drainage issues in the City. In addition to flooding, strong winds, when combined with saturated ground conditions, can down mature trees causing power outages and other damage. Hail, strong winds, and lightning can also accompany heavy rain storms. Storm events mostly occur during the winter months. Severe flooding occurred in the City most recently in 2017 and 2019.

Dam failure can result from earthquakes, inadequate spillway capacity during rain events and improper design or maintenance. Major loss of life as well as potentially catastrophic effects to roads, bridges and homes may result from dam failure. According to the State, there are 21 dams in the County, only 1 of which has the possibility of impacting the City — the Lakeport

Wastewater Treatment Plant Dam. This dam is located approximately 1 mile from the City and is an earthen structure; failure could result in extensive property damage to residential structures and agricultural properties along Linda Lane in the City.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Bonds. In general, the owners and operators of a property may be required by federal or State law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. Should any substantial amount of property within the City be affected by a hazardous substance, a reduction in the value of property in the City could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make payments on the Bonds.

Future Litigation

The City may be or become a party to litigation which has an impact on the City's general fund. While the City maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make debt service payments on the Bonds may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make debt service payments on the Bonds. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII C and Article XIII D of the State Constitution."

Secondary Market

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. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in APPENDIX C.

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

LEGAL MATTERS

Validation Proceedings

The City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Lake seeking judicial validation of the transactions relating to the issuance of the Bonds, and certain other matters, including refunding the Umpqua Obligation (*City of Lakeport vs. All Persons Interested, etc.*, Case No. _____). On _____, 2021, the court entered default and issued a court judgment to the effect, among other things, that the Prior Pension Obligations and the Bonds are valid and binding obligations of the City under the Constitution and laws of the State.

Pursuant to Section 870(b) of the California Code of Civil Procedure, an appeal of a validation action judgment is required to be filed within 30 days of the entry of the judgment, and after such date no challenge to the judgment can be filed, and the judgment becomes binding and conclusive in accordance with California law. No appeal was timely filed in the action, and the time for appeal has now expired. In issuing its approving opinion, Jones Hall, A Professional Law Corporation, will rely, among other things, upon the above-described validation judgment.

Legal Opinions

Jones Hall, A Professional Law Corporation, San Francisco, California, (“**Bond Counsel**”), will render an opinion substantially in the form of APPENDIX C hereto with respect to the validity of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriter by its counsel, Norton Rose Fulbright US LLP and the City by the City Attorney.

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon issuance of the Bonds.

No 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. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture of Trust 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. The validity of the Bonds has been judicially validated as described above. See “– Validation Proceedings,” above.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than March 31 following the end of the City’s fiscal year (presently June 30) commencing with its report for fiscal year 2020-21, which will be due March 31, 2022 (each, an “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is contained in “APPENDIX D – Form of Continuing Disclosure Certificate.”

During the last five years, the City has complied with its continuing disclosure obligations in all material respects.

The City has hired NHA Advisors, LLC to serve as dissemination agent with respect to the Bonds and its other undertakings under the Rule.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“**S&P**”) has assigned its municipal bond rating of “_____” to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from the S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

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

UNDERWRITING

Hilltop Securities Inc., as underwriter (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of \$_____ (being the principal amount of the Bonds, less an Underwriter’s discount in the amount of

\$_____). The obligations of the Underwriter are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all such Bonds if any Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yields set forth on the inside front cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

MUNICIPAL ADVISOR

NHA Advisors, LLC, San Rafael, California (the “**Municipal Advisor**”), is acting as the City’s municipal advisor in connection with the Bonds. The Municipal Advisor is a registered “Municipal Advisor” with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor with respect to the Bonds are contingent upon their sale and delivery.

MISCELLANEOUS

All of the descriptions of applicable law, the Indenture of Trust, the City, and the agreements and other documents contained herein are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

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

CITY OF LAKEPORT, CALIFORNIA

By: _____
City Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR YEAR ENDED JUNE 30, 2020**

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX C

PROPOSED FORM OF FINAL OPINION

[Closing Date]

City Council
City of Lakeport
1225 Lincoln Way
Lakeport, CA 95603

OPINION: \$ _____ City of Lakeport
2021 Taxable Pension Obligation Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and delivery by the City of Lakeport (the "City") of \$ _____ aggregate principal amount of bonds of the City designated the "City of Lakeport 2021 Taxable Pension Obligation Bonds" (the "Bonds"), issued under the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), an Indenture of Trust dated as of October 1, 2021 (the "Indenture"), between the City and U.S. Bank National Association, as trustee. The Bonds have been issued to provide funds to prepay certain obligations of the City to California Public Employees' Retirement System. We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Additionally, in rendering our opinion, we are also relying upon the judgment of the Superior Court of California County of Lake rendered on July 27, 2021 in *City of Lakeport vs. All Persons Interested, et al.*, Case No. CV 421827.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Indenture and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds constitute legal, valid and binding obligations of the City enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF LAKEPORT
2021 TAXABLE PENSION OBLIGATION BONDS,

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the CITY OF LAKEPORT (the “City”) in connection with the execution and delivery of the bonds captioned above (the “Bonds”). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of October 1, 2021 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee.

The City covenants and agrees as follows:

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

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

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

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (being March 31 based on the City’s current fiscal year end of June 30).

“*Dissemination Agent*” means initially NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for fiscal year ending June 30, 2021, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the most recently completed fiscal year, as follows:

1. The outstanding principal amount of the Bonds as of June 30.
2. General Fund Revenues, Expenditures and Changes in Fund Balance for the most recently completed fiscal year, substantially in the form of Table 3.
3. General Fund Budget for the then-current fiscal year.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.

- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e) below).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e) below).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bond holders.

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

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

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and 5(a)(16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent and any successor may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized Special Counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

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

Date: September __, 2021

CITY OF LAKEPORT

By: _____

Name: _____

Title: _____

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT:

NHA ADVISORS, LLC

By _____
Authorized Officer

APPENDIX E**BOOK ENTRY PROVISIONS**

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 Certificates 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 City, as the issuer of the Bonds (the “Issuer”), nor the Trustee appointed for 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 Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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”) will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing

Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

**[\$[PAR AMOUNT]]
CITY OF LAKEPORT
2021 TAXABLE PENSION OBLIGATION BONDS
BOND PURCHASE AGREEMENT**

[_____], 2021

City of Lakeport
225 Park Street
Lakeport, California 95453

Ladies and Gentlemen:

Hilltop Securities Inc. (the “Underwriter”) offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with you, the City of Lakeport, California (the “City”), which, upon acceptance will be binding upon the City and the Underwriter.

This offer is made subject to written acceptance by the City at or 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 written notice delivered to the City at any time prior to the acceptance hereof by the City. Upon such acceptance the Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter.

1. Purchase and Sale. Upon the terms and conditions and in reliance on the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the City’s \$[PAR AMOUNT] 2021 Taxable Pension Obligation Bonds (“2021 Bonds”).

The proceeds of the 2021 Bonds will be used by the City to (a) refund certain obligations of the City owed to the California Public Employees’ Retirement System and to Umpqua Bank with respect to pension benefits accruing to current and former City employees and (b) pay the costs of issuance of the 2021 Bonds.

The purchase price for the 2021 Bonds shall be \$[_____] (representing the \$[PAR AMOUNT].00 aggregate principal amount of the 2021 Bonds and less \$[_____] of Underwriter’s discount). No good faith check will be required.

The 2021 Bonds shall be described in the Preliminary Official Statement (as defined below), except for information permitted to be excluded by the Rule (as defined below), and the Official Statement (as defined below). The 2021 Bonds will mature, bear interest and a yield at the rates per annum, as shown on Exhibit A hereto, and be subject to redemption as set forth in the Indenture (as defined below). The 2021 Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and a Indenture of Trust, dated as of September 1, 2021 (the “Indenture”), between the City and U.S. Bank, National Association, as trustee (the “Trustee”).

The execution and delivery of the Indenture and the issuance of the 2021 Bonds have been approved by a resolution of the City dated May 18, 2021 and the sale or the 2021 bonds and delivery of the Preliminary Official Statement and the Official Statement has been approved by a resolution of the City dated [____], 2021 (the “Resolutions”), and the 2021 Bonds shall be as described in, and shall be secured under and pursuant to, the Indenture. The 2021 Bonds shall be payable as provided in the Indenture.

The Indenture, the 2021 Bonds, the Continuing Disclosure Certificate, dated [____], 2021 (the “Continuing Disclosure Certificate”), executed by the City, and this Purchase Agreement are referred to collectively herein as the “Legal Documents,” and all capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture.

2. Delivery of the Official Statement and Other Documents.

(a) The City agrees to deliver to the Underwriter, at such address as the Underwriter shall specify, as many copies of the Official Statement dated the date hereof relating to the 2021 Bonds (as supplemented and amended from time to time, the “Official Statement”) as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”) and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The City agrees to deliver such Official Statement within the earlier of (i) seven (7) business days after the execution hereof or (ii) two (2) business days prior to the Closing Date, provided, that failure by the City to so deliver such Official Statement due to any action or failure to act of the Underwriter or its counsel shall not constitute a breach hereunder.

(b) By execution of this Purchase Agreement, the City confirms that the Preliminary Official Statement, dated [____], 2021, with respect to the 2021 Bonds (the “Preliminary Official Statement”) was deemed final by the City for purposes of the Rule on the date thereof.

(c) The Underwriter shall give notice to the City on the Closing Date if any participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule after the Closing. If such notice is given, then the Underwriter shall provide a subsequent notice of the date on which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule.

(d) If the Underwriter provides notice pursuant to Section 2(c) hereof that Official Statements are required under the Rule after the Closing, then, until the earlier to occur of the date on which no participating underwriter (as such term is defined in the Rule) remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule or twenty-five (25) days after the end of the underwriting period, the City shall (i) apprise the Underwriter of all material adverse developments, if any, occurring with respect to the City after delivery of the 2021 Bonds to the Underwriter, and (ii) provide the Underwriter with such information regarding the City, its current financial condition and ongoing operations as the Underwriter may reasonably request.

3. The Closing. At 8:00 a.m., California Time, on [____], 2021, or at such other time or on such earlier or later date as the City and the Underwriter mutually agree, the City and the Trustee will deliver or cause to be delivered to the Underwriter the 2021 Bonds in book-entry form through the facilities of The Depository Trust Company, New York, New York (“DTC”), duly executed and the other documents hereinafter mentioned shall be delivered at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”) or at such other location as shall have been mutually agreed upon by the City and the Underwriter. The 2021 Bonds shall be delivered to U.S. Bank, National Association, as Trustee and as DTC’s agent using the FAST system of registration. Subject to the terms and conditions hereof, the Underwriter will accept delivery of the 2021 Bonds and pay the net purchase price thereof against delivery by federal funds to the order of the Trustee in an amount equal to the Purchase Price as set forth in Section 1 hereof (which such delivery of and payment for the 2021 Bonds is herein called the “Closing,” and which such date is herein called the “Closing Date”).

The 2021 Bonds shall be issued in fully registered form and shall be prepared and delivered as one bond per maturity registered in the name of Cede & Co., as nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the 2021 Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the 2021 Bonds in accordance with the terms of this Purchase Agreement.

4. Public Offering. The Underwriter agrees to make a *bona fide* public offering of all of the 2021 Bonds at the offering prices set forth in Exhibit A. The Underwriter reserves the right to change such initial public offering prices or yields as the Underwriter deems necessary following the initial public offering period in connection with the marketing of the 2021 Bonds. The City hereby authorizes the Underwriter to use the forms or copies of the Resolutions, the Legal Documents and the Preliminary Official Statement and the information contained therein in connection with the public offering and sale of the 2021 Bonds. The City hereby ratifies and confirms its authorization of the distribution and use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the 2021 Bonds. The Underwriter may use the Official Statement and the information contained therein, including any amendments or supplements thereto, in connection with the offering and sale of the Bonds. All members of any selling group which may be formed in connection with the distribution of the Bonds, and all dealers to whom any of the Bonds may be sold by the Underwriter, or by members of any selling group may use the Preliminary Official Statement and the Official Statement and the information contained therein, including any amendments or supplements thereto, in connection with the offering and sale of the Bonds.

5. City Representations, Warranties and Agreements. The City represents, warrants to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) Due Organization and Operation; Legal, Valid and Binding Obligations. The City is a general law city duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the Resolutions, and to enter into and perform its duties under the Legal Documents, the Resolutions have been adopted and have not been amended, modified or rescinded, and the Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as the 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.

(b) No Conflict. The adoption of the Resolutions and the execution and delivery of the Legal Documents, and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the City's duties under the Legal Documents, the Resolutions or any law, administrative regulation, court decree, resolution, by-laws, loan agreement, trust agreement, indenture, bond, note or other agreement to which the City is subject or by which it or any of its property is bound which such conflict, breach or default would have a materially adverse effect on the ability of the City to repay the Bonds or the ability of the City to perform its obligations under the Legal Documents.

(c) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the City, other than the approval and authorization of the City Council of the City, required for the adoption of the Resolutions and execution and delivery of the Legal Documents or the consummation by the City of the other transactions contemplated by the Official Statement, the Resolutions or the Legal Documents, including this Purchase Agreement.

(d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the City, threatened against the City to restrain or enjoin the delivery of the 2021 Bonds, or in any way contesting or affecting the validity of the Legal Documents, the Resolutions or the 2021 Bonds, or contesting the powers of the City to enter into or perform its obligations under any of the foregoing, or contesting the accuracy or completeness of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto.

(e) Preliminary Official Statement Correct and Complete. The Preliminary Official Statement, as amended with the consent of the Underwriter, which consent shall not be unreasonably withheld, as of its date and as of the date hereof, did not and does not contain any untrue statement of a material fact or omit (except as permitted by the Rule) to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System.

(f) Official Statement Correct and Complete. The Official Statement (excluding the statements and information relating to DTC and the Book-Entry System) does not and (unless amended or supplemented pursuant to Section 5(j) hereof) at all times subsequent hereto to and including the Closing Date will not contain any 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.

(g) Blue Sky Cooperation. The City agrees to cooperate with the Underwriter in endeavoring to qualify the 2021 Bonds for offering and sale under the securities or Blue Sky laws of such jurisdictions of the United States of America as the Underwriter may request; *provided*, that the City shall not be required to take any action which, in the opinion of the City Attorney, would subject the City to jurisdiction, personal or otherwise, in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(h) Due Approval of Official Statement Distribution. By official action of the City prior to the execution hereof, the City has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement, has duly adopted the Resolutions 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 Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement and the Legal Documents, including this Purchase Agreement.

(i) No Breach or Default. Except as described in the Preliminary Official Statement and the Official Statement, the City is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States of America or any applicable judgment or decree or any loan agreement, trust agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject which breach or default which in any way would have a materially adverse effect on the ability of the City to repay the Bonds or on the City's ability to perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument. The City is not in default as to the payment of principal or interest with respect to any debt obligation issued by the City or with respect to any debt obligation guaranteed by the City as guarantor.

(j) Agreement to Notify Underwriter Regarding Official Statement. The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not affect any such amendment or supplement without the consent of the Underwriter, which consent shall not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the 2021 Bonds.

(k) Agreement to Amend Official Statement. If, at any time from the date hereof to and including twenty-five (25) days after the end of the underwriting period, in the reasonable opinion of the Underwriter, the Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will prepare an amendment or supplement to the Official Statement; provided, that all expenses thereby incurred (including printing expenses) will be paid for by the City.

Unless otherwise notified in writing by the Underwriter on or prior to the date of the Closing, the City may assume that the "end of the underwriting period" for the 2021 Bonds for all purposes of the Rule is the date of the Closing. If such notice is given in writing by the

Underwriter, the Underwriter agrees to notify the City in writing following the occurrence of the “end of the underwriting period” as defined in the Rule for the 2021 Bonds. The “end of the underwriting period” as used in the Purchase Agreement shall mean the Closing Date or such later date as to which notice is given by the Underwriter in accordance with the preceding sentence.

(l) Amendments to Official Statement Correct and Complete. If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five (25) days after the end of the underwriting period, the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will be true and correct in all material respects and the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System. If at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2(c) hereof that Official Statements are no longer required to be delivered; and (ii) twenty-five (25) days after the end of the underwriting period, any event occurs with respect to the City as a result of which the Official Statement as then amended or supplemented might include 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, the City shall promptly notify the Underwriter in writing of such event. Any information supplied by the City for inclusion in any amendment or supplement to the Official Statement will not contain any untrue statement of a material fact relating to the City or omit to state any material fact relating to the City necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System.

(m) City Financial Statements. The financial statements of, and other financial information regarding, the City in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. Except as disclosed in the Preliminary Official Statement and the Official Statement, there has not been any material adverse change in the financial condition of the City since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) Compliance with Continuing Disclosure. Except as disclosed in the Preliminary Official Statement, the City is, and at all times during the previous five years has been, in material compliance with all of its prior continuing disclosure undertakings under the Rule, and at or prior to the Closing Date, the City will agree to undertake pursuant to the Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain events. The form of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) Limitation on Issuance. Except as disclosed in the Official Statement, or in the ordinary course of business, the City will not, prior to the Closing, offer or issue any bonds, notes or other obligations for borrowed money payable from the General Fund of the City.

6. [Reserved].

7. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the City of its obligations hereunder and the opinions of Bond Counsel, counsel to the Trustee, counsel to the City and counsel to the Underwriter described hereafter. Accordingly, the Underwriter's obligations under the Purchase Agreement to purchase, to accept delivery of and to pay for the 2021 Bonds shall be conditioned upon and subject to (i) the performance by the City and the Trustee of their obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Underwriter or its counsel at or prior to the Closing and (ii) the accuracy in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the City herein as of the date hereof and as of the Closing Date, and shall also be subject to the following additional conditions:

(a) Bring-down of Representations. The representations, warranties and agreements of the City contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date.

(b) Default Judgment. The Underwriter shall have received a copy of the default judgment, dated July 27, 2021 entered in favor of the City in connection with the 2021 Bonds, filed in the Superior Court of the State of California in and for the County of Lake.

(c) Authorization, Execution and Delivery of Documents. At the Closing, the Legal Documents, the 2021 Bonds and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and each shall be in full force and effect.

(d) No Amendment of Official Statement. At the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter.

(e) Adverse Effect on Securities Law Exemptions. Legislation is introduced (by committee, by amendment, or otherwise) in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States is rendered, or a stop resolution, ruling, regulation, or official statement by or on behalf of the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed, in each case to the effect that the offering or sale of obligations of the general character of the 2021 Bonds, as contemplated hereby, is or would be in violation of any provision 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 the Trust Indenture Act of 1939, as amended and as then in effect, or the Investment Company Act of 1940, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the 2021 Bonds as contemplated hereby which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the 2021 Bonds.

(f) Adverse Effect on Disclosure. Any information becomes known which at any time, in the reasonable opinion of the Underwriters, makes untrue, incorrect, incomplete, or misleading in any material respect any statement or information contained in the Official Statement, as the information contained therein has been supplemented or amended by other information in accordance herewith, or causes the Official Statement, as so supplemented or amended, to contain an untrue, incorrect, or misleading statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading and which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the 2021 Bonds.

(g) Adverse Effect on Marketability. Except as provided in subdivision (e) of this Section, any legislation, resolution, ordinance, rule, or regulation is introduced in or be enacted by any governmental body, department, or agency of the United States or the State of New York or the State of California, or a decision by any court of competent jurisdiction within the United States or the State of New York or the State of California is rendered, or additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally (or as to any other matter relating to the 2021 Bonds) by any governmental authority or by any national securities exchange, in each case which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the 2021 Bonds;

(h) Suspension or Moratorium. A general suspension of trading in securities on the New York Stock Exchange or the NYSE Amex Equities occurs, minimum prices on either such exchange are established, or a general banking moratorium is established by federal, New York, or California authorities;

(i) Armed Conflict, Etc. A war involving the United States is declared, or any existing conflict involving the armed forces of the United States escalates, or any other national emergency relating to the effective operation of government or the financial community occurs, in each case which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the 2021 Bonds;

(j) Material Outbreak. There shall have occurred (whether or not foreseeable) any (a) new material outbreak of hostilities involving the United States (including, without limitation, an act of terrorism) or (b) a material other national or international calamity or crisis including, but not limited to, a material escalation of hostilities, calamities, or crises that existed prior to the date hereof, or (c) material financial crisis or adverse change in the financial or economic conditions affecting the United States government or the securities markets in the United States;

(k) Financial Condition. There shall have occurred any materially adverse change in the affairs or financial condition of the City; or

(l) Official Statement Amendment or Supplement. Any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement.

(m) Negative Rating Action. Any nationally recognized statistical rating agency shall downgrade, suspend or withdraw (or announce their intent to downgrade, suspend or withdraw) any rating of the 2021 Bonds, or shall issue (or announce their intent to issue) any negative qualification with respect to the 2021 Bonds) (such as being placed on "credit watch" with negative implications or "negative outlook" or any similar qualification).

(n) At or prior to the Closing, the Underwriter shall have received the following documents, in each case reasonably satisfactory in form and substance to the Underwriter and its counsel:

(1) Opinion of Bond Counsel. The approving opinion of Bond Counsel in substantially the form included as Appendix C to the Official Statement, dated the date of Closing, addressed to the City and the Underwriter (or a reliance letter to the Underwriter);

(2) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel in substantially the form attached hereto as Exhibit B;

(3) Opinion of City Attorney. An opinion of the City Attorney, dated the date of Closing, in form and substance reasonably satisfactory to the Underwriter, addressed to the City, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the City is a general law city duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) Due Adoption – the Resolutions approving the issuance and sale of the 2021 Bonds and authorizing the execution and delivery of the Legal Documents and approving the Official Statement were duly adopted at meetings of the City Council of the City which were 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 have not been modified, amended or rescinded;

(iii) No Litigation – except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, which would materially and adversely impact the City's ability to complete the transactions described in and contemplated by the Official Statement or in any way contesting or affecting the validity of the Legal Documents or the 2021 Bonds;

(iv) No Conflict – the execution and delivery of the Legal Documents, the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, 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;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Legal Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles and by the limitations on legal remedies imposed on actions against cities in the State of California; and

(vi) No Consents Required – Official Statement, Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the City Council, is required for the valid authorization, execution and delivery of the Legal Documents and the approval of the Official Statement.

(4) Opinion of Trustee's Counsel. The opinion of counsel to the Trustee, dated the date of Closing, addressed to the Underwriter, to the effect that:

(i) Due Organization and Existence – the Trustee has been duly organized and is validly existing in good standing as a national banking association duly organized and existing under the laws of the United States of America and the Trustee has full corporate power to undertake the trust of the Indenture;

(ii) Corporate Action – the Trustee has duly authorized, executed and delivered the Indenture and has duly authenticated and delivered the 2021 Bonds, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Indenture, and has authorized in its capacity as Trustee the authentication and delivery of the 2021 Bonds; and

(iii) Due Authorization, Execution and Delivery – assuming due authorization, execution and delivery by the City, the Indenture is a valid, legal and binding agreement of the Trustee enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(5) Negative Assurance Letter of Disclosure Counsel. The negative assurance letter of Jones Hall, A Professional Law Corporation, Disclosure Counsel to the City (“Disclosure Counsel”), dated the Closing Date and addressed to the City and the Underwriter, to the effect that based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement, such counsel advises that during the course of such representation of the City as disclosure counsel on this matter, no information has come to their attention which would lead them to believe that the Preliminary Official Statement, as of its date and as of the date of pricing, or the Official Statement, as of its date or as of the date of Closing, (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion contained in the Official Statement, the information in Appendices A and E, and the information about book-entry or DTC or the book entry system included therein, as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits 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.

(6) Opinion of Underwriter’s Counsel. The opinion of Norton Rose Fulbright US LLP (“Underwriter’s Counsel”), dated the Closing Date and addressed to the Underwriter, in form and substance reasonably satisfactory to the Underwriter.

(7) City No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the City reasonably satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that no action, suit or proceeding is pending or threatened against the City (a) to restrain or enjoin the execution or delivery of any of the 2021 Bonds or the Legal Documents, (b) in any way contesting or affecting the validity of the 2021 Bonds, the Legal Documents, or the authority of the City to enter into the Legal Documents, (c) in any way contesting or affecting the powers of the City in connection with any action contemplated by the Official Statement or the Purchase Agreement, (d) in anyway contesting the accuracy or completeness of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (e) in any way materially affecting the ability of the City to perform its obligations under the Legal Documents.

(8) Legal Documents. A copy of each of the Legal Documents.

(9) Official Statement. A copy of the Official Statement.

(10) Trustee Resolution. A copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the authentication of the 2021 Bonds and the Indenture.

(11) Trustee's Representations, Warranties and Agreements. At the time of and as a condition to Closing, the Trustee, subject to the limitations provided herein, will represent, warrant to and agree with the Underwriter pursuant to a certificate, dated the date of Closing, that as of the date of Closing:

(i) Due Organization and Existence – the Trustee is duly organized and existing as a national banking association duly organized and existing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Indenture and to authenticate the 2021 Bonds pursuant to the terms of the Indenture;

(ii) Due Authorization; Valid and Binding Obligations – the Trustee is duly authorized to enter into the Indenture;

(iii) No Conflict – the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, trust agreement or indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Indenture or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) Consents – exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filing, to the best of the Trustee's knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Indenture or the authentication of the 2021 Bonds; and

(v) No Litigation – there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to, the transactions contemplated by the 2021 Bonds and the Indenture;

(12) Resolutions. Copies of the Resolutions adopted by the City and certified by the Clerk of the City Clerk;

(13) City Bring-Down Certificate. A certificate of an authorized officer of the City, dated the date of Closing, confirming as of such date the representations and warranties of the City contained in the Purchase Agreement;

(14) Rating. Evidence from S&P Global Ratings that the 2021 Bonds have been rated “[]” by such agency;

(15) DTC Blanket Letter of Representations. Confirmation that an executed Blanket Letter of Representations by and between the City and DTC, relating to the book-entry system for the 2021 Bonds is on file with DTC;

(16) CDIAC Notices. Evidence of required filings with the California Debt and Investment Advisory Commission; and

(17) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, Disclosure Counsel and Underwriter’s Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(o) All matters relating to the Purchase Agreement, the 2021 Bonds and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by the Purchase Agreement shall have been approved by the Underwriter and counsel for the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter’s obligations contained in the Purchase Agreement are not satisfied or if the Underwriter’s obligations shall be terminated for any reason permitted by this Purchase Agreement, the Purchase Agreement shall terminate and neither the Underwriter nor the City shall have any further obligations hereunder, except that the respective obligations of the City and the Underwriter set forth in Paragraph 8 hereof (relating to expenses) hereof shall continue in full force and effect.

8. Expenses. (a) The City shall pay or cause to be paid from the proceeds of the 2021 Bonds or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of posting, printing and distribution of the Preliminary Official Statement and the Official Statement in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, including distribution costs and all mailing, including overnight and express delivery, costs; (ii) the fees and disbursements of the Trustee in connection with the 2021 Bonds; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel, NHA Advisors, LLC, as Municipal Advisor to the City, and any other experts or consultants retained by the City in connection with the transactions contemplated hereby; (vi) rating agency fees; and (v) expenses incurred on behalf of the City’s employees which are incidental to the issuance of the 2021 Bonds, including, but not limited to, meals, transportation, and lodging.

(b) The Underwriter shall pay, which shall be included in the expense component of the Underwriter’s discount: (i) all advertising expenses in connection with the public offering of the 2021 Bonds; (ii) the fees and expenses of Underwriter’s Counsel, including, if applicable, their fees in connection with the qualification of the 2021 Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions; (iii) California Debt and Investment Advisory

Commission fees; and (iv) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the 2021 Bonds, including CUSIP fees.

9. Notices.

(a) Underwriter. Any such notice or other communication to be given to the Underwriter may be given by delivering the same to the Underwriter, Hilltop Securities Inc., 2533 So Coast Highway 101, Suite 250, Cardiff, CA 92007, Attention: Todd Smith.

(b) City. Any notice or communication to be given the City under the Purchase Agreement may be given by delivering the same to the City of Lakeport, 225 Park Street, Lakeport, California 95453, Attention: Finance Director.

All notices or communications hereunder by any party shall be given and served upon each other party.

10. Parties in Interest; Force and Effect. The Purchase Agreement is made solely for the benefit of 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 City or the Underwriter pursuant to the Purchase Agreement, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the 2021 Bonds pursuant to the Purchase Agreement; or (iii) termination of the Purchase Agreement but only to the extent provided by the last paragraph of Paragraph 7 hereof, regarding preconditions of Closing.

11. Counterparts. The 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.

12. Governing Law. The Purchase Agreement shall be governed by the laws of the State of California.

13. Entire Agreement. The Purchase Agreement when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

14. Headings. The headings of the paragraphs of the Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

15. Unenforceable Provisions. If any provision of the Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of the Purchase Agreement invalid, inoperative or unenforceable to any extent whatsoever.

16. Other Matters. Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriter is not acting as a

fiduciary of the City, but rather are acting solely in its individual capacity for the Underwriter's own account. The City acknowledges and agrees that (i) the primary role of the Underwriter as underwriter is to purchase securities for resale to investors in an arm's length transaction between the City and the Underwriter; (ii) the Underwriter has financial and other interests that differ from those of the City; (iii) the Underwriter is acting solely as a principal and are not acting as a municipal advisor, financial advisor or fiduciary to the City; (iv) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto irrespective of whether the Underwriter has provided or is currently providing other services to the City on other matters; (v) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (vi) the Underwriter provided to the City prior disclosures regarding (1) its role as underwriter, (2) its compensation, (3) any potential or actual material conflicts of interest, and (4) material financial characteristics and material financial risks associated with the transaction. The City represents that it is capable of independently evaluating the disclosures and/or the City has consulted its own financial, municipal, legal, accounting, tax and/or other advisors, as applicable, to the extent it deems appropriate. The City has a municipal advisor in this transaction that has legal fiduciary duties to the City.

The City hereby acknowledges receipt from the Underwriter of disclosures required by MSRB Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

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17. Effectiveness. The Purchase Agreement shall become effective upon the execution of the acceptance hereof by the [City Manager of the City or his or her designee] and shall be valid and enforceable at the time of such acceptance and acknowledgment.

HILLTOP SECURITIES INC.

By: _____
Authorized Signatory

Accepted:

CITY OF LAKEPORT

By: _____
[Authorized Signatory]

Time of Execution: _____ p.m.

[Signature page to Bond Purchase Agreement – City of Lakeport
2021 Taxable Pension Obligation Bonds]

EXHIBIT B
FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[____], 2021

[To come.]