

9. AS THE BOARD OF THE SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY: Adopt resolution authorizing issuance, sale and delivery of not to
exceed \$15,000,000 of Lease Revenue Bonds, 2025 Series A and approving related
documents and official actions ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: County Executive Office

Subject: Approve Issuance of Series 2025A Bonds

Meeting Date: June 10, 2025

Formal Title: AS THE BOARD OF THE SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY: Adopt resolution authorizing issuance, sale and delivery of not to exceed \$15,000,000 of Lease Revenue Bonds, 2025 Series A and approving related documents and official actions

Recommended Actions

Adopt resolution authorizing the issuance, sale and delivery of not to exceed \$15,000,000 aggregate principal amount of Lease Revenue Bonds, 2025 Series A and approving related documents and official actions.

Executive Summary

This action by the Santa Cruz County Capital Financing Authority (Authority) Board is a companion item to action by the Board of Supervisors (Board) relating to the financing of improvements to Ben Lomond Transfer Station and acquisition of property located at 420-440 May Avenue in the City of Santa Cruz for June 10, 2025. This memorandum presents the proposed funding requirements for the project and the documents required for the issuance of the Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (2025 Bonds).

Discussion

The Board authorized releasing a request for construction bid for improvements to the Ben Lomond Transfer Station with expected to be received by June 11, 2025.

On April 29, 2025, the Board authorized negotiations to purchase the property located at 420-440 May Avenue in the City of Santa Cruz. The buildings at this location house the Public Defender's Office and are currently leased to the County. Staff expects the purchase will occur within 90 days once conditions for closing are met. The issuance of debt is timed to coordinate with the acceptance of the construction bid for the Ben Lomond Transfer Station and for purchase of the Public Defender's Office buildings.

The County expects to finance the improvement costs over 30 years with proceeds of the 2025 Bonds. Approval of the financing requires adoption of resolutions by the Board and by the Authority Board after the Board conducts a public hearing.

Ben Lomond Transfer Station

The improvements to the Ben Lomond Transfer Station consist of seismic retrofit to the main transfer station facility, new household hazardous waste containment and drop off areas, a canopy for the recycling area, minor wall repairs, electrical upgrades at the site and asphalt repair. The engineer's estimate of construction and other hard costs, as well as soft costs for items such as architect and engineering, permits and inspections, staff time, public art and equipment is \$8.5 million. Although bids will be opened on June 11, 2025, due to the timing constraints for actions associated with the 2025 Bonds, approval is requested at this time, and the estimate will be updated for actual bids received before the 2025 Bonds are issued.

Public Defender's Office Buildings

The buildings at 420-440 May Avenue in the City of Santa Cruz have been fully leased by the County since 1998 and currently serve as the offices for the Public Defender's Office. The current lease expires on June 30, 2026, with no renewal options available. In response to staff inquiries, the property owners expressed willingness to sell the property to the County. The County made a non-binding offer of \$3.5 million, and staff expects an additional \$500,000 will be needed for due diligence activities staff costs, feasibility studies, and any necessary immediate repairs or improvements to the property.

Lease Revenue Bonds

The County Executive Office (CEO) is recommending financing the improvements and property acquisition through the issuance of the 2025 Bonds by the Santa Cruz County Capital Financing Authority (Authority). The County has leased certain property (Leased Property) from the Authority, and the County's lease payments will secure the 2025 Bonds, as described further below. The Authority's 2024 Series C Bonds are also secured by a lease of the Leased Property. The Leased Property consists of a pool of assets – the Live Oak Library, the Aptos Library, the Behavioral Health Center, the South County Health Services Administration Building, with the Transfer Station to be added upon closing of the 2025 Bonds, and the 420-440 May Avenue property to be added when purchased.

Method of Sale

Under normal market conditions, the County's Municipal Advisor (Harrell & Company Advisors) would advise that it would be more cost effective to sell the 2025 Bonds at competitive sale. However, trade policy (most recently the 50% tariff on the European Union (EU), with its institution delayed to July 9, 2025) as well as the passage of the tax cut bill through the House of Representatives, which has material implications for the growth of the federal deficit, have seen a whipsaw effect on interest rates. Given the short window of time to issue the 2025 Bonds prior to the 60-day expiration of construction bids for the Transfer Station, the County's Municipal Advisor recommends that the Authority Board authorize an option to switch from a competitive sale method to a negotiated sale method, to be based on a recommendation closer to the actual sale date (mid-July), with the concurrence of the Assistant County Executive Officer. It does seem likely that a negotiated sale is likely since the proposed sale date for the 2025 Bonds is close in time to the delayed implementation of EU tariffs.

The underwriter selected for the negotiated sale of the 2025 Bonds is Stifel, Nicolaus & Company Incorporated. This firm acted as underwriter on the Authority's 2024 Disaster Recovery Bonds and is familiar with the County finances and the Leased Property. They were selected to underwrite the 2024 Disaster Recovery Bonds through a competitive process.

Authorizing Resolution

The Resolution of the Authority Board approves the parameters of sale and documents required for the issuance of the 2025 Bonds. The Resolution authorizes the Executive Director and designees to sell the 2025 Bonds at competitive or negotiated sale in a total amount not-to-exceed \$15,000,000. This Resolution also approves the form of the

following documents:

- Preliminary Official Statement (POS);
- First Amendment to Lease Agreement;
- First Amendment to Site and Facility Lease;
- Bond Purchase Agreement;
- First Supplemental Indenture;
- Amended and Restated Assignment Agreement;
- Official Notice of Sale; and
- Notice of Intention to Sell.

The Resolution also appoints Norton Rose Fulbright to serve as Bond Counsel and Best Best & Krieger to serve as the County's Disclosure Counsel. Both firms have assisted the County with financing in the past.

The Preliminary Official Statement was prepared by staff and the Municipal Advisor, with input from the County's Bond Counsel and Disclosure Counsel. The Board's review of the sections of the preliminary official statement describing the County and the County's financial information is requested and any modifications communicated to staff.

Other actions required by the Board appear elsewhere on today's agenda and include approval of the form of the Continuing Disclosure Certificate (appended to the POS).

Both resolutions also authorize the 2025 Bonds to be sold at a true interest cost not-to-exceed 6%, with an underwriter discount not-to-exceed 1% of the principal amount of the 2025 Bonds.

Financial Impact

The estimated bond funding needed for the Transfer Station renovation is \$8.5 million and will be determined by the construction bids. The cost to purchase the Public Defender's current offices, make any necessary improvements and pay transaction costs is \$4 million. The Par Amount of the 2025 Bonds is estimated to be \$12,005,000, issued with an original issue premium of \$775,000, and will provide total funding of \$12,780,000. The proceeds from the 2025 Bonds are estimated to be used as follows:

TABLE NO. 1
ESTIMATED USE OF BOND PROCEEDS

	Transfer_ Station	Public Defender's_ Office	Total
Project Fund	\$8,500,000	\$4,000,000	\$12,500,000
Underwriter Discount	53,000	27,000	80,000
Costs of Issuance*	<u>135,000</u>	<u>65,000</u>	<u>200,000</u>
Total Costs	8,688,000	4,092,000	12,780,000
Original Issue Premium	<u>(528,000)</u>	<u>(247,000)</u>	<u>(775,000)</u>
Par Amount of Bonds Issued	\$8,160,000	\$3,845,000	\$12,005,000

*Fixed costs paid from proceeds of the Lease Revenue Bonds for Bond Counsel,

Municipal Advisor, Disclosure Counsel, Trustee, Rating Agency, title insurance and printing.

An Original Issue Premium (as shown in the table above) is generated when investors in tax-exempt bonds want to hedge against future higher interest rates and require a high stated interest rate (such as 5.0%), but price the 2025 Bonds to yield a lower current market interest rate (such as 3.0%) and therefore pay the Authority more than 100% of the face value of the 2025 Bonds, resulting in a lower Par Amount of 2025 Bonds required to be issued. The lower Par Amount is offset by a higher interest rate, so this pricing method has little impact on the total debt service that the County will pay on the 2025 Bonds compared to if they were priced at 100% of the face value.

As of May 19, 2025, the effective interest rate for the 2025 Bonds is approximately 4.65%, including all costs to issue the 2025 Bonds. The anticipated annual debt service payments are \$540,000 starting in FY 2025-26 for the Transfer Station component of the financing. The debt service will be allocated to CSA 9C. The anticipated annual debt service payments are \$255,000 starting in FY 2025-26 for the building acquisition component of the financing. The current lease payment of the Public Defender's current offices is \$271,000 per year, with the savings offsetting the cost of the financing of the buildings.

The 2025 Bonds will be subject to redemption in 10 years at the option of the County.

As noted, the Par Amount of the 2025 Bonds will be subject to prevailing market conditions at the time of sale. Therefore, the County is requested to approve a not-to-exceed par amount of \$15,000,000 for the 2025 Bonds to provide a reasonable cushion above the expected Par Amount should interest rates fluctuate or if the 2025 Bonds are priced without an Original Issue Premium based on investor preference at the time of sale. The amount of the 2025 Bonds issued will only be the amount necessary to finance the Transfer Station and the acquisition of the Public Defender's Office, and pay the other costs as shown above.

Staff and the Municipal Advisor will submit the bond issue to Standard & Poor's Rating Agency for a credit rating. The County's current lease revenue bond rating is AA+.

Strategic Initiatives

Equity Framework - County Facilities & Infrastructure

Operational Plan - Sustainable Environment, Operational Excellence

Climate Action - Waste, Government Operations

Submitted By:

Carlos J. Palacios, County Executive Officer

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.

BEFORE THE BOARD OF DIRECTORS
OF THE SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY,
SANTA CRUZ COUNTY, STATE OF CALIFORNIA

RESOLUTION NO. _____

On motion of Director
duly seconded by Director
the following resolution is adopted.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA
CRUZ COUNTY CAPITAL FINANCING AUTHORITY AUTHORIZING
THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED
\$15,000,000 AGGREGATE PRINCIPAL AMOUNT OF LEASE
REVENUE BONDS, 2025 SERIES A AND APPROVING RELATED
DOCUMENTS AND OFFICIAL ACTIONS**

WHEREAS, the Santa Cruz County Capital Financing Authority (the “Authority”) is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated February 25, 2014, as amended (the “Agreement”), by and between the County of Santa Cruz, California (the “County”) and the Santa Cruz County Flood Control and Water Conservation District, and under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and is authorized pursuant to the Agreement and Article 4 (commencing with section 6584) of the Act to provide financing or refinancing for public capital improvements of the County; and

WHEREAS, the Authority and the County have previously entered into the Site and Facility Lease, dated as of June 1, 2024 (the “Existing Site Lease”) pursuant to which the County agreed to lease to the Authority certain parcels of real property, and all buildings and improvements situated thereon (collectively, the “Existing Leased Property”); and

WHEREAS, the County and the Authority have previously entered into a Lease Agreement, dated as of June 1, 2024 (the “Existing Lease”), pursuant to which the Authority agreed to sublease the Existing Leased Property to the County in consideration for which the County agreed to make certain payments of base rental; and

WHEREAS, the base rental payments under the Existing Lease were assigned by the Authority to secure payment of the Authority’s Lease Revenue Bonds, 2024 Series C; and

WHEREAS, the County desires to finance public capital improvements to the County’s Ben Lomond Transfer Station and other public capital improvements and the acquisition of certain real property at 420 and 440 May Avenue, Santa Cruz, California (collectively, the “2025A Project”); and

WHEREAS, the Authority has determined to issue its Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A, in an aggregate principal amount not-

to-exceed \$15,000,000 (the “2025A Bonds”) to provide funds for the financing of the 2025A Project and pay costs of issuance in connection therewith; and

WHEREAS, the County and the Authority desire to amend the Existing Site Lease and the Existing Lease to add property to the properties leased thereunder and to add additional base rental payments (the “2025A Base Rental Payments”), pursuant to a First Amendment to Site and Facility Lease and a First Amendment to Lease Agreement; and

WHEREAS, the Authority desires to assign and transfer to the Trustee certain of its right, title and interest in and to the Existing Site Lease and the Existing Lease, as proposed to be amended, including its right to receive 2025A Base Rental Payments thereunder, by entering into an Amended and Restated Assignment Agreement; and

WHEREAS, as required pursuant to section 6586.5(a) of the California Government Code, a public hearing has been held by the Board of Supervisors of the County in connection with the financing of the 2025A Project; and

WHEREAS, in accordance with Government Code Section 5852.1, the Board of Directors of the Authority (the “Board”) has obtained and wishes to disclose the information set forth in Exhibit A hereto; and

WHEREAS, the Authority has determined that the issuance of the 2025A Bonds complies with the County’s Debt Management Policy approved by the Board of Supervisors on June 28, 2016, and amended on April 18, 2017 and March 12, 2024; and

WHEREAS, in furtherance of the issuance and sale of the 2025A Bonds by the Authority, there has been submitted to the Board, for its consideration and approval, a form of each of the following:

- (a) the First Supplemental Indenture, by and between the Authority and the Trustee, relating to the 2025A Bonds;
- (b) the First Amendment to Site and Facility Lease, by and between the Authority and the County;
- (c) the First Amendment to Lease, by and between the Authority and the County;
- (d) the Amended and Restated Assignment Agreement, by and between the Authority and the Trustee;
- (e) the Notice of Intention to Sell (as defined herein);
- (f) an Official Notice of Sale of the Authority (as defined herein);
- (g) the Bond Purchase Agreement, by and among the Authority, the County and Stifel, Nicolaus & Co., Incorporated (the “Underwriter”); and
- (h) the Preliminary Official Statement (as defined herein); and

WHEREAS, the Board has duly considered such transactions and wishes at this time to approve such transactions in the public interests of the Authority;

NOW, THEREFORE, be it hereby **DECLARED** and **ORDERED** as follows:

Section 1. Findings. The above recitals are true and correct.

Section 2. Issuance of the 2025A Bonds. The Board hereby authorizes the issuance and sale of the 2025A Bonds to be designated as the “Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A” for the purposes set forth in the recitals hereto and to pay related costs; provided, however, that the 2025A Bonds shall not exceed an aggregate principal amount of \$15,000,000 and the 2025A Bonds shall not result in a true interest cost in excess of 6.00%.

Section 3. First Supplemental Indenture. The First Supplemental Indenture, in the form presented at this meeting and on file with the Secretary is hereby approved. The Chair, the Executive Director, the Assistant Executive Director or the Treasurer of the Authority, or deputy of such officers, or any member of the Board, and any of their respective designees (each of the foregoing, an “Authorized Officer”) each acting alone, are hereby authorized and directed to execute, for and in the name of the Authority, the First Supplemental Indenture in such form, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the First Supplemental Indenture upon consultation with the Authority Counsel and Bond Counsel, and the execution and delivery of the First Supplemental Indenture by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Board hereby authorizes the delivery and performance by the Authority of the First Supplemental Indenture. The 2025A Bonds may be issued in such other number of series and as tax-exempt or taxable bonds as an Authorized Officer shall require or approve.

Section 4. First Amendment to Site and Facility Lease. The First Amendment to Site and Facility Lease, in the form presented at this meeting and on file with the Secretary is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed to execute, for and in the name of the Authority, the First Amendment to Site and Facility Lease in such form, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the First Amendment to Site and Facility Lease upon consultation with the Authority Counsel and Bond Counsel, and the execution and delivery of the First Amendment to Site and Facility Lease by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Board hereby authorizes the delivery and performance by the Authority of the First Amendment to Site and Facility Lease.

Section 5. First Amendment to Lease Agreement. The First Amendment to Lease Agreement, in the form presented at this meeting and on file with the Secretary is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed to execute, for and in the name of the Authority, the First Amendment to Lease Agreement in such form, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the First Amendment to Lease Agreement upon consultation with the Authority Counsel and Bond Counsel, and the execution and delivery of the First Amendment to Lease Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or

additions. The Board hereby authorizes the delivery and performance by the Authority of the First Amendment to Lease Agreement.

Section 6. Amended and Restated Assignment Agreement. The Amended and Restated Assignment Agreement, in the form presented at this meeting and on file with the Secretary is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed to execute, for and in the name of the Authority, the Amended and Restated Assignment Agreement in such form, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the Amended and Restated Assignment Agreement upon consultation with the Authority Counsel and Bond Counsel, and the execution and delivery of the Amended and Restated Assignment Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Board hereby authorizes the delivery and performance by the Authority of the Amended and Restated Assignment Agreement.

Section 7. Sale of the 2025 Bonds. The sale of the 2025A Bonds, in one or more series and on one or more dates, is hereby authorized and approved by the Board, subject to the limitations and conditions provided herein. Each Authorized Officer is authorized to determine, with the advice of the Municipal Advisor, whether to sell the 2025A Bonds from time to time by negotiated sale or competitive sale.

Section 8. Notice of Intention to Sell. The Notice of Intention to Sell (the “Notice of Intention to Sell”), in the form presented at this meeting and on file with the Secretary, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Notice of Intention to Sell in connection with the offering and sale of the 2025A Bonds is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to cause the Notice of Intention to Sell to be published once in *The Bond Buyer* (or in such other financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the 2025A Bonds as an Authorized Officer shall approve as being in the best interests of the Authority) at least five days prior to the date set for the opening of bids in the Official Notice of Sale, with such changes, insertions and omissions therein as an Authorized Officer may require or approve, such requirement or approval to be conclusively evidenced by such publishing of the Notice of Intention to Sell.

Section 9. Official Notice of Sale. The Official Notice of Sale (the “Official Notice of Sale”), in the form presented at this meeting and on file with the Secretary, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Official Notice of Sale in connection with the offering and sale of the 2025A Bonds is hereby authorized and approved. The terms and conditions of the offering and sale of the 2025A Bonds shall be as specified in the Official Notice of Sale. Bids for the purchase of the 2025A Bonds shall be received at the time and place set forth in the Official Notice of Sale. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to accept the bid for the 2025A Bonds with the lowest true interest cost, or to reject all bids therefor, in accordance with the terms of the Official Notice of Sale.

Section 10. Bond Purchase Agreement. The Bond Purchase Agreement, in the form presented at this meeting and on file with the Secretary is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed to execute, for and in the name of the Authority, the Bond Purchase Agreement in such form, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the Bond Purchase Agreement upon consultation with the Authority Counsel and Bond Counsel, and the execution and delivery of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions; provided the Underwriter's discount thereunder shall not exceed 1.00%. The Board hereby authorizes the delivery and performance by the Authority of the Bond Purchase Agreement.

Section 11. Preliminary Official Statement. The Preliminary Official Statement (the "Preliminary Official Statement"), relating to the 2025A Bonds, in the form presented at this meeting and on file with the Secretary, is hereby approved, with such changes therein as any Authorized Officer may approve, in their discretion, as being in the best interest of the Authority. The officers of the Authority are hereby authorized and directed to prepare or cause to be prepared the final form of the Preliminary Official Statement. After the sale of the 2025A Bonds, the Authorized Officers, each acting alone, are hereby authorized and directed to prepare a final official statement with respect to the 2025A Bonds (the "Official Statement"). The distribution of copies of the Preliminary Official Statement and Official Statement to persons who may be interested in purchasing or who have purchased the 2025A Bonds is hereby authorized and approved. The Authorized Officers, each acting alone, are hereby authorized and directed to execute the Official Statement. The Authorized Officers, each acting alone, are hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (except for the omission of certain final pricing, rating and related information as permitted by such Rule).

Section 12. Good Faith Estimates. In accordance with Government Code Section 5852.1, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the 2025A Bonds, (b) the sum of all fees and charges paid to third parties with respect to the 2025A Bonds, (c) the amount of proceeds of the 2025A Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the 2025A Bonds, and (d) the sum total of all debt service payments on the 2025A Bonds calculated to the final maturity of the 2025A Bonds plus the fees and charges paid to third parties not paid with the proceeds of the 2025A Bonds.

Section 13. Ratification of the Appointment of Professionals. The Authority ratifies the appointment of Norton Rose Fulbright US LLP, as bond counsel, Best Best & Krieger LLP, as disclosure counsel and Harrell & Company Advisors, LLC, as municipal advisor (the "Municipal Advisor"), in connection with the 2025A Bonds.

Section 14. General Authorization. Any Authorized Officer is authorized and directed to execute and deliver any and all documents; and to do and cause to be done any and all acts necessary or proper for carrying out the issuance and sale of the 2025A Bonds, the transactions contemplated by this Resolution, and the documents herein approved; the funding of a reserve fund with proceeds of the 2025A Bonds if, upon the advice of the Municipal Advisor, the funding

of the reserve fund will be economically beneficial to the financing; and designation of additional public improvements or working capital to be financed with the proceeds of the 2025A Bonds; and, the investment of the proceeds of the 2025A Bonds.

Section 15. Ratification. All actions heretofore taken by the officers and employees of the Authority, with respect to the issuance and sale of the 2025A Bonds, or in connection with or related to any of the agreements or documents referenced herein, are approved, confirmed and ratified.

Section 16. Electronic and Digital Signatures. The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code.

Section 17. Effective Date. This Resolution shall take effect immediately upon adoption.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Santa Cruz County Capital Financing Authority this ____ day of ____, 2025 by the following vote.

AYES: Directors:
NOES: Directors:
ABSTAIN: Directors:
ABSENT: Directors:

Chair of the Board of Directors of the
Santa Cruz County Capital Financing Authority

ATTEST:

Juliette Burke
Secretary

APPROVED AS TO FORM:



Stepan A. Haytayan
Norton Rose Fulbright US LLP
Bond Counsel

EXHIBIT A

GOOD FAITH ESTIMATES

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

For the purpose of the estimates:

Principal Amount. The Municipal Advisor has informed the Authority that, based on the financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2025A Bonds to be sold is \$12,005,000 (the “Estimated Principal Amount”).

True Interest Cost of the 2025A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2025A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2025A Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2025A Bonds, is 4.65%.

Finance Charge of the 2025A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of 2025A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2025A Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2025A Bonds), is \$280,000.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2025A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for the sale of the 2025A Bonds, less the finance charge of the 2025A Bonds, as estimated above, and any reserve fund paid or funded with proceeds of the 2025A Bonds is \$12,500,000.

Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2025A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2025A Bonds, plus the finance charge for the 2025A Bonds, as described above, not paid with the proceeds of the 2025A Bonds, calculated to the final maturity of the 2025A Bonds, together with the sum of annual ongoing costs to administer the 2025A Bonds not paid with proceeds of the 2025A Bonds (such as fiscal agent fees) is \$23,915,000.

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on May 19, 2025. The actual principal amounts of the 2025A Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect

thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2025A Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2025A Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2025A Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2025A Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the County's financing plan, or a combination of such factors. The actual date of sale of the 2025A Bonds and the actual principal amount of 2025A Bonds sold will be determined by the County and the Authority based on various factors. The actual interest rates borne by the 2025A Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2025A Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the County and the Authority.

**NEW ISSUE
BOOK-ENTRY ONLY****RATING
S&P: _____**

(See “CONCLUDING INFORMATION - Rating on the 2025A Bonds” herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2025A Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2025A Bonds is not included in the gross income of the owners thereof for federal income tax purposes. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2025A Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
\$12,005,000*
LEASE REVENUE BONDS
2025 SERIES A

Dated: Date of Delivery**Due: As shown on the inside front cover page**

The Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (the “2025A Bonds”) are being issued to finance the acquisition of and improvements to certain facilities and to pay the costs incurred in connection with the issuance of the 2025A Bonds. See “INTRODUCTION - Purpose” and “THE FINANCING PLAN” herein. The 2025A Bonds are payable from the revenues pledged under the Indenture, as defined herein, consisting primarily of base rental payments (the “Base Rental Payments”) to be made by the County of Santa Cruz (the “County”) to the Santa Cruz County Capital Financing Authority (the “Authority”) for rental of certain property (the “Leased Property”) pursuant to a Lease, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The County is required under the Lease to make Base Rental Payments in each fiscal year in consideration of the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the 2025A Bonds, subject to abatement, as described herein. See “SOURCES OF PAYMENT FOR THE 2025A BONDS” and “RISK FACTORS” herein.

Interest on the 2025A Bonds is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2025, until maturity or earlier optional, sinking account or extraordinary redemption. See “THE 2025A Bonds - General Provisions” and “THE 2025A Bonds - Redemption” herein.

THE 2025A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2025A Bonds.

The 2025A Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the County and the Authority by Jason M. Heath, County Counsel, and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel, and for the Underwriter by its counsel, [Kutak Rock LLP, Irvine, California]. It is anticipated that the 2025A Bonds, in book-entry form, will be available for delivery on or about August 7, 2025 through the facilities of The Depository Trust Company.

The date of the Official Statement is __, 2025.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

\$12,005,000*

LEASE REVENUE BONDS

2025 SERIES A

MATURITY SCHEDULE

Base CUSIP®† 80181P

Maturity Date	Principal	Interest	Reoffering	Reoffering	
<u>June 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP®†</u>

* Preliminary, subject to change.

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the County plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The County is obligated to provide continuing disclosure for certain historical information only. See the caption “CONCLUDING INFORMATION - Continuing Disclosure” herein.

IN CONNECTION WITH THE OFFERING OF THE 2025A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 2025A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

COUNTY OF SANTA CRUZ, CALIFORNIA

BOARD OF SUPERVISORS

Manu Koenig, *Supervisor, 1st District*
Kimberly De Serpa, *Supervisor, 2nd District*
Justin Cummings, *Supervisor, 3rd District*
Felipe Hernandez, *Supervisor, 4th District*
Monica Martinez, *Supervisor, 5th District*

COUNTY KEY ADMINISTRATIVE PERSONNEL AND ELECTED OFFICIALS

Carlos Palacios, *County Executive Officer*
Edith Driscoll, *Auditor-Controller-Treasurer-Tax Collector*
Sheri Thomas, *Assessor-Recorder*
Jason M. Heath, *County Counsel*
Elissa Benson, *Assistant County Executive Officer*
Nicole Coburn, *Assistant County Executive Officer*
Melodye Serino, *Deputy County Executive Officer*
Matt Machado, *Deputy County Executive Officer/Director
of Community Development and Infrastructure*
Marcus Pimentel, *County Budget Manager*

PROFESSIONAL SERVICES

Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Disclosure Counsel

Best Best & Krieger LLP
Riverside, California

Municipal Advisor

Harrell & Company Advisors, LLC
Tustin, California

Trustee

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

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OFFICIAL STATEMENT
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
\$12,005,000*
LEASE REVENUE BONDS
2025 SERIES A

This Official Statement which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (the “2025A Bonds”), in the aggregate principal amount of \$12,005,000*.

INTRODUCTION

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

The County and the Authority

The County was incorporated in 1850. It has a general law form of government. It is located on the coast of California, between the San Francisco Bay Area and the Monterey Bay Peninsula, 73 miles south of San Francisco (see “APPENDIX A – CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF SANTA CRUZ” herein).

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The County and the Santa Cruz County Flood Control and Water Conservation District formed the Authority by the execution of a joint exercise of powers agreement (as amended, the “JPA Agreement”) dated February 25, 2014. Under the JPA Agreement, the Authority is authorized to provide funds to acquire or construct public capital improvements, and to finance public capital improvements through the issuance of bonds in accordance with the Joint Powers Act.

The Authority is governed by a five-member Board of Directors which consists of all members of the County Board of Supervisors. The Chair of the Board of Supervisors acts as the Chair of the Authority. The County Administrative Officer acts as the Executive Director, the Assistant County Administrative Officer acts as the Assistant Executive Director, the Clerk of the Board of Supervisors acts as the Secretary and the County Auditor-Controller-Treasurer-Tax Collector acts as the Treasurer of the Authority.

* Preliminary, subject to change.

Purpose

The 2025A Bonds are being issued to finance the acquisition of and improvements to certain facilities and to pay the costs incurred in connection with the issuance of the 2025A Bonds.

See “THE FINANCING PLAN” herein.

Security and Sources of Repayment

The 2025A Bonds are secured under an Indenture of Trust, dated as of June 1, 2024, as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2025 (as amended and supplemented, the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”) (see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein).

The 2025A Bonds, together with the Authority’s outstanding Lease Revenue Bonds, 2024 Series C (the “2024C Bonds”) and any Additional Bonds, as defined herein, are payable from the revenues pledged under the Indenture. The revenues consist primarily of Base Rental Payments (the “Base Rental Payments”) to be made by the County to the Authority for the rental of real property and improvements thereon (the “Leased Property”) and from certain funds held under the Indenture and investment earnings thereon (collectively with the Base Rental Payments, the “Revenues”), and from net proceeds of insurance or condemnation awards with respect to the Leased Property. See “THE LEASED PROPERTY” herein.

The current outstanding amount of 2024C Bonds is \$27,175,000 and the 2024C Bonds mature June 1, 2054.

Pursuant to a Site and Facility Lease, dated as of June 1, 2024, as amended and supplemented by a First Amendment to Site and Facility Lease, dated as of August 1, 2025 (as amended and supplemented the “Site Lease”), by and between the Authority and the County, the County has leased the Leased Property to the Authority. The Authority has subleased the Leased Property back to the County under a Lease Agreement dated as of June 1, 2024 as amended and supplemented by a First Amendment to Lease Agreement, dated as of August 1, 2025 (as amended and supplemented, the “Lease”), by and between the County and the Authority. The Base Rental Payments are to be made by the County pursuant to the Lease.

Under the Lease and, subject to abatement, the County is required to make the Base Rental Payments from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the 2024C Bonds, the 2025A Bonds and any Additional Bonds when due. The County has covenanted in the Lease to take such actions as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments subject to complete or partial abatement of such Base Rental Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from damage or loss of all or any portion of the Leased Property. All of the Authority’s right, title and interest in and to the Lease (apart from certain rights to receive Additional Payments, as defined therein, to the extent payable to the Authority, and to indemnification), including the right to receive Base Rental Payments under the Lease Agreement, are assigned to the Trustee for the benefit of Bondholders, under the Assignment Agreement, dated as of June 1, 2024 as amended by an Amended and Restated Assignment Agreement, dated as of August 1, 2025 (as amended and restated, the “Assignment Agreement”) between the Authority and the Trustee.

For a summary of the Indenture, the Lease, the Site Lease and the Assignment Agreement, see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in “APPENDIX D.”

In general, the County is required under the Lease to pay to the Authority specified amounts for use and possession of the Leased Property which are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the 2024C Bonds, the 2025A Bonds and any Additional Bonds.

The County is also required to pay any taxes and assessments levied on the Leased Property and all costs of maintenance and repair of the Leased Property. Except for the Authority's right, title and interest in and to the Base Rental Payments and otherwise to the Lease which have been assigned to the Trustee, no funds or properties of the Authority or the County are pledged to or otherwise liable for the 2025A Bonds (see "RISK FACTORS" herein).

Limited Obligation

THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund

The Authority will not fund a reserve fund for the 2025A Bonds.

Offering of the 2025A Bonds

Authority for Issuance and Delivery. The 2025A Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture, and by Resolution No. ____ of the Authority and by Resolution No. ____ of the County, each adopted on ____, 2025.

Offering and Delivery of the 2025A Bonds. The 2025A Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. It is anticipated that the 2025A Bonds, in book-entry form, will be available for delivery on or about August 7, 2025 through the facilities of The Depository Trust Company ("DTC"). See "APPENDIX G - THE BOOK-ENTRY SYSTEM."

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease, the Assignment Agreement, the 2025A Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2025A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the 2025A Bonds from the County at the County Government Center, 701 Ocean Street, Santa Cruz, California 95060, telephone (831) 454-2500.

[Remainder of Page Intentionally Left Blank]

THE FINANCING PLAN

The Project

The Project (the “Project”) consists of the upgrade or renovation of certain facilities at the County’s transfer station located in Ben Lomond (the “Transfer Station”) and the acquisition of two buildings currently leased to the County and providing office space for the Office of the Public Defender (the “Property Acquisition”).

The Transfer Station includes a facility for the hauling and disposal of solid waste (“Transfer Facility”), with a separate facility for household hazardous waste (“HHW Facility”) as well as a recycling area (“Recycling Area”), and a scale house with scales (the “Scale House”).

The Property Acquisition is comprised of two buildings with approximately 12,500 square feet of office space on 0.9 acres in the City of Santa Cruz. The County has leased the buildings since 1988.

In addition to the Property Acquisition, proceeds of the 2025A Bonds are expected to be used to make any necessary repairs to the buildings, and to upgrade the HHW Facility canopy and containment area, replace the Recycling Area canopy, seismically retrofit the Transfer Facility, upgrade the electrical system at the Transfer Station, and other miscellaneous improvements. The estimated costs are shown below:

	Transfer Station	Property Acquisition
Project Costs		
Soft Costs		
Total		

Construction bids for the Project were received on June 11, 2025 and are expected to be awarded in August 2025. In May 2025, the County made a non-binding offer for the office space used by the Office of the Public Defender. The County expects to purchase the property within 90 days.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the sale and issuance of the 2025A Bonds is set forth below:

Sources of Funds

Par Amount of Bonds
Net Original Issue Premium (Discount)
Total Sources

Uses of Funds

Acquisition and Construction Fund
Underwriter’s Discount
Costs of Issuance Fund ⁽¹⁾
Total Uses

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee and rating fees, costs of printing the Official Statement, and other costs of issuance of the 2025A Bonds.

THE LEASED PROPERTY

The Leased Property consist of:

- Live Oak Library
- Aptos Library
- Behavioral Health Center
- South County Health Services Administration Building
- Transfer Station

The County has the right, from time to time, to substitute facilities, add additional facilities or remove facilities from the Leased Property, subject to certain requirements as described below.

Live Oak Library. The Live Oak Library is a 13,500 square foot, 2-story facility constructed in 2005 on approximately 4 acres along Portola Drive in the unincorporated area of the County. A remodel was completed in 2022. It is located just outside Flood Zone AE, known as a 100-year flood plain.

Aptos Library. The Aptos Library is a newly constructed 12,400 square foot facility located on approximately 1 acre along Soquel Avenue, near Highway 1, a major north-south transportation corridor in the County.

Behavioral Health Center. The Behavioral Health Center was built in 2013 to support the County's Crisis Stabilization Program and the Psychiatric Health Facility, which had previously been housed at a local hospital. The one-story facility is 16,400 square feet and located on approximately 1.5 acres on the border of the Live Oak community and the City of Santa Cruz.

South County Health Services Administration Building. This building provides office space for administrative staff of the Health Services Agency and other government functions. It is a single story, 13,776 square foot facility built in 2004. The facility is located in Watsonville on approximately 2 acres with 48 parking spaces, in the Westridge Business Park near other buildings providing County services in the southern area of the County.

Transfer Station. An approximate __ acre site located in Ben Lomond, developed with the Transfer Facility, the HHW Facility, the Recycling Area and the Scale House. The Transfer Facility is comprised of a drive through - drop off area with canopy and is approximately 40,320 square feet. The HHW Facility is a 2,200 square foot drive through - drop off area with canopy. The Scale House is a 250 square foot building alongside the scales for incoming and outgoing trucks and other vehicles. A pump house located adjacent to the Transfer Station is not a part of the Leased Property.

The buildings are currently insured for an estimated replacement value as follows:

Live Oak Library	6,545,214
Aptos Library	15,316,290
Behavioral Health Center	12,288,887
South County Health Services Administration Building	4,100,000
Transfer Facility	7,811,000 ⁽¹⁾
Total insured value	\$46,061,391

⁽¹⁾ Excluding the HHW Facility and Recycling Area facilities to be renovated.

Public Defender's Office. The County anticipates amending the Lease subsequent to Closing to include the newly-acquired Public Defender's Office.

Casualty insurance on the Leased Property currently includes earthquake damage and flood damage. However, earthquake coverage is only required in the future if such coverage is available at reasonable cost from reputable insurers in the judgment of the County (see “SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property” herein).

The County has the right under the Lease to delete or substitute portions of the Leased Property with alternate Property, as well as add additional property to the Lease, subject to the satisfaction of certain requirements (see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE AGREEMENT” herein).

THE 2025A BONDS

General Provisions

The 2025A Bonds will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover page of this Official Statement.

Interest on the 2025A Bonds shall be payable semiannually on December 1 and June 1 of each year commencing December 1, 2025 (each, an “Interest Payment Date”). Interest on the 2025A Bonds will be paid on each Interest Payment Date to the persons in whose name the ownership of the 2025A Bonds is registered on the registration books maintained by the Trustee for the registration of ownership and registration of transfer of the 2025A Bonds as of the close of business on the immediately preceding Record Date, such interest to be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of 2025A Bonds who has requested such transfer pursuant to written notice filed with the Trustee prior to the preceding Record Date.

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

Redemption

Extraordinary Redemption From Insurance or Condemnation Proceeds. The 2025A Bonds are subject to extraordinary redemption prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part on any date, from prepayments of the Base Rental Payments made by the County on a *pro rata* basis with the 2024C Bonds pursuant to the Lease from funds received by the County due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the County due to damage to or destruction of, or title defect with respect to, the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. See “SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property.” The 2025C Bonds are issued as “Additional Bonds,” as defined herein. In the event that the Authority issues future series of Additional Bonds, any such Additional Bonds would also be subject to redemption as described above on a *pro rata* basis. There can be no assurance that such proceeds will be adequate to redeem all of the 2024C Bonds and 2025A Bonds, and if issued, any

Additional Bonds (see “RISK FACTORS - The Base Rental Payments – Insurance,” “THE 2025A BONDS - Additional Bonds” and “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS–The Indenture” herein).

Optional Redemption from Prepayments of Base Rental Payments. The 2025A Bonds maturing on or after June 1, 2036 are subject to redemption prior to their respective maturity dates as a whole or in part on any date, by such maturities as may be designated by the Authority to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee) prior to the date fixed for redemption, or, if the Authority fails to so designate, in inverse order of maturity, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the County pursuant to the Lease, on or after June 1, 2035, at a redemption price equal to the principal amount of the 2025A Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The 2025A Bonds maturing June 1, ____ and June 1, ____ (the “Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on June 1, ____ and on June 1, ____, respectively, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption as follows.

**SINKING ACCOUNT SCHEDULE FOR
TERM BONDS MATURING JUNE 1, ____**

Sinking Account Redemption Date (June 1)	Principal Amount To Be Redeemed
---	--

**SINKING ACCOUNT SCHEDULE FOR
TERM BONDS MATURING JUNE 1, ____**

Sinking Account Redemption Date (June 1)	Principal Amount To Be Redeemed
---	--

If some but not all of the Term Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future sinking account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 (for extraordinary redemptions) or as determined by the Authority (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Authority is required to mail (by first class mail) notice of any redemption to the respective Owners of any 2025A Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, 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 2025A Bonds or the cessation of the accrual of interest thereon. Such notice is required to state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers,

the 2025 Bond numbers and the maturity or maturities (in the event of redemption of all of the 2025A Bonds of such maturity or maturities in whole) of the 2025A Bonds to be redeemed, and require that such 2025A Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2025A Bonds will not accrue from and after the redemption date. In the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption for 2025A Bonds is sent, the redemption notice shall include a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date. Such notice is also required to state, if so determined by the Authority, that such notice may be rescinded at any time prior to the redemption date. Any notice of redemption may be rescinded at any time prior to the redemption date by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given. As long as the 2025A Bonds remain in a book-entry system, the Trustee will send such notice only to DTC. See APPENDIX G—"THE BOOK-ENTRY SYSTEM."

Without limiting the foregoing, in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption for 2025A Bonds is sent, the redemption notice is required to include a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

Selection of 2025A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2025A Bonds, the Trustee is required to select the 2025A Bonds to be redeemed from all 2025A Bonds not previously called for redemption, in such maturities as the Authority designates (and by lot within any maturity); provided, however, that in connection with an extraordinary redemption of less than all of the 2025A Bonds pursuant to the Indenture, such 2025A Bonds shall be redeemed on a *pro rata* basis (as nearly as practicable) among maturities and series as shall be designated pursuant to written notice filed by the Authority to the Trustee. For purposes of such selection, all 2025A Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate 2025A Bonds, which may be separately redeemed.

Partial Redemption of 2025A Bonds. If only a portion of any 2025 Bond is called for redemption, then upon surrender of such 2025 Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2025 Bond or 2025A Bonds of the same series, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the 2025 Bond being redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the 2025A Bonds so called for redemption shall have been duly provided, such 2025A Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All 2025A Bonds redeemed pursuant to the Indenture shall be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on 2025A Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

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Scheduled Base Rental Payments and Debt Service on the 2025A Bonds

The following is the scheduled debt service on the 2025A Bonds assuming no special or optional prepayment prior to maturity.

Period Ending			
<u>June 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
Total			

The following is the schedule of annual Base Rental Payments assuming no special or optional prepayment prior to maturity.

Period Ending			
<u>June 1</u>	<u>2024C Bonds</u>	<u>2025A Bonds</u>	<u>Annual Total</u>
2026	\$1,486,969		
2027	1,487,969		
2028	2,113,469		
2029	2,112,219		
2030	2,108,969		
2031	2,108,719		
2032	2,111,219		
2033	2,106,219		
2034	2,108,969		
2035	2,113,969		
2036	2,105,969		
2037	2,115,469		
2038	2,111,469		
2039	2,109,469		
2040	2,109,219		
2041	2,110,469		
2042	2,112,969		
2043	2,111,469		
2044	2,110,969		
2045	686,219		
2046	692,819		
2047	688,419		
2048	688,419		
2049	687,619		
2050	691,019		
2051	687,713		
2052	688,581		
2053	688,419		
2054	687,225		
2055	-		
Total	\$45,742,613		

Additional Bonds

In addition to the 2025A Bonds, the Authority and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the issuance and delivery of Additional Bonds in one or more series. The proceeds of such Additional Bonds may be used for any purpose, including for the purpose of refunding Outstanding Bonds.” See “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -THE INDENTURE – Additional Bonds.”

SOURCES OF PAYMENT FOR THE 2025A BONDS

General

The 2024C Bonds and 2025A Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means:

- (a) all Base Rental Payments paid or payable by the County pursuant to the Lease (including prepayments) and
- (b) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the pursuit of remedies by the Trustee pursuant to the Lease.

Revenues will include Net Proceeds not used to rebuild or replace the Leased Property that are required to be applied to the payment or redemption of Bonds under the Lease and the Indenture. See “Insurance Relating to the Leased Property” below.

As security for the 2024C Bonds and 2025A Bonds, the Authority has assigned to the Trustee the Authority’s rights, title and interest in the Lease (with certain exceptions), including the right to receive Base Rental Payments to be made by the County under the Lease Agreement.

The 2025A Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Base Rental Payments; Abatement

The County is required to pay the Base Rental Payments to the Authority for use of the Leased Property, which are equal to the principal of and interest due with respect to the 2024C Bonds and 2025A Bonds. The Lease requires the County to make Base Rental Payments to the Authority on the November 25 or May 25 preceding each Interest Payment Date. Base Rental Payments to be paid by the County are assigned to the Trustee under the Assignment Agreement and are to be transmitted by the County directly to the Trustee. The Indenture provides that the Base Rental Payments will be deposited in the Revenue Fund maintained by the Trustee under the Indenture and applied to pay the principal of and interest on the 2024C Bonds and 2025A Bonds.

The County has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make annual appropriations for all such Base Rental Payments. The Lease provides that the several actions required by such covenants are deemed to be and shall be construed to be duties imposed by law and that it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such official to enable the County to carry out and perform the covenants in the Lease agreed to be carried out and performed by the County.

California law requires, and the Lease provides, the obligation of the County to pay Base Rental Payments and Additional Rental Payments will be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the County of the Leased Property or any portion thereof. Such abatement will be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the County’s use and right of possession, as evidenced by a Certificate of the County. Such abatement will continue for the period commencing with the date of interference resulting

from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, and ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and the term of this Lease shall be extended as provided in the Lease.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the County as a special obligation payable solely from said funds and accounts.

The term of the Lease will terminate on June 1, 2055, or such earlier or later date on which the Base Rental Payments are paid in full or provisions made for such payment, but in no event later than June 1, 2065, being ten years after the stated maturity date of the 2025A Bonds.

The Authority has no taxing power. The obligation of the County to pay Base Rental Payments does not constitute an obligation for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute a debt of the County, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The County has other obligations payable from its General Fund and may enter into other obligations payable from its General Fund without the consent of the Bond Owners. To the extent the County issues such obligations, funds available to pay Base Rental Payments may be reduced. See “APPENDIX B - COUNTY OF SANTA CRUZ FINANCIAL INFORMATION - Long-Term Obligations” and “RISK FACTORS - The Base Rental Payments - Base Rental Payments are Limited Obligations of the County” herein.

No Reserve Fund

The Authority will not fund a reserve fund for the 2025A Bonds.

Insurance Relating to the Leased Property

Fire and Extended Coverage Insurance. The County is required under the Lease to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance is required to, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will include earthquake coverage, but only if earthquake coverage is available at reasonable cost from reputable insurers in the reasonable opinion of the County.

Such insurance shall be in an amount at least equal to the lesser of (a) 100% of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding 2024C Bonds, 2025ABonds, and Additional Bonds, if any. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the County in the form of self-insurance.

Rental Interruption Insurance. The Lease requires the County to procure and maintain or cause to be procured and maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property as a result of certain hazards, in an amount at least equal to the maximum Base Rental Payments coming due and payable during any future 24-month period. Such insurance may be maintained as part of or in conjunction with any other property insurance coverage carried by the County,

and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the payment of the Base Rental Payments as the same become due and payable.

If any or all of the Leased Property is damaged or destroyed, any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the County in the event of any such accident or destruction shall be paid to the Trustee by the County pursuant to the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund to be established by the Trustee. If the County fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds and any Additional Bonds on a pro rata basis pursuant to the Indenture to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the County, upon receipt of Written Requisitions of the County, as agent for the Authority. Any balance of the proceeds remaining after such work has been completed as certified by the County to the Trustee shall after payment of amounts due the Trustee be paid to the County.

If there are not sufficient insurance proceeds to complete repair of the Leased Property, the Lease Payment schedule will be proportionally reduced in accordance with the Lease Agreement. Such reduced Base Rental Payments may not be sufficient to pay principal and interest with respect to the 2024C Bonds and 2025A Bonds. Such reduction would not constitute a default under either the Indenture or the Lease Agreement.

Title Insurance. The County is required to obtain upon the execution and delivery of the First Amendment to the Lease Agreement, additional title insurance on the Leased Property, in an amount not less than the aggregate principal amount of 2024C Bonds and 2025A Bonds issued, subject only to Permitted Encumbrances.

If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund and shall be applied and disbursed by the Trustee as follows: (i) if the County has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the 2024C Bonds and any Additional Bonds on a pro rata basis, or (ii) if the County has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the County as agent for the Authority.

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken Property or to prepay all Base Rental Payments with respect to the Leased Property. Also, the County makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease or the 2024C Bonds and 2025A Bonds. See “RISK FACTORS - The Base Rental Payments - Abatement” herein.

See “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Insurance” and “RISK FACTORS - The Base Rental Payments - Insurance” herein.

Remedies on Default

If an event of default occurs and is continuing under the Lease Agreement, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. If the County defaults in performance of its obligations under the Lease, the Trustee, as assignee of the Authority, may elect not to terminate the Lease and may re-enter and relet the Leased Property and may enforce the Lease and hold the County liable for all Base Rental Payments on an annual basis while re-entering and reletting the Leased Property. Such re-entry and reletting shall not effect a surrender of the Lease. Alternatively, the Trustee may elect to terminate the Lease and may re-enter and re-let the Leased Property and seek to recover all costs, losses or damages caused by the County’s default. See “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Events of Default.”

Notwithstanding the foregoing remedies which are granted under the Lease with respect to the Leased Property, since the Leased Property is used for essential governmental services of the County, no assurances can be given that a court would permit the Authority or the Trustee to re-enter and re-let the Leased Property.

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RISK FACTORS

The purchase of the 2025A Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2025A Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

The Base Rental Payments

Base Rental Payments are Limited Obligations of the County. The Base Rental Payments and other payments due under the Lease (including a proportionate share of the costs of improvement, repair and maintenance of the Leased Property and taxes, and other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes or other revenues of the County but are payable from yearly appropriations of any funds lawfully available to the County.

In the event the County's revenue sources are less than its total obligations, the County could choose to fund other services before paying Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues (see "Constitutional Limitation on Taxes and Expenditures" below). To the extent these types of events or other events adversely affecting the funds available to the County occur in any year, the funds available to pay Base Rental Payments may be decreased.

The County has unfunded liabilities relating to its employee retirement plans and to employee post-retirement health benefits and has also entered into other obligations which are payable from General Fund resources. The County may also enter into additional obligations in the future. To the extent that additional obligations are incurred by the County, the funds available to the County to pay debt service may be decreased (see "APPENDIX B - COUNTY OF SANTA CRUZ FINANCIAL INFORMATION – FINANCIAL INFORMATION - Retirement Program," "- Other Post Employment Benefits" and "- Long- Obligations" herein).

Potential Impact of State Budget and Federal Policy on County's Financial Condition. Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate, change, clean energy, and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services, and other federally funded programs. Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders, and other official and unofficial actions at the federal level. The County cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future changes in federal policy. However, such changes could in the future have adverse effects on revenues, operations or capital funding requirements. See "APPENDIX B – Fiscal Year 2025-26 Overview."

In addition, in its May Revision to the Proposed 2025-26 Budget, the State did not incorporate any effect of federal cuts that are currently under consideration in Congress, any of which may have implications for the State budget and the County's budget, particularly in the areas of health, housing and transportation. See "APPENDIX B - State of California Budget" herein.

The County staff expects to return to the Board at such a time when a response is required in alignment with development of the Federal budget or any subsequent changes in the State budget.

Abatement. Except to the extent that amounts are available (i) in the Rental Fund under the Indenture, (ii) from proceeds of rental interruption insurance, or (iii) as payments due from third parties due to a delay in reconstructing the Leased Property, the amount of Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation of the Leased Property or defects in the title with respect to the Leased Property there is substantial interference with the use and possession of all or a portion of the Leased Property by the County. The amount of such abatement shall be such that the resulting Base Rental Payments, exclusive of the amounts described above, do not exceed the fair rental value (as determined by the County) for the use and possession of the portion of the Leased Property not damaged, destroyed, interfered with or taken. Such abatement shall continue for the period commencing with such damage, destruction, interference or taking and ending with the substantial completion of the replacement or work of repair or the removal of the title defect causing such interference with use. The Lease shall continue in full force and effect following an event of abatement and the County waives any right to terminate the Lease by virtue of an abatement event.

In the event that such funds are insufficient to make all payments due on the 2024C Bonds and 2025A Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. Failure to pay principal or interest with respect to the 2025A Bonds as a result of abatement of the County's obligation to make Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease Agreement. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely - since the Lease does not require earthquake or flood insurance - and the County cannot be compelled to repair or replace the damaged Property or to redeem the 2025A Bonds but has covenanted in the Lease to use its best efforts to repair or replace the Leased Property from other lawfully available funds to the extent that the Net Proceeds are insufficient. See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Abatement of Base Rental Payments."

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, the value of the Leased Property could be substantially higher or lower than its value at the time of the issuance of the 2025A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2025A Bonds.

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental Payments and the application of other funds in the event of the County's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the County may not be sufficient to pay all of the remaining principal and interest on the 2025A Bonds.

Insurance. The Lease obligates the County to obtain and keep in force various forms of insurance to ensure repair or replacement of the Leased Property in the event of damage or destruction to the Leased Property and to maintain rental interruption insurance in an amount equal to maximum annual Base Rental Payments in any future 24-month period (see "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Insurance" herein). The Lease does not require earthquake or flood insurance if earthquake coverage is not available at reasonable cost from reputable insurers in the reasonable opinion of the County. The County currently maintains earthquake insurance for the buildings and maintains flood insurance for all of the Leased Property. See "Natural Hazards" below. The County makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease Agreement. In addition, certain risks may not be covered by such property insurance (see "SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property" herein).

In the event the Leased Property is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Base Rental Payments will be partially or completely abated. If any

Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could prevent the County from timely paying Base Rental Payments after rental interruption insurance proceeds are exhausted.

Discovery of a Hazardous Substance That Would Limit the Beneficial Use of the Leased Property. In general, the owners and lessees of a parcel may be required by law to remedy conditions of the Leased Property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as CERCLA or the Superfund Act, is the most well-known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or lessee) is obligated to remedy a hazardous substance condition of property whether or not the owner (or lessee) had any involvement in creating or handling the hazardous substance. The effect, therefore, should the Leased Property be affected by a hazardous substance, might be to limit the beneficial use of the Leased Property upon discovery and during remediation. The County is not aware of any such condition on the Leased Property.

Natural Hazards

General. The County, like all California communities, may be subject to unpredictable seismic activity, fires or floods. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the County. The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience (“OR3”).

In order to improve emergency response, elevate disaster awareness and prepare for increases in extreme weather due to climate change, the Board created the OR3 in December 2020. The OR3 goes beyond traditional emergency operations to create a full-service division to help the community prepare for disasters, respond during emergencies and assist with recovery.

The OR3 mission is threefold:

- build the County’s resilience for future disasters,
- serve as the emergency management office for responding to ongoing disasters, and
- coordinate recovery efforts for disasters that have occurred.

While the County has reacted effectively to previous disasters, recognizing the challenges faced both now and in the future is critical. Therefore, the OR3 is working to prioritize and expand the County’s capacity to respond effectively to the current disasters represented by the 2022-23 Winter Storms, the 2020 CZU Lightning Complex Fire (both described below) and the COVID-19 pandemic (the “Pandemic”) but also build the resilience necessary to minimize the impacts County-wide from disasters in the future.

The County has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk, and is required to comply with Federal Emergency Management Agency (“FEMA”) requirements for disaster relief funding. If such events described below occur, the County’s emergency response to such an event may add unanticipated expenditures to the General Fund budget in such year or future years, some or all of which may not be reimbursed by federal or state disaster funding, and, if reimbursed, may not be received by the County in a timely manner. This could lead to reduced ability of the County to make Base Rental Payments.

Unanticipated expenditures were incurred as a result of the 2022-23 Winter Storms, when the County experienced significant storm damage due to above-average prolonged rainfall which caused coastal and riverine flooding, fallen trees and landslides. The County declared local emergencies on January 3, January 6, March 8 and March 14, 2023. While significant damage caused by the 2022-23 Winter Storms was to

private property, the County sustained road damage at approximately 80 locations and is responsible for road repairs. Some road repair costs are eligible for disaster relief funding from the State, FEMA and the Federal Highway Administration (“FHWA”). As of June 30, 2024, the County had spent over \$78 million on repair of the damage to County roads and parks, and additional costs are expected.

The CZU Lightning Complex Fire was another recent disaster event. The fire destroyed or damaged over 900 homes in the County between August and September 2020. While the majority of the damage caused by the fire was to private property, the County is responsible for any needed road repairs, signage repairs and repair of a bridge in the impacted area. Other infrastructure repairs to the water system and sewer systems were the responsibility of other parties or are funded outside of the County’s general fund.

A secondary impact of the CZU Lightning Complex Fire could occur during future years if there is above-average or prolonged rainfall in the area burned by the fire. Wildfires are commonly followed by runoff-generated debris flows because wildfires remove vegetation and ground cover, which reduces soil infiltration capacity and increases soil erodibility.

In general, the County’s matching share of costs for a disaster event is approximately 6% of total costs - and the County will usually anticipate that it will be reimbursed for 75% of eligible disaster-related costs by FEMA. The County further anticipates that California Office of Emergency Services (“CalOES”) will reimburse the County for 75% of the remaining 25% of costs. However, recent events at the Federal level make the timing and amount of reimbursement in the future uncertain.

The expenditures that the County made for both these recent disasters is currently funded from the County’s Off Highway, Roads and Transportation Fund, not the General Fund. In 2024, due to the delays in Federal and State reimbursements, the Authority issued several series of bonds to fund current unreimbursed and/or matching costs expended on the repairs from the 2022-23 Winter Storms or the CZU Lightning Complex Fire.

The County currently includes a contingency in its budget to provide some funding for unanticipated expenditures, but such contingency may not be budgeted in the future, or if budgeted, may not be sufficient to cover disaster-related expenses, depending on the scope of any particular disaster.

Seismic Conditions. The County, like most areas of California, is subject to unpredictable seismic activity. The occurrence of seismic activity in the County could result in substantial damage to properties in the County, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their property taxes.

The County’s General Plan notes that the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to the County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. In particular, the epicenter of the 7.1 magnitude Loma Prieta earthquake, which struck in 1989, was located approximately 10 miles east-northeast of the City of Santa Cruz. Repair of infrastructure was financed in part by a voter-approved one-half cent sales tax levied over six years.

Landslides. There are areas of the County that are mountainous and prone to localized landslides during periods of heavy or prolonged rain. Several such landslides occurred during winter 2017 and winter 2022-23 as a result of above-average rainfall. For a time, these slides impacted travel on State Highways 9, 152, and 129 and various local roads, but most notably impacted travel on State Highway 17, the primary transportation corridor between the County and the San Francisco Bay Area.

Wildfire Conditions. The County includes areas where there is high or extreme danger of wildfires during dry months and during periods of prolonged drought. During calendar years 2008 and 2009, there were 5

significant wildfires, resulting in a total of 327 structures or mobile homes destroyed. In October 2017, 29 structures or mobile homes were destroyed and 391 acres burned in the Bear Fire. As noted, the CZU Lightning Complex Fire destroyed or damaged over 900 homes in the County and burned 86,000 acres in 2020.

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

There can be no assurances that further wildfires will not occur within the County. Property damage due to wildfire could result in a significant decrease in the market value of property in the County and in the ability or willingness of property owners to pay property taxes when due.

The County is served by Pacific Gas & Electric (“PG&E”). PG&E and other electric providers throughout the State may determine that for public safety it is necessary to turn off electricity (“PSPS”). PG&E has also begun installing their Enhanced Powerline Safety Shutoff (“EPSS”) technology to reduce the risk of utility-initiated wildfires. The interruption of power for PSPS events and during EPSS activations happens when gusty winds and dry conditions, combined with a heightened fire risk, are forecasted. The County cannot forecast the impacts of frequent or prolonged power shutoff events on the market value of property in the County or on the County’s economy.

Flooding and Tsunamis. Portions of the County are located in a 100-year flood plain and portions of the County are located along the Pacific Ocean.

A flood occurred in 1995 when storm water breached the protective levee of the Pajaro River and flooded approximately 3,280 acres adjacent to the river. The County was required to pay a portion of damages resulting from the levee breach. Another flood occurred in 2023 on the Monterey County side of the Pajaro River due to a 400-foot breach of the levee. Litigation related to damages resulting from the levee breach has been filed against various public agencies, including the County. See “LEGAL MATTERS - Litigation” herein. The Pajaro Regional Flood Management Agency, a joint powers authority of the County, the Santa Cruz County Flood Control and Water Conservation District Zone No. 7, the County of Monterey, the Monterey County Water Resources Agency, and the City of Watsonville was formed in 2021, to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries in Santa Cruz and Monterey Counties.

The County could also be subject to impacts from tsunamis in the event of an earthquake occurring offshore.

Wind Impacts. In recent storms, the County has been subjected to straight-line high-velocity winds. These high-velocity winds can exert significant force on structures and trees. In some areas, wind has caused trees to be toppled when the ground was saturated by rain, resulting in landslides and blockage of roads.

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

Sea level rise is expected to gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the County will be susceptible to direct impacts from rising sea levels, as will certain public facilities, operated by the

City of Santa Cruz and shared by the County. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, affected public agencies can implement long-term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

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

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

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

Cybersecurity

The County, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances and consequently faces the threat of cybersecurity incidents. As a recipient and provider of personal, private or other electronic sensitive information, the County faces cyber threats from time to time including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the County's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The County has developed incident response plans for cyber events and has implemented cyber security training for all County employees. A cyber security committee has developed policies for end users around passwords, training, data destruction and handling as well as mobile device use. The County's Information Services Department actively participates and works with local and national cybersecurity groups such as the National Association of Counties, the Multi-State Information Sharing & Analysis Center and the Northern California Regional Incident Command. The County also engages the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency yearly for vulnerability assessments and weekly scans of externally facing systems. Additionally, the County conducts twice yearly tabletop exercises and also took part in a Bay Area tabletop exercise in March 2024 (a tabletop exercise is a structured and facilitated meeting to discuss a simulated emergency situation). As standards continue to change, the County too will continually update processes and priorities to meet these changes.

In 2023, the County experienced a cyber fraud incident, which was covered by its cyber security insurance policy. The County has never had a major cyber breach that resulted in a significant financial loss, and the 2023 incident did not impact critical financial operations of the County. The County has since instituted certain procedural changes and continues to monitor its compliance with its policies. However, no assurances can be given that the security and operational control measures of the County will be successful in guarding against any and each cyber threat or breach. Although the County continues to maintain insurance coverage for cyber security losses should a successful breach ever occur again, the cost of any

such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

The County is also reliant on other entities and service providers in connection with the administration of the 2025A Bonds, including the Trustee, and the dissemination agent. No assurance can be given that the County and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond Owners.

Limited Recourse on Default; No Acceleration

If an event of default occurs and is continuing under the Lease, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. The County will continue to be liable for Base Rental Payments as they become due and payable in accordance with the Lease if the Trustee does not terminate the Lease, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest. In addition, the enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time-consuming.

The Lease permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the County under the Lease Agreement. Even if the Trustee could readily re-lease the Leased Property, the rents may not be sufficient to enable it to pay principal of and interest on the 2025A Bonds in full when due. Any such re-leasing of the Leased Property would be subject to existing encumbrances thereon. In addition, the Leased Property is used for essential governmental services of the County, and no assurances can be given that a court would permit the Authority or the Trustee to exercise the remedies which are granted under the Lease to re-enter and re-let the Leased Property. See "THE LEASED PROPERTY" herein.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against counties, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2025A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the 2025A Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the 2025A Bonds, the Indenture, the Lease Agreement, the Assignment Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in

appropriate cases, and to the limitation on legal remedies against cities and counties in the State. See “Bankruptcy” below.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the County. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Leased Property within the County be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Hazardous substance liabilities may arise in the future with respect to any of the Leased Property in the County resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease Agreement, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the County, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the County. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the County could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. However, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Indenture. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Base Rental Payments, for the benefit of the Owners of the 2024C Bonds and 2025A Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of the Owners of the 2024C Bonds and 2025A Bonds. In the event of a bankruptcy filed by the County and the subsequent rejection of the Lease by the County, the Trustee is entitled to recover possession of the Leased Property, although as discussed above no assurances can be given that a Court would permit such action to be taken by the Trustee due to the

essential governmental purposes served by the Leased Property. In addition, the Trustee would have a claim for damages against the County, although such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the 2024C Bonds and 2025A Bonds; and (iv) the possibility of the adoption of a plan (the “Plan of Adjustment”) for the adjustment of the County’s debt without the consent of the Trustee or all of the Owners of the 2024C Bonds and 2025A Bonds, which Plan of Adjustment may restructure, delay, compromise or reduce the amount of any claim of the Owners of the 2024C Bonds and 2025A Bonds if the Bankruptcy Court finds that the Plan of Adjustment is fair and equitable and in the best interests of creditors.

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

The Authority is a public agency and, like the County, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the 2024C Bonds and 2025A Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority’s debt without the consent of the Trustee or all of the Owners of the 2024C Bonds and 2025A Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the 2024C Bonds and 2025A Bonds if the Bankruptcy Court finds that the Plan is fair and equitable. In a bankruptcy the Authority could challenge the assignment of the Site Lease and the Lease, and the Trustee and/or the Owners of the 2024C Bonds and 2025A Bonds could be required to litigate these issues to protect their interests.

Constitutional Limitation on Taxes and Expenditures

State Initiative Measures Generally. Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Voters have exercised this power through the adoption of Proposition 13 (“Article XIII A”) and similar measures, such as Propositions 22 and 26 approved in the general election held on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the County. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease Agreement.

Article XIII A. Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” of the Leased Property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “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” is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction (such as in the case of property destroyed or damaged by the CZU Lightning Complex Fire) or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances. There may also be declines in valuations if the California Consumer Price Index is negative.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and prepayment charges on any indebtedness approved by the voters before July 1, 1978, or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses, and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence 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 March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIII A so that grandparents may transfer to their grandchildren whose parents are deceased, their principal residences, and the first \$1,000,000 of other property without a reappraisal of assessed value.

On November 3, 2020, voters in the State approved Proposition 19 providing for intergenerational exclusions and base year value transfers. Proposition 19 allows:

- transfers of a family home or family farm between parents and their children without causing a change in ownership for property tax purposes;
- transfers of a family home or family farm between grandparents and their grandchildren under limited conditions without causing a change in ownership for property tax purposes;

- allows homeowners who are age 55 or older, or severely and permanently disabled of any age, to transfer the “taxable value” of their principal residence to a replacement property up to three times anywhere in the state; and
- victims of a wildfire or natural disaster to transfer the taxable value of their primary residence to a replacement residence anywhere in the state, if the original property was substantially damaged or destroyed from a wildfire or Governor declared disaster, with over half of the market or improvement value diminished, to be considered “substantially damaged.”

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009-10 – applied to the 2010-11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978-79 Fiscal Year), the annual increase for inflation has been at least 2% except in fiscal years as shown below.

<u>Tax Roll</u>	<u>Percentage</u>	<u>Tax Roll</u>	<u>Percentage</u>
1981-82	1.000%	2011-12	0.753%
1995-96	1.190	2014-15	0.454
1996-97	1.110	2015-16	1.998
1998-99	1.853	2016-17	1.525
2004-05	1.867	2021-22	1.036
2010-11	(0.237)		

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. Currently, the aggregate Proposition 8 reduction is a minor amount. However, changes in the national, State or local economy may impact future property values and increase Proposition 8 reductions. See “APPENDIX B – COUNTY OF SANTA CRUZ FINANCIAL INFORMATION - FINANCIAL INFORMATION - Ad Valorem Property Taxes -Taxable Property and Assessed Valuation” herein.

Article XIII B. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the annual appropriations of the State and any city, county, city and county, school district, authority or other political subdivision of the State. The “base year” for establishing such appropriations limit is the 1978-79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, 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, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIII B. First, the term “change in the cost of living” was redefined as the change in the California per capita personal income (“CPCPI”) for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986-87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for “qualified capital outlay for Fiscal Year 1990-91 as defined by the legislature” from proceeds of taxes.

Section 7910 of the Government Code requires the County to adopt a formal appropriations limit for each fiscal year. The County’s appropriations limit for 2024-25 was \$693,306,550. The County’s appropriations subject to the limit for 2024-25 were \$291,623,570.

Proposition 62. Proposition 62 was a statutory initiative adopted in the November 1986 general election. Proposition 62 added Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior written approval, the amount thereof must be withheld from the levying entity’s allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Proposition 218. On November 5, 1996, California voters approved Proposition 218 - Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIIC of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIIC of the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIID. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction

in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged “as an incident of property ownership” may not “exceed the funds required to provide the property related services” and may only be charged for services that are “immediately available to the owner of the property.”

Voter-Approved Taxes. Voters in the County have approved the following taxes:

- In November 2012, voters in the County approved an increase in the transient occupancy tax rate from 9.5% to 11%.
- In June 2014, voters in the County approved Measure F, a parcel tax of \$8.50 on all improved parcels within the unincorporated area of the County outside of recreation and park districts.
- In November 2014, voters in the County approved Measure K, the imposition of a tax on the gross sales of medical marijuana businesses in the unincorporated County of up to 10%, with 7% being levied in the initial year. In November 2016, voters in the County approved Measure E, expanding the tax to apply to all cannabis-related businesses. The Board reduced the rate applicable to manufacturers and cultivators from 7% to 5% for periods beginning January 1, 2018, with future incremental increases to achieve 7% by January 1, 2022.
- In November 2016, voters in the County approved Measure D, the imposition of a sales and use tax of one-half cent, for a period of 30 years for transportation related expenditures. Local jurisdictions, such as the County, will share in 30% of the sales tax for local transportation purposes, with the remainder allocated for regional transportation projects.
- In November 2018, voters in the County approved Measure G, the imposition of an additional one-half cent sales tax for a 12-year term. Collection of the additional sales tax began in April 2019.
- In June 2022, voters in the County approved an increase in the transient occupancy tax rate for hotels by 1% and for vacation rentals by 3%.
- In June 2022, voters in the County also approved that one-half of the County’s single use cup fee be converted to a tax and allocated to the County beginning January 1, 2023.
- In March 2024, voters in the County approved Measure K, the imposition of an additional one-half cent sales tax. Collection of the additional sales tax began July 2024.
- In November 2024, voters in the County approved Measure Q, the collection of a special tax in the amount of \$87 per parcel for land management, and cleanup and conservation projects in forests streams, beaches and other open spaces.

The County does not expect that the application of Proposition 218 will have a material adverse impact on its ability to pay the Base Rental Payments when due.

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004-05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any 10-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The last time Proposition 1A was used to shift property taxes was in Fiscal Year 2009-10, when 8% of the County's property tax revenues were diverted to the State.

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

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially impede its ability to pay the Base Rental Payments when due.

Future Initiatives. From time to time other initiative measures could be adopted, limiting or otherwise affecting the ability of the County to increase revenues and appropriations. For example, an initiative measure qualified for the November 2024 ballot (Initiative 1935) that would have further limited the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. Initiative 1935 but was ultimately removed from the ballot by the California Supreme Court, citing that the initiative was an amendment to the State Constitution that cannot be enacted via the voter-initiative process.

Early Redemption Risk

Early payment of the Base Rental Payments and early redemption of the 2025A Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance. Early payment of the Base Rental Payments and early redemption of the 2025A Bonds may also occur in whole or in part without premium, on any date on or after June 1, 2035 if the County exercises its right to prepay Base Rental Payments in whole or in part. See “THE 2025A BONDS - Redemption.”

Loss of Tax Exemption on the 2025A Bonds

As discussed under the heading “TAX MATTERS,” interest on the 2025A Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2025A Bonds were issued as a result of future acts or omissions of the Authority or the County in violation of the covenants in the Indenture and the Lease Agreement.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2025A Bonds were to be includable in gross income for purposes of federal income taxation, the 2025A Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions of the Indenture. See “THE 2025A BONDS - Redemption.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2025A Bonds. Prospective purchasers of the 2025A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (“IRS”) has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2025A Bonds, as the case may be, is commenced, under current procedures, the IRS is likely to treat the Authority or the County as the “taxpayer,” and the owners of the 2025A Bonds, as the case may be, would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2025A Bonds, as the case may be, the Authority or the County may have different or conflicting interests from the owners of the 2025A Bonds. Public awareness of any future audit of the 2025A Bonds, as the case may be, could adversely affect the value and liquidity of the 2025A Bonds, as the case may be, during the pendency of the audit, regardless of its ultimate outcome.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the 2025A Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the County.

Substitution or Removal of Property

The Lease provides that, upon the satisfaction of the conditions specified therein, the County may substitute real property for all or any portion of the Leased Property, and may release all or a portion of the Leased Property from the Lease Agreement. The Lease also provides that the County may add real property to the Lease Agreement. The County expects to add the Public Defender’s Office property once acquired. See

“THE LEASED PROPERTY” and “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Substitution of Property, Release of Property or Addition of Property.” Such a substitution, removal or addition could have an adverse impact on the security for the 2025A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution, removal or addition.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the 2025A Bonds upon an event of default under the Indenture, the Lease Agreement, the Site Lease, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the County, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the 2025A Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Lease Agreement, the Site Lease and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Lease Agreement, and as to the validity of the 2025A Bonds. See “APPENDIX F” hereto for the proposed form of Bond Counsel’s opinions.

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

Certain legal matters will be passed on for the County and the Authority by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel, and by the County Counsel. Additionally, certain matters will be passed on for the Underwriter by its Counsel, [Kutak Rock LLP, Irvine, California]. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the 2025A Bonds.

Litigation

The Authority and the County will each furnish a certificate dated as of the date of delivery of the 2025A Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Lease or the sale or delivery of the 2025A Bonds or in any manner questioning the proceedings and authority under which the Indenture, the Site Lease and the Lease are to be executed or delivered or the 2025A Bonds are to be delivered or affecting the validity thereof.

As a result of the breach of the Pajaro River levee and flooding in Monterey County in March 2023, litigation relating to damages incurred has been filed by a number of parties against various public agencies, including the County. See “RISK FACTORS – Natural Hazards – Flooding and Tsunamis” herein. The litigation process is in its early stages, and it is expected to be lengthy and not suitable for early resolution.

Other lawsuits and claims against the County exist that are incidental to the ordinary course of the County's operations. In the view of the County's management and County Counsel, there is no litigation, present or pending against the County, that will individually or in the aggregate impair the County's ability to make Base Rental Payments when due.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the Authority and the County (the "Issuer"), under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the Issuer with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the 2025A Bonds and requirements of the Internal Revenue Code of 1986 (the "Code") regarding the use, expenditure and investment of proceeds of the 2025A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2025A Bonds is not included in the gross income of the owners of the 2025A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2025A Bonds to be included in gross income retroactive to the date of issuance of the 2025A Bonds.

In the further opinion of Bond Counsel, interest on the 2025A Bonds is treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2025A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the 2025A Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2025A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the 2025A Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2025A Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the 2025A Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2025A Bonds, the Issuer may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2025A Bonds

could adversely affect the value and liquidity of the 2025A Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2025A Bond at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2025A Bond purchaser of purchasing a 2025A Bond with bond premium. Accordingly, persons considering the purchase of 2025A Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2025A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025A Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2025A Bonds of a particular maturity over the initial offering price to the public of the 2025A Bonds of that maturity at which a substantial amount of the 2025A Bonds of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a 2025A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such 2025A Bond. Original issue discount on a 2025A Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2025A Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2025A Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a 2025A Bond accruing during each period is added to the adjusted basis of such 2025A Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2025A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2025A Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2025A Bond purchaser of purchasing a 2025A Bond with original issue discount. Accordingly, persons considering the purchase of 2025A Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2025A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025A Bonds.

Information Reporting and Backup Withholding

Interest paid on the 2025A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2025A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

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

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the 2025A Bonds of the exclusion of the interest on the 2025A Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2025A Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2025A Bonds. Prospective purchasers of the 2025A Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

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

CONCLUDING INFORMATION

Rating on the 2025A Bonds

S&P Global Ratings has assigned its rating of “__” to the 2025A Bonds. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating, and any outlook associated with such rating, should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any 2025A Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2025A Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The 2025A Bonds [are being purchased by _____ (the “Underwriter”) at competitive sale.] [were sold to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement dated _____, 2025]. The Underwriter is offering the 2025A Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2025A Bonds at a price equal to \$_____, which amount represents the principal amount of the 2025A Bonds, plus a net original issue premium of \$_____ and less an Underwriter’s discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter’s discount.

The Municipal Advisor

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

Continuing Disclosure

The County will provide annually certain financial information and data relating to the County by not later than February 15 in each year commencing February 15, 2026 (the “Annual Report”), and will provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the County’s Disclosure Certificate attached in “APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The County and certain other entities related to the County have entered into previous undertakings pursuant to the Rule. The County believes it has complied in all material respects with any undertaking made pursuant to the Rule. However, within the last five years, the County has failed to comply with its prior undertakings in the following respects: (i) with respect to the County’s 2020-2021 Tax and Revenue Anticipation Notes, the County’s final budget was posted on November 10, 2020, 10 days later than required and (ii) with respect to four land-secured financings, the Annual Report for Fiscal Year 2020-21 was filed timely, however, the County’s audited financial statements were filed on April 11, 2022 for such issues, 42 days later than required, and a notice of failure to timely file such audited financial statements for the four affected issues was filed on April 11, 2022.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease Agreement, the 2025A Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the 2025A Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture, the Site Lease and the Lease may be obtained after delivery of the 2025A Bonds from the County at 701 Ocean Street, Santa Cruz, California 95060, telephone (831) 454-2500.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2025A Bonds.

Execution

The execution of this Official Statement by the Assistant Executive Director of the Authority and the Assistant County Executive Officer of the County has been duly authorized by the Authority and by the County, respectively.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

By: _____
Assistant Executive Director

COUNTY OF SANTA CRUZ

By: _____
Assistant County Executive Officer

APPENDIX A

CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF SANTA CRUZ

This Appendix A includes a brief description of the County of Santa Cruz (the “County”), together with current information concerning its governmental organization and economy.

GENERAL INFORMATION

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

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

Unincorporated communities in the County include: Live Oak, an urban coastal area, between the City of Santa Cruz and the City of Capitola; Soquel, which lies inland north of Capitola; Aptos, east of Soquel; Felton, Ben Lomond and Boulder Creek, which are located in the San Lorenzo Valley between the City of Santa Cruz and Big Basin State Park; Davenport, which is located on the coast north of the City of Santa Cruz; Corralitos, located east of Aptos and northwest of the City of Watsonville; Freedom, which is adjacent to and northwest of the City of Watsonville; and the Pajaro Valley, an agricultural area surrounding the City of Watsonville.

Government Organization

The County was incorporated in 1850 as one of the original 27 counties of the State with the City of Santa Cruz as the county seat. It has a general law form of government. A five-member Board of Supervisors elected to four-year terms serves as the legislative body. Also elected are the Auditor-Controller-Treasurer-Tax Collector, District Attorney-Public Administrator, Sheriff-Coroner, Registrar of Voters-Clerk and Assessor-Recorder. The County Executive Officer, County Counsel and Public Defender are appointed by the Board of Supervisors.

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The members of the Board of Supervisors (the “Board”), the expiration dates of their terms and key administrative personnel and other elected officials are set forth below.

BOARD OF SUPERVISORS

<u>Board Member</u>	<u>Term Expires</u>
Manu Koenig, <i>Supervisor, 1st District</i>	January 2029
Kimberly De Serpa, <i>Supervisor, 2nd District</i>	January 2029
Justin Cummings, <i>Supervisor, 3rd District</i>	January 2027
Felipe Hernandez, <i>Supervisor, 4th District</i>	January 2027
Monica Martinez, <i>Supervisor, 5th District</i>	January 2029

KEY ADMINISTRATIVE PERSONNEL AND OTHER ELECTED OFFICIALS

Carlos Palacios	County Executive Officer
Edith Driscoll	Auditor-Controller-Treasurer-Tax Collector
Sheri Thomas	Assessor-Recorder
Jason M. Heath	County Counsel
Elissa Benson	Assistant County Executive Officer
Nicole Coburn	Assistant County Executive Officer
Melodye Serino	Deputy County Executive Officer
Matt Machado	Deputy County Executive Officer/ Director of Community Development and Infrastructure
Marcus Pimentel	County Budget Manager

Governmental Services

The County’s departments are grouped by service function for budget and reporting purposes.

General Government

General Government includes the departments of the Assessor-Recorder, Auditor-Controller-Treasurer-Tax Collector, Board of Supervisors, the County Executive Office, County Clerk, County Counsel, General Services, Information Services and Personnel & Risk Management. These departments primarily oversee the administration and financial functions of the County.

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, former redevelopment agencies, special districts, local school districts and the County. A second major function is the County’s voter registration and election system. In addition, the County provides contributions to other agencies such as the Association of Monterey Bay Area Governments (AMBAG), the Local Agency Formation Commission of Santa Cruz County (LAFCO), and the Monterey Bay Air Resources District (MBARD).

Health and Human Services

Health and Human Services includes the Health Services Agency, the Human Services Department and the Department of Child Support Services. The County’s Health Services Agency was established to provide central administration for various health-related programs operated or sponsored by the County. These programs include mental health, public health, environmental health, medical outpatient clinics, medical care for indigents and drug and alcohol treatment services. The County established a Housing for Health division in Fiscal Year 2020-21 with the aim to support and house chronically unhoused individuals in the County.

Most programs operated by the Health Services Agency are mandated by State law and are funded through State subsidies, grants and fees for services. State and federal laws also mandate that counties provide certain human services including Aid to Families with Dependent Children, CalFresh program, Adult Protective Services, public guardian, Child Protective Services, foster care and adoption services and federal workforce development programs. The Patient Protection and Affordable Care Act is administered by the County's Human Services Department (social services) and by the Health Services Agency. The Department of Child Support Services works with parents and guardians to ensure children and families receive court-ordered financial and medical support. In addition, the County provides funding to community non-profits under the CORE Investments budget.

Public Safety & Justice

The County criminal justice system is supported primarily by local County revenues, and consists of the Sheriff-Coroner, the Probation Department, the District Attorney, the Public Defender and a contribution to the Superior Court. Other Public Safety priorities are supported primarily through fees for service and include fire protection, flood control and water conservation, and animal control services.

In addition to countywide law enforcement services, the Sheriff provides narcotics enforcement, investigation of arson, homicides, consumer fraud and crime scene investigation, and acts as coroner for the County and all incorporated cities. The Sheriff operates three jail facilities throughout the County.

The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience, a division of the County Executive Office. The Santa Cruz County Flood Control and Water Conservation District provides flood control and water conservation planning.

Fire protection services in the County are provided by the cities of Santa Cruz and Watsonville, nine fire protection districts and the University of California, Santa Cruz. The Santa Cruz County Fire Department, operated through the California Department of Forestry and Fire Protection (CALFIRE), is responsible for fire protection and first responder emergency medical services in areas outside the boundaries of the fire protection districts.

The County is a participant in a joint powers emergency communications agency which provides public safety dispatchers who coordinate multi-agency mutual aid response, as well as dispatch the Sheriff's Office, ambulance/paramedic services and most fire protection agencies operating within the County. The Santa Cruz County Animal Services Authority is a joint powers authority that includes the County and the cities of Santa Cruz, Watsonville, Capitola and Scotts Valley to provide animal control services to residents.

Land Use and Community Services

The County departments responsible for Land Use and Community Services include the Agricultural Commissioner, Agricultural Extension, Parks, Open Space and Cultural Services, Community Development and Infrastructure and the Redevelopment Successor Agency. The Agricultural Commissioner provides for the protection of agriculture, enforcement of weights and measures and vector control. Parks, Open Space and Cultural Services manages the Santa Cruz County Water and Wildfire Protection Act approved by the voters in 2024 that provides funding for land management, cleanup and conservation projects in forests, streams, beaches and other open spaces.

The Department of Community Development and Infrastructure ("CDI") oversees two divisions. The Planning division of CDI develops, implements and enforces land use policies and ordinances, administers environmental review and protection programs, processes and issues building, zoning, and other developmental permits, handles code compliance and oversees affordable housing and community development efforts. The Public Works division of CDI provides for the maintenance of public

infrastructure for services associated with transportation, solid waste, sanitation, parking, drainage, and solid waste/recycling.

Education and Community Services

Public school education is available through 36 elementary schools, 20 secondary schools and 10 unified school districts as well as numerous charter and alternative education programs.

The University of California (the “University”) established its Santa Cruz campus in 1965. The University is structured into ten independent undergraduate colleges and offers graduate study in numerous academic fields. The Lick Observatory, a multi-campus research facility for astronomers, is headquartered at the University. The 2,000-acre campus, set among redwood groves and meadows, lies on the northwest boundary of the City of Santa Cruz.

Cabrillo Community College (“Cabrillo”), a publicly supported institution, offers a broad curriculum which includes liberal arts, business, engineering, nursing and allied health technologies, and career technical education. Cabrillo is located in the community of Aptos.

The County also hosts the Seymour Marine Discovery Center, the Joseph M. Long Marine Laboratory, the National Oceanic and Atmospheric Administration (NOAA) Fisheries, the Marine Wildlife Veterinary Care and Research Center, and the Monterey Bay National Marine Sanctuary Exploration Center.

There are two full-service hospitals in the County. Dignity Health Dominican Hospital is located east of the City of Santa Cruz and Watsonville Community Hospital is located in Watsonville. The Watsonville Community Hospital was purchased in 2022 by the Pajaro Valley Health Care District. A maternity and outpatient surgery center, Sutter Hospital, is also located in the County.

There are two library systems in the County – Watsonville City Library and the Santa Cruz Public Library system, with 10 branches serving the cities of Santa Cruz, Capitola and Scotts Valley and all unincorporated communities in the County.

Cultural amenities in the area include Open Studios, the Tannery Arts Center, the Santa Cruz County Symphony, the Cabrillo Music Festival, Shakespeare Santa Cruz, the Museum of Art and History, the University of California Performing Arts Center, the Henry J. Mello Performing Arts Center and the Cabrillo College Visual, Applied & Performing Arts Complex.

Transportation

Six major State highways connect the County with adjacent counties. Highway 1 leads along the coast from San Francisco south to the City of Santa Cruz and on to Monterey. Highways 9 and 17 traverse the County from the City of Santa Cruz across the Santa Cruz Mountains into Santa Clara County. The City of Watsonville is joined with Santa Clara County by Highway 152 and with San Benito County by Highway 129. Highways 17, 152 and 129 connect with U.S. 101, a major north-south route. Highway 236 provides access to Big Basin State Park.

Air cargo and passenger flight services are provided at the San José Mineta International Airport, 32 miles northeast; Monterey Regional Airport, 43 miles south; and San Francisco International Airport, 60 miles north. Watsonville Municipal Airport provides private and executive air transportation facilities and air cargo.

Bus transportation is provided through the Santa Cruz Metropolitan Transit District for inter-urban and local inter-community service. Greyhound Bus Lines provides service to other local areas and additional transcontinental service with connections to Amtrak.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

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

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

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

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

Employment and Industry

Analysis prepared by the Santa Cruz County Workforce Development Board identified five major economic clusters that contribute significantly to the regional economy: education and knowledge creation; tourism, recreation, and hospitality; healthcare; retail; and agriculture and food.

Services

The services sector is the largest economic sector in the County and includes a wide range of activity: hotels, other lodging places, business and finance services, personal services, automotive repair services, amusement and recreation, and health services. The sector includes the Santa Cruz Beach Boardwalk (employing 1,600 in the high season) and Dignity Health Dominican Hospital (about 1,000 employees), as well as very small software development and business service firms employing 10 or fewer.

New information technologies and the County's proximity to Silicon Valley are factors that contribute to growth in the areas of computer, networking services, and software development, and the County's location on the Monterey Bay National Marine Sanctuary contributes to growth in marine sciences research and development.

Agriculture

Agriculture is an important industry in the region. The gross value of crops has increased steadily in recent years, as some segments of the industry have adapted successfully to changing consumer tastes, adopted new technologies and taken advantage of growing overseas markets.

According to the County's Agricultural Commissioner, the largest crops produced (by sales volume) are strawberries, raspberries, nursery stock, miscellaneous vegetables and blackberries. There are approximately 160 registered organic growers in the County.

Tourism

The County continues to be an important vacation and recreation area. Miles of coastline and accessible beaches border one of the nation's largest marine sanctuaries, an amusement park and other attractions, acres of redwood forest land, several State parks and beaches, U-pick farms, wineries, and the presence of a diverse music and art scene, all in close proximity to the San Francisco Bay Area.

Commercial

In addition to traditional commercial and retail businesses, the County has been home to many recreation and personal lifestyle businesses started by local entrepreneurs with nationally-recognized brands and products, including O'Neill Wetsuits, Santa Cruz Skateboards, Annieglass, Driscoll Berries, Santa Cruz Guitar Company, Santa Cruz Bicycles, Blix Electric Bikes, Martinelli's and Joby Aviation.

The Arts

The County also has a diverse and productive arts community anchored by the Tannery Arts Center in Santa Cruz, the Visual, Applied & Performing Arts Division at Cabrillo College, and the Digital Arts and New Media Program at the University.

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Civilian labor force, employment and unemployment statistics for the County and the State and the nation, for the years 2020 through 2024 are shown in the following table.

**TABLE A-2
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2020</u>				
Santa Cruz County	133,600	120,900	12,700	9.5%
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
Santa Cruz County	133,400	124,200	9,200	6.9%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
Santa Cruz County	134,200	127,800	6,400	4.8%
California	19,252,000	18,440,900	811,100	4.2
United States	164,278,000	158,291,000	5,996,000	3.6
<u>2023</u>				
Santa Cruz County	133,200	125,600	7,600	5.7%
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<u>2024</u>				
Santa Cruz County	136,100	128,000	8,100	5.9%
California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

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

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

The County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area (“MSA”). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2020 through 2024 are shown in the following table.

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

<u>Industry</u>	Calendar Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Government	21,100	20,200	18,800	19,300	19,100
Other Services	4,400	4,300	4,700	4,700	4,700
Leisure and Hospitality	10,300	11,800	14,000	14,500	14,400
Educational and Health Services	17,100	17,200	17,700	18,500	19,400
Professional and Business Services	10,400	10,600	10,700	9,900	9,500
Financial Activities	3,200	3,200	3,300	3,300	3,400
Information	600	600	600	600	700
Transportation, Warehousing and Utilities	1,700	2,000	2,200	2,100	2,100
Service Producing					
Retail Trade	10,800	11,000	11,000	10,800	10,600
Wholesale Trade	3,300	3,300	3,500	3,300	2,900
Manufacturing					
Nondurable Goods	3,100	3,300	3,700	3,500	3,400
Durable Goods	3,700	4,200	4,300	4,400	4,900
Natural Resources, Mining and Construction	<u>4,400</u>	<u>4,800</u>	<u>5,000</u>	<u>5,100</u>	<u>5,100</u>
Total Nonfarm	93,900	96,500	99,300	99,800	100,200
Farm	<u>8,000</u>	<u>7,200</u>	<u>7,100</u>	<u>6,700</u>	<u>7,400</u>
Total (all industries)	101,900	103,700	106,400	106,500	107,600

⁽¹⁾ Annual average.

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

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

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Principal Employers

The principal employers operating within the County as of June 30, 2024 are shown in Table A-4.

TABLE A-4
COUNTY OF SANTA CRUZ
MAJOR EMPLOYERS

University of California at Santa Cruz	1,000-4,999	Education
Santa Cruz Government Center	1,000-4,999	County Services
Dominican Hospital	1,000-4,999	Hospital
Santa Cruz Health Center	500-999	County Services
Granite Rock	500-999	Excavating Contractors
Plantronics	500-999	(2)
Watsonville City Sewer Department	500-999	City Services
Source Naturals	500-999	Vitamin Manufacturer
Cabrillo Sesnon House 1	500-999	Education
Monterey Mushrooms (3)	500-999	Agriculture
Larse Farms	500-999	Agriculture
Ameri-Kleen	500-999	Services

(1) Number of Employees reflects an average range based on California Employment Development Department data.

(2) Facility sold to Joby Aviation in November 2022. Joby Aviation specializes in electric vertical takeoff and landing aircraft. The company headquarters are located in Santa Cruz and the facility houses offices and workshops, with approximately 365 employees

(3) Monterey Mushrooms closed its Watsonville facility in December 2024.

Source: County of Santa Cruz Annual Comprehensive Financial Report

Per Capita Personal Income

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

TABLE A-5
PER CAPITA PERSONAL INCOME
COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND UNITED STATES
2019 - 2023

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

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

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

Commercial Activity

Taxable transactions by type of business for the County are summarized below for 2020 through 2024 (the most recent year for which full-year statistics are available).

TABLE A-6
COUNTY OF SANTA CRUZ
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2020 – 2024

	Calendar Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<i>Retail and Food Services</i>					
Motor Vehicle and Parts Dealers	\$ 411,407	\$ 493,363	\$ 488,190	\$ 613,350	\$ 646,498
Home Furnishings and Appliance Stores	106,194	124,045	122,849	106,198	104,922
Building Material, Garden Supplies	405,904	435,731	440,552	428,878	413,520
Food and Beverage Stores	292,589	294,159	298,904	296,050	297,237
Gasoline Stations	210,315	295,589	374,213	328,980	307,864
Clothing and Accessories Stores	129,587	180,481	181,654	181,085	179,808
General Merchandise	278,370	315,253	336,312	327,438	333,200
Food Services and Drinking Places	404,323	569,320	637,266	650,931	660,393
Other Retail Group	<u>749,876</u>	<u>725,819</u>	<u>712,377</u>	<u>694,430</u>	<u>657,285</u>
Total Retail and Food Services	2,988,564	3,433,759	3,592,319	3,627,341	3,600,727
All Other Outlets	<u>977,196</u>	<u>1,142,227</u>	<u>1,253,953</u>	<u>1,239,195</u>	<u>1,266,831</u>
Total All Outlets	\$3,965,760	\$4,575,986	\$4,846,272	\$4,866,536	\$4,867,558

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

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

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Building Activity

The following table summarizes building activity and valuations for the County unincorporated area for the five calendar years from 2019 through 2023.

TABLE A-7
COUNTY OF SANTA CRUZ
UNINCORPORATED AREA
BUILDING ACTIVITY AND VALUATION
(in \$ thousands)
2019 – 2023

	Calendar Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Residential ⁽¹⁾	\$14,743	\$16,076	\$29,332	\$56,450	\$19,230
Non-Residential	<u>6,736</u>	<u>2,909</u>	<u>8,144</u>	<u>3,677</u>	<u>1,412</u>
Total Valuation	<u>\$21,789</u>	<u>\$18,985</u>	<u>\$37,416</u>	<u>\$60,127</u>	<u>\$20,642</u>
No. of New Dwelling Units:					
Single-Family Units	62	79	141	212	50
Multi-Family Units	<u>13</u>	<u>8</u>	<u>0</u>	<u>137</u>	<u>7</u>
Total New Units	75	87	141	349	57

⁽¹⁾ New construction only, excludes remodels, additions, etc.

Source: Construction Industry Research Board.

The County's recently updated Housing Element is one of the 10 State-mandated "elements" or chapters of a local jurisdiction's General Plan. It identifies policies and programs to meet existing and projected housing needs for all segments of the community, including various household types, special needs populations, and all income levels of the jurisdiction. For the period 2023 to 2031, the County has been allocated 4,634 housing units at specific affordability levels to accommodate the County's projected housing needs. This allocation is the County's Regional Housing Needs Assessment. The Housing Element must identify "adequate sites" to accommodate this estimated growth. The County is also required to provide the programs, policies, and appropriate zoning to incentivize this growth.

It is important to note that, while the County may assist with the development of affordable housing through various programs and funding sources, it is not the direct role of the County to construct housing. Rather, the County is responsible for ensuring that adequate opportunities exist for housing development through zoning and by removing regulatory impediments to housing production.

APPENDIX B
COUNTY OF SANTA CRUZ FINANCIAL INFORMATION

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FINANCIAL INFORMATION

The Board of Supervisors (the “Board”) has established the fiscal policies and planning documents described below.

Strategic Planning

The Santa Cruz County Strategic Plan for 2018-2024 was approved by the Board on June 26, 2018. In developing the plan, the County Executive Office and the Strategic Plan Steering Committee engaged with thousands of County residents and staff to develop a vision, mission, values, focus areas and goals. The strategic plan has six focus areas:

- Comprehensive Health & Safety
- Attainable Housing
- Reliable Transportation
- Sustainable Environment
- Dynamic Economy
- Operational Excellence

Each of the six focus areas has four individual goals.

The County Executive Office then developed a two-year operational plan with assistance of an Operational Plan Steering Committee and subcommittees. This first of three operational plans in the first strategic plan cycle was approved by the Board in June 2019 and was an important step in changing the County culture and collaborating with departments to achieve the vision of the strategic plan. Adoption of the second of the three operational plans was put on hold as a result of the COVID-19 pandemic (the “Pandemic”). The current two-year operational plan was approved by the Board in June 2023.

The Strategic Plan for the next six-year period and the first two-year operational plan for this second six-year Strategic Plan is being developed and will be adopted in Fiscal Year 2025-26.

Long-Range Facilities Plan

In February 2021, the County approved a Long-Range Facilities Plan (“LRFP”) for all County facilities and campus master plans for the County’s Government Center located in the City of Santa Cruz and the Freedom Boulevard Campus located in the City of Watsonville. The LRFP supports and implements Strategic Plan goals and provides policy direction for future capital facility management and development. A Master Plan for the Freedom Campus was adopted by the Board in December 2022. Master plans for the County Government Center and Emeline Campus within the City of Santa Cruz have not been prepared at this time.

Budgetary Process and Administration

In accordance with the provisions of Chapter 1, Division 3, Title 3, of the Government Code of the State of California, the County prepares and adopts a budget for each fiscal year. The County Executive Officer is required to submit to the Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. On or before June 30, public hearings are conducted to obtain public comments. On or before October 2, the final budget is prepared by the Auditor-Controller-Treasurer-Tax Collector and is legally enacted by adoption of a resolution.

Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance.

Budget Principles

The County has adopted Budget Principles designed to provide overall guidance in the preparation, adoption, implementation and evaluation of the annual budget. The major principles include:

Public Input -

- Proposed budget documents should be made available to the Board and the public as early as possible.
- Public comment is encouraged.

General Budget Principles -

- The County shall adopt a balanced budget.
- The County budget shall conform to all applicable requirements.
- Employees are the most valuable resource in providing public services.
- The budget shall be based on realistic revenue and expenditure projections.
- The County shall target the use of Fund Balances.
- The County should regularly monitor budget conformity.
- The County shall endeavor to maintain a diversified revenue base sufficient to meet priority service needs.

Reserves and Contingencies -

- The County shall maintain prudent reserves for cash flow, designated purposes and unforeseen or emergency events.

Use of Resources -

- The County shall endeavor to maintain a budget which prioritizes the health, safety and welfare of the residents of the County and the preservation of the quality of life in the County and its environment.
- The County shall prioritize funding decisions based on legal requirements, the essential services of the County and discretionary services, as finances allow.
- The County should protect direct services to the public as a priority.
- Protect services that comprise the safety net in our community.
- Identify community services that might be cut early enough for the community to develop new strategies to fund them.

- The budget must be responsive to changing conditions.
- One-time funds should be allocated to one-time expenses.
- Leverage federal and State resources wherever possible.
- The County shall minimize the allocation of local resources to overmatch or replace lost funding from outside revenue sources.
- Resources should be maximized within and across departments, other jurisdictions, and community partners.
- Scale back instead of cutting out when appropriate.
- Programs should be regularly evaluated by departments and audits shall be conducted in accordance with generally accepted audit standards.
- The County shall develop strategic approaches to address unfunded future liabilities.
- The County shall maintain a Five-Year Capital Improvement Program.

Cost Recovery -

- When fees for service are appropriate, the County shall seek to recover the cost for providing the services.

Fund Balance Policy

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance sufficient to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances (described below under “Financial Statements - GASB Statement No. 54 Fund Balance Reserves”) are considered unrestricted.

The purpose of the County’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County’s fund balance policy targets committed and assigned fund balance categories at 10% of the upcoming year’s estimated General Fund budgetary expenditures, with a minimum balance of 7%. The Fiscal Year 2025-26 Proposed Budget (“Proposed Budget”) plans for committed and assigned fund balances to be \$98.1 million at June 30, 2026, or 12.7% of Fiscal Year 2025-26 General Fund expenditures.

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Other Financial Policies

The County has adopted other financial policies and procedures as follows:

Debt Management Policy - The Board's formally established Debt Management Policy was originally adopted in 2016 and was last amended on March 12, 2024. This policy includes guidelines for the issuance of debt, including the types of debt that may be issued, responsibilities for debt management activities, maintenance of appropriate internal controls, post-issuance compliance, and other related issues. It established a Debt Oversight Committee that will review any financing undertaken by the County.

Continuing Disclosure and Compliance Procedures - The Board adopted Continuing Disclosure and Compliance Procedures, which were most recently updated on June 20, 2016. These procedures identify the staff member of the County with the responsibility for reviewing all reporting requirements for all bond issues, for being familiar with the listed events that require notice and preparation and timely filing of reports and notices.

Investment Policy - The County's current Investment Policy was most recently approved on December 10, 2024. This policy is updated at least annually to reflect current best practices and changes to the law. The Investment Policy imposes certain restrictions on the County's investment management that are consistent with those authorized under State law.

Pension Management Policy. On August 24, 2021, the Board adopted a Pension Management Policy. The policy is designed to maintain the County's sound financial position; ensure the County has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures; protect the County's creditworthiness; ensure that all pension funding decisions are structured to protect both current and future taxpayers, ratepayers, employees and residents of the County; and ensure that the structure of the County's pension obligation bonds and future unfunded liability amortization is consistent with the County's strategic planning goals, objectives, capital improvement program, budget, and/or debt policy. The policy allows for the creation of a liability management fund to capture funds, if any, that the County annually budgets toward managing its unfunded liability and ongoing pension costs.

Fiscal Year 2024-25

In Fiscal Year 2024-25, the County continued to deal with lingering unreimbursed disaster costs relating to numerous presidentially declared disasters since 2017. This includes winter storms in 2017 ("2017 Storms"), the Pandemic, the 2020 CZU Complex Lightning Fire and winter storms in Fiscal Year 2022-23 ("2022-23 Winter Storms"). In June 2024, the County issued \$71.5 million in lease revenue bonds ("2024 Disaster Recovery Bonds") to reimburse its Off Highway, Road and Transportation Fund (the "Road Fund") for \$58.7 million of unreimbursed repair costs or repair costs not expected to be reimbursed (i.e., the County's matching share) for the 2020 CZU Complex Lightning Fire and the 2022-23 Winter Storms funded by the County through June 30, 2024 and to fund additional repair and recovery capital expenditures.

Of these amounts, the County anticipates it will ultimately receive at least \$35 million in federal reimbursements from the Federal Emergency Management Agency ("FEMA") and the Federal Highway Administration ("FHWA"). Reimbursements from FEMA and FHWA are expected to redeem up to \$35 million of the 2024 Disaster Recovery Bonds prior to their maturity date. The County issued an additional \$11 million in lease revenue bonds to fund acquisition of a building office space for administrative staff of the Health Services Agency and other government functions, and to refinance outstanding debt. Since the issuance of the 2024 Disaster Recovery Bonds, the County has received \$12.3 million in FEMA and FHWA funding, and will use the funds to redeem \$5.9 million of the 2024 Disaster Recovery Bonds on June 1, 2025 and to repay a \$6.4 million internal service fund loan used as interim financing of a portion of the unreimbursed disaster costs.

The County's Pandemic response costs were funded by the General Fund. As of July 1, 2024, the County had received only \$15.7 million reimbursement of \$61.3 million in claims submitted for all eligible costs from FEMA Public Assistance for the County's Pandemic response. The County received funding of another \$35.6 million in claims in Fiscal Year 2024-25. As of June 30, 2025, the County expects \$10.7 million of the total \$61.3 million in claims to remain outstanding.

The South County Government Center opened in June 2024, marking one of the largest investments in equitable services in County history. This center establishes a second headquarters building to serve South County residents and will improve the delivery of services while reducing travel generating greenhouse gases for both County staff and the clients the County serves. The County also reopened the Recovery Center, which provides a safe space and point of connection for residents who may be struggling with substance use disorder, while freeing up valuable public safety resources. Construction of the Sheriff's DNA Laboratory is also nearing completion and once accredited will help speed the delivery of justice for sexual assault survivors and others impacted by crime.

The County made progress addressing homelessness in the community, with a 22 percent overall reduction in those experiencing homelessness according to the most recent Point-In-Time Count. The County is implementing a planned shelter expansion that greatly enhances its ability to deliver results to the community and those experiencing homelessness. Under development are three low-barrier navigation shelters in South County, Mid-County and in the City of Santa Cruz. The County is also increasing permanent supportive housing with 62 new units by 2026.

Construction is nearing completion on a new 24-bed Children's Crisis Residential Program & Stabilization Unit that will provide a local option for the County's youth in distress and divert youth from traveling to out-of-county psychiatric hospitalization.

In March 2024, voters approved Measure K, an additional one-half cent sales tax to be collected in the unincorporated area of the County. Collection of Measure K sales tax commenced July 1, 2024 and is expected to generate over \$10 million annually. See "Other Local Taxes" herein.

Fiscal Year 2025-26 Overview

The Proposed Budget includes a \$793.5 million General Fund balanced expenditure plan that prioritizes sustaining existing commitments and capacity, with an increase of \$6 million in investments in infrastructure and capital, and modest growth only where it could be financed by new revenue sources.

Financial challenges in the Health Services Agency and Human Services Department result from lower reimbursement rates, new mandates, low health center medical visits, restrictions on billable activities under the CalAIM program, rising personnel costs and inflationary pressure on the cost of supplies and services. Along with Fiscal Year 2024-25 targeted solutions, the Proposed 2025-26 Budget will include structural solutions that reduce non-mandated County health programs and services to maintain mandated service levels. The balanced budget includes the loss of 74.40 full-time equivalent positions in the Health Services Agency and reduction of \$8.98 million in spending, which will impact community behavioral health, health care, and public health services and resources.

The Proposed Budget was guided by an updated forecast of revenues and expenditures in February 2025 as part of the County's mid-year budget review and is able to maintain the County's commitment to sound financial management, with modest projected reserves at 12.7%, and supports the continuation of policies that have helped the County achieve and maintain its bond rating.

The County is facing headwinds in the form of reduced health care funding, delayed disaster reimbursements, state budget uncertainty stemming from larger worldwide economic uncertainty, and uncertainty over shifting priorities in Washington, D.C. and threats to federal funding.

In response, the Proposed Budget prioritizes mandated services, protects essential programs, and makes strategic investments in the County's future. And although it is presented amid the headwinds described, it does not yet reflect any budget impacts from changes in federal policy. The County's exposure to federal funding and policy risk is significant. Continued engagement with State and federal partners, local scenario planning, and strategic reserve management will be critical to navigating this uncertain environment. Absent action, federal policy changes could result in multi-million dollar funding losses, operational disruptions, and negative impacts on the health, safety, well-being, and civic participation of tens of thousands of County residents. The County staff would return to the Board at such a time when a response is required in alignment with development of the Federal budget, and possibly as soon as July or August 2025.

General Fund Revenues and Expenditures

The County's General Fund Budget includes programs which are provided on a largely countywide basis. The programs and services are financed primarily by the County's share of property tax, sales tax, revenues from the State and federal government, and charges for services provided, as described below.

Budget and Actual Comparisons

A comparison of the General Fund actual revenues and expenditures for Fiscal Years 2023-24, estimated revenues and expenditures for Fiscal Year 2024-25, and the Fiscal Year 2025-26 Proposed Budget is shown in Table B-1. During budget hearings, the Board may make supplemental or other changes to the Fiscal Year 2025-26 Proposed Budget to include additional expenditures and the source of funding for such additional expenditures. The County does not expect to update the estimates contained in the Official Statement to reflect any additional supplemental items added to the Proposed Budget.

The revenues in Table B-1 are categorized as:

- Taxes, detailed in Table B-5 "Tax Revenues by Source," which includes general property tax, property tax in-lieu of motor vehicle license fees, sales tax, cannabis business taxes and transient occupancy taxes;
- Licenses and Permits, which includes construction and grading permits, franchise fees (cable, utility, trash) and food vendor permits;
- Fines, Forfeits and Penalties, which includes delinquent property tax penalties, delinquent property tax redemption penalties transferred from the tax loss reserve fund, municipal and vehicle code violations and criminal fines;
- Use of Money and Property, which includes interest income and rent and concessions;
- Aid From Other Governments, detailed in Table B-6 "Intergovernmental Revenues" which includes Proposition 172 sales tax, motor vehicle license fees (health realignment portion), and State and federal reimbursements for health and welfare services, including federal, FEMA and State funding relating to COVID-19 emergency response costs;
- Charges for Services, comprised of outpatient clinic fees and patient revenue, County overhead charges, property tax administration fees, consumer fraud penalties and other charges such as booking fees, court filing fees, fees for dispatch services and alarm response, recording fees, plan checking, building inspection, park and recreation fees and other municipal services;
- Other Revenue;

- Other Financing Sources, comprised of sale of assets, bond issuance and inception of capital leases; and
- Transfers In, which historically have included funds from the Flood Control District and other funds for allocated debt service and mosquito abatement operations.

The expenditures in Table B-1 are categorized by governmental function, such as public protection and public assistance. Each function generally includes salaries and benefits, services and supplies and other charges.

- Salaries and Benefits include direct personnel costs, pension and post-retirement benefits, health insurance costs and workers' compensation and unemployment insurance costs. Approximately half of these costs relate to health and social services personnel, a large portion of which are reimbursed with federal and State funding.
- Services and Supplies include non-personnel operating costs and contract professional services. Approximately two-thirds of these costs relate to health and social services programs, a large portion of which are reimbursed by federal and State funding.
- Other Charges primarily consist of non-personnel related costs, of which nearly 85% relate to health and social services programs, a large portion of which are also reimbursed by federal and State funding.
- Operating transfers reflected in the financial statements consist primarily of debt service payments.

Historical General Fund activity is shown in Tables B-15 and B-16.

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TABLE NO. B-1
GENERAL FUND REVENUES AND EXPENDITURES

	2023-24	2024-25	2025-26
	<u>Actual</u>	<u>Estimated</u>	<u>Proposed Budget</u>
Revenues:			
Taxes	\$172,926,545	\$187,797,546	\$ 198,273,000
Licenses and Permits	16,915,955	16,877,321	17,483,757
Fines, Forfeits and Penalties	6,625,072	6,481,014	8,552,597
Use of Money and Property	11,623,116	11,985,710	12,509,360
Aid from Other Governments ⁽¹⁾	455,653,741	439,306,363	447,989,297
Charges for Services	79,286,489	98,998,845	100,473,370
Other	<u>10,182,802</u>	<u>7,439,978</u>	<u>3,994,193</u>
Total Revenues	753,213,720	768,886,777	789,275,574
Expenditures:			
General Government	54,670,060	\$ 57,554,242	\$ 26,497,656
Public Protection	197,536,684	229,770,678	227,718,826
Health and Sanitation	241,190,651	262,736,580	274,973,039
Public Assistance	182,640,611	197,030,728	198,994,083
Education	142,984	177,480	167,992
Recreation and Cultural Services	12,777,891	16,873,182	14,732,324
Debt Service	<u>5,144,948</u>	<u>3,982,002</u>	<u>4,408,459</u>
Total Expenditures	<u>694,103,829</u>	<u>768,124,892</u>	<u>747,492,379</u>
Excess of Revenue Over (Under) Expenditures	\$59,109,891	761,885	41,783,195
Transfers In	3,255,930	4,796,482	4,195,887
Transfers Out ⁽²⁾	(20,127,888)	(64,992,904)	(45,979,082)
Capital Lease Inception	<u>547,281</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>42,785,214</u>	<u>(59,434,537)</u>	<u>-</u>
Beginning Fund Balance	<u>139,412,197</u>	<u>182,197,411</u>	<u>122,762,874</u>
Ending Fund Balance ⁽³⁾	<u>\$182,197,411</u>	<u>\$122,762,874</u>	<u>\$122,762,874</u>

⁽¹⁾ See Table B-6 for a description of Aid from Other Governments. Significant amounts that qualified for FEMA reimbursement for Pandemic-related expenditures were incurred in Fiscal Year 2020-21, but due to the lengthy reimbursement process, were paid in subsequent years, with the largest amount received in Fiscal Year 2023-24.

⁽²⁾ In Fiscal Year 2024-25, one-time transfers of \$10 million to Internal Service Funds and \$11 million to the Debt Service Fund were made.

⁽³⁾ Includes (i) \$1,725,408 nonspendable fund balance and (ii) 43,056,742 restricted fund balance as of June 30, 2024 (see "Financial Statements – Table B-15" below).

Source: County of Santa Cruz.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Due to the financial impact of the Pandemic, the County announced a waiver of any penalties associated with non-payment of the installment of property taxes that became delinquent if not paid by April 10, 2020 or December 10, 2020. See “The Teeter Plan” below.

The CZU Lightning Complex Fire ignited in the Santa Cruz County mountains on August 16, 2020 as a result of dry lightning strikes (the “CZU Lightning Complex Fire”). The CZU Lightning Complex Fire destroyed or damaged over 900 homes in the mountainous area of the County. An affected property owner could file an Application for Calamity Relief and/or Deferral of Regular Secured Taxes with the County Assessor by December 10, 2020, allowing current property taxes to be reduced for that portion of the property damaged or destroyed. The County initiated calamity reductions on 798 of the affected parcels.

The State backfilled property taxes lost in Fiscal Years 2020-21 and 2021-22 as a result of the CZU Lightning Complex Fire. For the County General Fund, this resulted in \$620,771 in backfilled property tax revenue for each of the two fiscal years.

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The Teeter Plan

The County has adopted an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) commonly referred to as the “Teeter Plan,” for distribution of certain property tax levies on the secured roll.

The County adopted Resolution 541-93 on October 5, 1993 to implement the Teeter Plan. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. Most taxing agencies within the County are participating in the Teeter Plan. The County anticipates property taxes to be apportioned within each Fiscal Year during December, April and June, with the balance of the levy to be apportioned on or before June 30.

The historical and estimated current year and total delinquency rates (including prior years’ tax roll delinquencies outstanding) in the County are as follows:

<u>Fiscal Year</u>	<u>Current Year’s Delinquency Rate</u>	<u>Total Delinquency Rate</u>
2018-19	1.0%	2.10%
2019-20	1.1	2.11
2020-21	0.9	1.86
2021-22	0.9	1.57
2022-23	1.3	1.89
2023-24	1.1	2.10
2024-25	1.2	2.50 (Estimate)

The total delinquency rates represent the current year delinquencies (see “Table B-3” below) together with past years’ delinquencies that continue to accrue interest until paid. The County bases budget estimates for penalties and interest on unpaid taxes on these delinquency rates.

Delinquency rates are generally higher during a recession, and the County anticipates that the delinquency rates may be higher than current rates in future years depending on changing national and regional economic conditions.

Pursuant to the Teeter Plan, the County is required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.*, if the sale price of the property is less than the amount owed). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan.

The County is governed by the second alternative in accordance with its election made October 29, 2013. On June 30, 2024, the County’s tax losses reserve fund balance was \$6,444,754, in excess of the minimum required balance on that date of \$3,261,007. Any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are available to be credited to the County’s General Fund. The County makes transfers from the tax losses reserve fund to the General Fund from time to time. When transfers are made, the County recognizes the revenue under the category of Fines, Forfeits and Penalties.

Tax Collections. The County reports tax collection data on a County-wide basis for secured taxes only as set forth in Table B-2.

TABLE B-2
COUNTY OF SANTA CRUZ
SECURED TAX LEVIES AND COLLECTIONS ⁽¹⁾
(in thousands)

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
		Amount	Percentage of Levy			
2020	\$587,578	\$580,758	98.8%	\$5,046	\$585,804	99.7%
2021	615,206	609,436	99.1	5,997	615,433	100.0
2022	638,000	631,953	99.1	6,554	638,507	100.1
2023	683,093	675,077	98.8	5,932	681,008	99.7
2024	719,922	710,649	98.7	4,989	715,638	99.4

⁽¹⁾ Secured tax levy for the County, school districts, cities and special districts in the County under the supervision of independent governing boards.

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Taxable Property and Assessed Valuation

Set forth in the table below are assessed valuations for secured and unsecured property within the County. Article XIII A of the California Constitution prescribes the method for determining the full cash value of real property and the maximum ad valorem tax on real property. The full cash value, once established, is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the California Consumer Price Index. There may also be declines in valuations if the California Consumer Price Index is negative.

TABLE B-3
COUNTY OF SANTA CRUZ
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY⁽¹⁾
(INCORPORATED CITIES AND UNINCORPORATED COUNTY AREAS)

<u>Fiscal Year</u>	<u>Secured⁽²⁾</u>	<u>Unsecured</u>	<u>Total</u>	<u>Change</u>
2019-20	\$47,193,435,563	\$1,021,495,990	\$48,214,931,553	5.2%
2020-21	49,411,429,654	1,032,834,114	50,444,263,768	4.6
2021-22	51,167,425,927 ⁽³⁾	1,035,947,483	52,203,373,410	3.5
2022-23	54,371,265,069	1,138,887,635	55,510,152,704	6.3
2023-24	57,213,435,772	1,291,488,388	58,522,924,160	5.4
2024-25	59,748,541,596	1,352,066,076	61,100,607,671	4.4

⁽¹⁾ The assessed values in the statistical section of the County's Annual Comprehensive Financial Report may be different than the equalized tax roll values above, due to adjustments to the tax roll during the fiscal year.

⁽²⁾ Including homeowners' exemption values.

⁽³⁾ As a result of the CZU Lightning Complex Fire's destruction of, or damage to, homes and structures in the County, the Fiscal Year 2021-22 assessed valuation reflects the approximate \$220 million reduction in assessed value of improvements for affected properties.

Source: County of Santa Cruz Auditor-Controller-Treasurer-Tax Collector.

Proposition 8 Adjustments. Proposition 8 (see “RISK FACTORS - Constitutional Limitation on Taxes and Appropriations - Proposition 8 Adjustments”) provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by an inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. There are approximately 100,000 taxable secured parcels and 11,000 taxable unsecured parcels in the County. The current number of parcels subject to Proposition 8 adjustments is a minor amount. In general, such parcels do not represent a significant portion of the County’s assessed values in 2024-25.

In future years, the number of Proposition 8 adjustments may increase as a result of the impact of economic conditions on the housing market.

Largest Taxpayers. The largest taxpayers in the County for the 2023-24 Fiscal Year are shown below.

**TABLE B-4
COUNTY OF SANTA CRUZ
LARGEST TAXPAYERS**

<u>Taxpayers</u>	<u>Type of Business</u>	2023-24 Assessed Valuation	% of Total Assessed Valuation 2023-24
Pacific Gas & Electric Company	Gas & Electric Utility	\$ 543,388,965	0.92%
Dignity Health	Hospital	167,475,127	0.28
Santa Cruz Seaside Company	Amusement Park	138,123,742	0.23
Regency Hilltop LLC	Property management	122,514,600	0.21
MGP XI Capitola LLC	Property management	122,310,468	0.21
LHO Santa Cruz Hotel One LP	Property management	69,968,496	0.12
Anton Santa Cruz LLC	Property management	69,909,901	0.12
S Martinelli & Co	Consumer Goods	69,603,085	0.12
Mt. Hermon Road Association Inc.	Property management	69,334,048	0.12
Rancho Del Mar Center LLC	Property management	62,687,659	0.11
1440 Devco LLC	Real estate investment	<u>57,943,670</u>	<u>0.10</u>
Total		\$ 1,493,259,761	2.54%

Source: County of Santa Cruz Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2024.

Redevelopment Agencies. The California Redevelopment Law (Part 1 of Division 24 of the California Health & Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the “incremental value”) occurring after the year the project area was formed. In effect, local taxing authorities, such as the County, realized tax revenues only on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project, except to the extent a redevelopment agency made payments by agreement or in some cases, pursuant to a statutory formula. There were numerous redevelopment projects formed in the County.

The State Legislature approved a bill, AB X1 26, during the 2011-12 State budget process. AB X1 26 eliminated redevelopment agencies State-wide. On December 29, 2011, the California Supreme Court issued its opinion and upheld AB X1 26. As a result of the decision, all California redevelopment agencies,

including the County’s Redevelopment Agency and other redevelopment agencies formed by cities within the County, were dissolved as of February 1, 2012. Certain tax revenues allocable to the County’s former Redevelopment Agency will continue to be available to the County, as successor agency to the County’s Redevelopment Agency, to pay certain obligations of the former Redevelopment Agency, and any residual amounts available after payment of obligations is redirected to other taxing agencies, such as the County, school districts, and cities. This is also true for the former redevelopment agencies formed by cities within the County. As a result of redevelopment dissolution, the County currently receives approximately \$6.8 million in residual taxes. Residual taxes will continue to increase over time as obligations payable by former redevelopment agencies in the County are paid down or paid in full.

Other Local Taxes

In addition to ad valorem taxes on real property, the County receives other local taxes described below. A history of actual tax revenue by source is shown in Table B-5, together with estimated amounts for Fiscal Year 2024-25 and budgeted amounts for Fiscal Year 2025-26.

**TABLE B-5
COUNTY OF SANTA CRUZ
TAX REVENUES BY SOURCE**

<u>Source</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	Estimated <u>2024-25</u>	Budget <u>2025-26</u>
Regular Property Taxes	\$ 77,481,958	\$82,654,064	87,215,239	91,861,499	95,539,000
Property Tax In Lieu of VLF	38,333,300	40,762,252	42,974,939	44,860,000	46,701,000
Sales Tax	14,495,818	14,068,904	14,120,856	13,740,000	13,932,000
Sales Tax - Measure G	9,784,275	9,881,255	10,141,572	10,614,298	10,723,000
Sales Tax – Measure K	-	-	-	7,425,702	10,702,000
Transient Occupancy Tax	14,137,276	11,528,137	12,810,683	13,567,750	14,636,000
Cannabis Business Tax	3,014,301	2,583,072	2,764,013	2,380,000	2,380,000
Property Transfer Tax	3,782,314	2,457,021	2,448,352	2,840,000	3,152,000
Other Taxes	<u>71,573</u>	<u>62,595</u>	<u>450,891</u>	<u>508,297</u>	<u>508,000</u>
Total Tax Revenues	<u>\$161,100,815</u>	<u>\$163,997,300</u>	<u>\$172,926,545</u>	<u>\$187,797,546</u>	<u>\$198,273,000</u>

Source: County of Santa Cruz.

Property Tax In Lieu of Vehicle License Fees. The payments of property tax in lieu of vehicle license fees (“VLF”) are a State backfill from property tax revenues for a portion of the VLF fees collected statewide. The change in these property taxes from year to year is now tied to the change in assessed value.

Sales and Use Taxes. Sales tax is collected and distributed by the State Board of Equalization. Each local jurisdiction receives an amount equal to 1% of taxable sales within their jurisdiction as well as a share of a countywide sales tax pool from online taxable sales.

In November 2018, voters in the County approved “Measure G,” the levy of an additional one-half cent sales tax for a 12-year term, commencing April 1, 2019.

In March 2024, voters in the County approved “Measure K,” the levy of an additional one-half cent sales tax, commencing July 1, 2024. This tax is expected to generate in excess of \$10 million per year, with a partial year starting in Fiscal Year 2024-25 of \$7.425 million.

Transient Occupancy Taxes. The County levies a transient occupancy tax on hotel and motel bills of 12%. The County placed “Measure B” on the June 7, 2022 ballot, which was approved by voters. Measure B increased the transient occupancy tax on hotel and motel bills from 11% to 12% and raised the tax on vacation-rental stays from 11% to 14%.

Cannabis Business Tax. In November 2014, voters approved a tax of up to 10% on the gross sales of medical marijuana businesses in the unincorporated County. The initial year tax was established at 7%, and collection began in December 2014. In November 2016, voters approved expanding the tax to apply to all cannabis-related businesses. The Board later reduced the rate applicable to manufacturers and cultivators to 5% for periods beginning January 1, 2018, with future incremental increases to achieve 7% by January 1, 2022.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

State, Federal and Other Local Agency Funds

A significant source of the County’s revenues comes from State and federal funds. Payment of State funds depends on the adoption by the State of its budget, including the appropriations therein providing for local assistance. These revenues are shown in the accompanying financial statements as “aid from other governments.”

The significant categories of State aid include Proposition 172 (sales tax dedicated to public safety uses) and reimbursement for programs such as Aid to Families with Dependent Children (AFDC), In-Home Supportive Services (IHSS), Medi-Cal, food stamps, Short/Doyle medical and mental health services, AB 109 realignment, AB 118 food programs and additional taxes in lieu of VLF for a portion of fees realigned to the Health Services Agency.

As noted above, the County has not received full reimbursement for all eligible costs from FEMA Public Assistance for the County’s COVID-19 response.

Other State and federal aid will be realized to the extent that the County has reimbursable expenditures that qualify for the reimbursements (reduced services will result in reduced revenues) and to the extent that the State includes the programs in its budget.

The table on the following page sets forth the State, federal and other local governmental agencies’ funds received by the County.

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**TABLE B-6
COUNTY OF SANTA CRUZ
INTERGOVERNMENTAL REVENUES**

<u>Source</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>Estimated 2024-25</u>	<u>Budget 2025-26</u>
Local Governmental Agency Funds	\$ 1,674,601	\$ 2,784,897	\$ 2,887,836	\$ 3,053,241	\$ 2,624,154
State Funds:					
Proposition 172	22,975,337	24,208,212	23,269,879	24,108,148	24,191,150
Medi-Cal	20,672,691	20,109,675	22,864,064	22,112,624	22,027,304
Short/Doyle Reimbursements	61,016,557	62,385,093	87,428,326	75,518,301	80,998,723
Disaster Assistance	2,882,750	1,394,616	39,542,389	1,677,087	300,000
Realignment Revenues	72,925,138	74,019,292	73,747,138	74,154,132	74,912,890
All Other	<u>78,702,293</u>	<u>125,612,993</u>	<u>116,206,930</u>	<u>140,005,786</u>	<u>136,712,751</u>
Total	259,174,766	307,735,300	363,058,726	337,576,078	339,142,818
Federal Funds:					
CARES Act Revenue	13,656	-	-	-	-
ARPA Revenue	26,534,211	(303,919)	23,668	-	-
Disaster Cost Reimbursements	2,501,448	3,991,041	537,949	250,098	3,504,953
All Other	<u>95,482,976</u>	<u>90,809,295</u>	<u>89,145,562</u>	<u>98,426,946</u>	<u>102,717,372</u>
Total	124,532,291	94,496,417	89,707,179	98,677,044	106,222,325
Total All Gov't Agencies	<u>\$385,381,658</u>	<u>\$405,016,614</u>	<u>\$455,653,741</u>	<u>\$439,306,363</u>	<u>\$447,989,297</u>

Source: County of Santa Cruz.

Other Revenue Sources

Licenses and Permits. These revenues consist primarily of building construction permit fees, cannabis licenses and franchise fees. The County levies franchise fees on its cable television, trash collection and utility franchises.

Fines, Forfeits and Penalties. These revenues include parking citations, municipal court fines, asset seizure proceeds and other fines for municipal code violations, in addition to delinquent property tax penalties. These revenues also include delinquent tax redemption penalty amounts transferred to the General Fund from the tax losses reserve fund. The amount of the transfer fluctuates from year to year (see “Teeter Plan” above).

Use of Money and Property. These revenues consist primarily of investment earnings and rental/concession income.

Charges for Services. The County charges recording fees, booking fees, court filing fees, fees for dispatch services and alarm response, plan checking, building inspection and other municipal services. Outpatient clinic fees are included in this revenue category. The County realized a significant increase in patient revenue for Fiscal Year 2024-25 due to planned use of clinic capacity.

Short-Term Obligations

The County regularly issues tax and revenue anticipation notes. The County's 2025-26 tax and revenue anticipation notes were issued in the amount of \$42,000,000 and mature June 25, 2026.

Long-Term Obligations

General Obligation Debt. As of the date hereof, the County has no long-term general obligation bonded indebtedness outstanding and has never defaulted on any of its bonded indebtedness previously issued. The County has no authorized but unissued general obligation debt.

Lease Obligations. The County has made use of various lease arrangements with joint powers authorities to finance capital projects and purchase equipment through the issuance of certificates of participation and lease revenue bonds. Upon expiration of these leases, title to the projects or equipment vests in the County. There are currently certificates of participation, lease revenue bonds and long-term agreements aggregating \$160.5 million in principal amount to be outstanding as of June 30, 2025. All issues are fixed rate obligations. The County also leases other assets under both operating and capital leases.

The County has pension obligation bonds with \$103.1 million in principal amount to be outstanding as of June 30, 2025.

The County will have outstanding indebtedness shown in Table B-7 as of June 30, 2025 payable from the County's General Fund, exclusive of obligations to be paid from specifically pledged revenues, such as tax allocation bonds and assessment bonds. It includes obligations that the County allocates internally to other special revenue funds, as described in the footnotes to Table B-7.

Table B-7 also includes the 2024 Disaster Recovery Bonds. Of the total original aggregate par amount of all series of 2024 Bonds of \$82.5 million, \$64.3 million relates to the reimbursement for prior damage repair costs. Of the \$64.3 million to fund damage repair, the County anticipates FEMA and FHWA reimbursements will be used to redeem \$35 million of the 2024 Series A-1 Bonds prior to their scheduled maturity and on June 1, 2025, the County will redeem \$5,885,000 of the 2024 Series A-1 Bonds from amounts received from FEMA and FHWA during Fiscal Year 2024-25. A significant portion of interest on the 2024 Bonds is capitalized for Fiscal Year 2025-26.

Information on the County's pension and other post-employment benefits is found below under the captions "Retirement Program" and "Other Post-Employment Benefits."

The County's net pension liability as of June 30, 2023 was \$575 million and the net OPEB liability as of June 30, 2023 was \$155 million.

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TABLE NO. B-7
SUMMARY OF LONG- AND INTERMEDIATE-TERM OBLIGATIONS
EXCLUDING PENSION AND OTHER POST-EMPLOYMENT BENEFITS
(in \$ millions)

	Principal to be		
	Outstanding	2024-25	Final
	<u>as of 6/30/25</u>	<u>Payments</u>	<u>Maturity</u>
1996 Certificates of Participation	\$ 3.125	\$ 1.662	2026
2012 Use Payments ⁽¹⁾	0.878	0.136	2034
2014 Refunding Certificates of Participation	3.025	0.496	2031
2015 Taxable Lease Revenue Refunding Bonds, Series A ⁽²⁾	0.000	0.192	2025
2015 Lease Revenue Bonds, Series B ⁽³⁾	7.360	0.591	2045
2016 Refunding Certificates of Participation	5.620	0.575	2036
2017 Taxable Lease Revenue Bonds (CREBs) ⁽⁴⁾	4.755	0.641	2035
2020 Lease Revenue Bonds, Series A	8.585	0.573	2051
2020 Lease Revenue Bonds, Series B	3.240	0.352	2036
2021 Lease Revenue Bonds, Series A	21.625	1.271	2051
2021 Lease Revenue Bonds, Series B	3.530	0.196	2051
2021 Taxable Pension Obligation Bonds	103.085	7.639	2047
2023 Lease Revenue Bonds, Series A ⁽⁵⁾	17.300	0.000	2051
2024 Lease Revenue Bonds, Series A-1 ⁽⁶⁾⁽⁷⁾	29.115	0.000	2039
2024 Lease Revenue Bonds, Series A-2 ⁽⁸⁾	10.215	1.578	2035
2024 Lease Revenue Bonds, Series B ⁽⁶⁾	9.080	0.000	2039
2024 Lease Revenue Bonds, Series C ⁽⁶⁾	<u>27.175</u>	<u>0.478</u>	2054
	\$257.713	\$16.380	
Capital Leases	3.871	0.803	2031
Leases and Subscription-based Information Technology Arrangements	<u>8.485</u>	<u>3.515</u>	2067
TOTAL LONG- AND INTERMEDIATE-TERM OBLIGATIONS	\$270.069	\$20.698	

- ⁽¹⁾ These payments are budgeted in the County's Santa Cruz Regional 9-1-1 Fund, relating to its share of debt obligations of a joint powers authority that operates a regional 9-1-1 communications facility ("911 Center"), in which the County participates.
- ⁽²⁾ Approximately \$800,000 of the annual debt service is reimbursed by the Santa Cruz County Flood Control and Water Conservation District and the Pajaro Storm Drain Maintenance District.
- ⁽³⁾ Approximately \$65,000 of annual debt service is reimbursed by County Service Area 11.
- ⁽⁴⁾ The County expects to receive interest payment subsidies to offset a portion of the interest cost on the 2017 Taxable Lease Revenue Bonds (CREBs).
- ⁽⁵⁾ Interest on the 2023 Series A Lease Revenue Bonds is capitalized through the end of Fiscal Year 2024-25.
- ⁽⁶⁾ Net of capitalized interest.
- ⁽⁷⁾ The County redeemed \$5,885,000 of the Series A-1 Bonds on June 1, 2025.
- ⁽⁸⁾ Approximately \$486,000 of annual debt service is reimbursed by County Service Area 9C.

Retirement Program

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The County and the Municipal Advisor have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS.

The Annual Comprehensive Financial Reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The County and the Municipal Advisor cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Plan Description. The County provides retirement benefits, disability benefits, and death benefits to all qualified permanent and probationary employees (and their beneficiaries as applicable) that are eligible to participate in the County's separate Safety (police and fire), Safety Sheriff and Miscellaneous (all other) retirement plans (collectively, the Plans), through agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statute and by County contracts with employee bargaining groups.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which made changes to CalPERS Plans, most substantially affecting new employees hired on or after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired on or after the Implementation Date, PEPRA changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increased the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary to a maximum of 8% of salary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Benefit Tiers. In 2012 the County established two tiers of benefits for employees in each of the employee plans (Miscellaneous, Safety and Safety Sheriff), based on date of hire ("Tier 1" and "Tier 2"). Benefits were reduced for Tier 2 employees in the Safety and Safety Sheriff's Plans hired on or after June 9, 2012. Benefits were reduced for employees in the Tier 2 Miscellaneous Plan hired on or after December 17, 2012.

Due to PEPRA, the County added a benefit tier in each employee group for employees subject to PEPRA ("PEPRA Tier 3"). Ultimately, PEPRA is expected to reduce the County's long-term pension obligation as existing employees retire and new employees are hired to replace them.

The Plans' provisions and benefits in effect on June 30, 2023, are summarized as follows:

	<u>Miscellaneous Plan</u>		
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA Tier 3</u>
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 years	5 years	5 years
Earliest Retirement Age	50	50	52
Maximum Benefit Factor	2.418% @ 63	2.418% @ 63	2.5% @ 67
Final Compensation	12 months	36 months	36 months
Required Employee Contribution Rates	7.0%	7.0%	7.75%
2023 Employer Contribution Rates	29.11%	29.11%	29.11%

	<u>Safety Plan</u>		
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA Tier 3</u>
Benefit Formula	2% at 50	2% at 50	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	2.7% @ 55	2.7% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.25%
2023 Employer Contribution Rates	16.58%	16.58%	16.58%

	<u>Safety Sheriff Plan</u>		
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA Tier 3</u>
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	3% @ 55	3% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.5%
2023 Employer Contribution Rates	29.34%	29.34%	29.34%

Funding Policy. Active members in the Plans are required to contribute a percentage of their annual covered salary as shown in the charts above.

For PEPRA Tier 3 active plan members in the Miscellaneous and Safety plans, the State statute requires a contribution of 6.25% and 11%, respectively of annual covered salary. However, as a result of labor negotiations PEPRA Tier 3 Miscellaneous members contribute 7.75% of annual covered salary up to \$155,081. Also, as a result of labor negotiations, Sheriff Safety members in the PEPRA Tier 3 contribute 13.5% of annual covered salary, up to a \$186,096 limit.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The County’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies ⁽¹⁾
Mortality	⁽²⁾
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

⁽¹⁾ Depending on entry age and service and type of employment.

⁽²⁾ The probabilities of mortality are based on CalPERS’ 2017 Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP - 2016 published by the Society of Actuaries.

Changes in Actuarial Assumptions. Changes in actuarial assumptions generally take two years to affect the County’s contribution rate due to the time required by CalPERS to calculate and implement the change. For example, a change made effective July 1, 2023 will be reflected in the County’s contribution rates (normal cost or unfunded liability) for Fiscal Year 2025-26.

The CalPERS Board of Administration has made numerous changes that are reflected in the calculation of the pension liability and the annual contribution toward the unfunded pension liability. The most significant change was a reduction between Fiscal Years 2011-12 and 2018-19 to reduce the discount rate from 7.5% to 7.0%, and then more recently in Fiscal Year 2021-22 to 6.8% as described below. Other assumption changes include a reduction in the payroll growth and inflation and, beginning with the June 30, 2019 calculation, changing the amortization of investment gains or losses to 20 years from 30 years. CalPERS’ Chief Actuary stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers about future contribution rates. These changes accelerate the repayment of unfunded liabilities of the County’s Plans in the near term.

In 2015, the CalPERS Board of Administration also adopted a funding risk mitigation policy (the “Policy”) intended to incrementally lower its discount rate. It was first implemented in Fiscal Year 2021-22, resulting in a reduction of the discount rate from 7% to 6.8%. The County anticipates the Policy will ultimately result in a continued lowering of the discount rate, but cannot guarantee when the discount rate will be lowered and at what rate. More information about the Policy can be accessed through CalPERS’ web site at the following website address: <https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>. 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 County and is not incorporated in this Official Statement by reference.

Contribution Rates. The contribution requirements of Plan members and the County are established by CalPERS and labor negotiations. The rates represent only the employer's normal cost as a percentage of payroll and include a dollar amount for the amortization of the unfunded actuarial liability ("UAL"). Shown in Table B-8 are the CalPERS projections of the normal cost rate and amortization of the UAL. These rates do not include the employee's contribution rates.

The County issued pension obligation bonds in September 2021 to prepay a portion of the UAL for the Safety Plan and the Sheriff Safety Plan, which was first reflected in the 2023-24 contributions.

TABLE B-8
ACTUAL AND PROJECTED EMPLOYER RETIREMENT CONTRIBUTIONS ⁽¹⁾

<u>Fiscal Year</u>	<u>Miscellaneous</u>		<u>Safety Plan</u>		<u>Sheriff Safety Plan</u>	
	<u>Normal Cost</u>	<u>Amortize UAL</u>	<u>Normal Cost</u>	<u>Amortize UAL</u>	<u>Normal Cost</u>	<u>Amortize UAL</u>
2020-21 ⁽²⁾	9.112%	\$29,256,146	16.123%	\$4,557,785	20.831%	\$5,326,042
2021-22 ⁽³⁾	8.850	34,579,181	15.650	5,259,294	20.230	6,037,900
2022-23 ⁽⁴⁾	8.720	39,137,054	15.290	6,104,396	19.860	6,700,521
2023-24 ⁽⁵⁾	9.570	38,206,346	16.580	-	22.460	1,393,451
2024-25 ⁽⁶⁾	9.260	43,290,166	16.150	1,036,078	21.640	2,403,291
2025-26 ⁽⁷⁾	9.110	45,077,446	15.920	2,363,909	21.000	3,183,680

⁽¹⁾ The County allocates a portion of its pension cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans. However, the amounts shown in Table B-10 have not been adjusted for amounts allocated to these other agencies.

⁽²⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2018.

⁽³⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2019.

⁽⁴⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2020.

⁽⁵⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2021.

⁽⁶⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2022.

⁽⁷⁾ Source: California Public Employees' Retirement System annual valuation report dated June 30, 2023.

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The CalPERS rate of return for its investment portfolio for the Fiscal Year 2021-22 was negative 6.1%. These investment losses (below 6.8%) create a loss that increased future liabilities and began affecting the County's UAL costs starting in Fiscal Year 2024-25. The CalPERS rate of return for its investment portfolio for the Fiscal Year 2022-23 was 5.8%. This investment underperformance (below 6.8%) created a loss that will increase future liabilities and begin affecting the County's UAL costs starting in Fiscal Year 2025-26. The CalPERS rate of return for its investment portfolio for the Fiscal Year 2023-24 was 9.3%. This investment overperformance (above 6.8%) created a gain that will reduce future liabilities and begin affecting the County's UAL costs starting in Fiscal Year 2026-27. The 2023-24 investment result is not reflected in Table B-8. Pursuant to CalPERS methodology, the net investment gain credits or losses will increase annually during the first five years and then level out for the remaining 15 years over which to amortize any net investment gains or losses. The new unfunded liability created by the reduction in the discount rate will be amortized in level payments over 20 years.

Annual Pension Contributions. A five-year history of the County's required annual pension contributions is shown in Table B-9. The required contribution was determined as part of an annual actuarial valuation. The County has funded 100% of the actuarially determined contribution ("ADC"). The most recent actuarial assumptions are described under the caption "Actuarial Methods and Assumptions Used to Determine Total Pension Liability."

TABLE B-9
FIVE-YEAR TREND INFORMATION FOR ANNUAL PENSION CONTRIBUTIONS

<u>Fiscal Year</u>	<u>ADC for Miscellaneous Plan</u>	<u>ADC for Safety Plan</u>	<u>ADC for Safety Sheriff Plan</u>	<u>Total ADC</u>
2019-20	\$38,999,757	\$6,670,471	\$7,753,959	\$53,424,187
2020-21	42,429,388	7,599,933	8,762,077	58,791,398
2021-22	45,370,797	8,624,596	9,959,735	63,955,128
2022-23	49,660,268	6,720,634	6,418,679	62,799,581
2023-24	56,030,307	4,247,435	6,247,504	66,525,246

Source: County of Santa Cruz.

CalPERS recently reported that the UAL as of June 30, 2023 for all of the County's plans was \$657 million. This amount is somewhat different from the net pension liability calculated for the purpose of the County's financial statements, due to a slightly different methodology and measurement focus in the calculation. As noted in Table B-10, the County allocates a portion of its pension liability and cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans.

Pension Liabilities. The County's net pension liability for the Plans is measured as the total pension liability, less the pension plan's fiduciary net position. The County's changes in net pension liability for the Plans (combined) between July 1, 2020 and June 30, 2023 are shown in Table B-10.

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TABLE B-10
CHANGES IN NET PENSION LIABILITY BY PLAN ⁽¹⁾
ALL PLANS

	Measurement Date Fiscal Year Ended June 30			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability				
Service cost	\$ 41,397,260	\$ 40,918,415	\$ 37,683,949	\$ 35,399,318
Interest on the total pension liability	139,489,454	133,401,929	129,153,211	122,582,421
Changes in benefits	2,193,712	-	-	-
Changes in assumptions	-	58,296,501	-	-
Differences between expected and actual experience	11,515,224	(7,271,529)	5,231,217	10,584,015
Benefit payments, including refunds of employee contributions	<u>(106,579,499)</u>	<u>(99,551,466)</u>	<u>(93,562,725)</u>	<u>(86,335,503)</u>
Net change in total pension liability	88,016,151	125,793,850	78,505,652	82,230,251
Prior Period Adjustment	-	-	-	57,746,930
Total pension liability - beginning	<u>2,028,450,709</u>	<u>1,902,656,859</u>	<u>1,824,151,207</u>	<u>1,684,174,026</u>
Total pension liability - ending (A)	<u>\$ 2,116,466,860</u>	<u>\$ 2,028,450,790</u>	<u>\$ 1,902,656,859</u>	<u>\$ 1,824,151,207</u>
Plan fiduciary net position				
Contributions from the employer	\$ 65,069,947	\$ 181,375,430	\$ 60,298,896	\$ 54,587,924
Contributions from employees	18,072,350	16,197,418	16,115,090	15,848,201
Net investment income	89,358,816	(120,096,800)	271,983,495	62,646,746
Benefit payments, including refunds of employee contributions	(106,579,499)	(99,551,466)	(93,562,725)	(86,335,503)
Administrative expense	<u>(1,093,947)</u>	<u>(939,248)</u>	<u>(1,244,141)</u>	<u>(1,680,627)</u>
Net change in plan fiduciary net position	64,827,667	(23,014,666)	253,590,615	45,066,741
Plan fiduciary net position - beginning	1,476,590,592	1,499,605,258	1,246,014,643	1,160,912,525
Prior Period Adjustment	-	-	-	40,035,377
Plan fiduciary net position - ending (B)	<u>1,476,590,592</u>	<u>1,499,605,258</u>	<u>1,246,014,643</u>	<u>1,200,947,902</u>
Net pension liability - ending (A) - (B)	<u>\$ 1,541,418,259</u>	<u>\$ 1,476,590,592</u>	<u>\$ 1,499,605,258</u>	<u>\$ 1,246,014,643</u>
Plan fiduciary net position as a % of the total pension liability	72.83%	72.79%	78.82%	68.31%
Covered payroll	\$241,034,857	\$216,317,127	\$ 215,128,914	\$ 202,152,155
Net pension liability as a % of covered payroll	238.57%	255.12%	187.35%	285.99%

⁽¹⁾ The County allocates a portion of its pension liability and cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans. Therefore, the amounts shown in Table B-11 are net of approximately 5% of Miscellaneous Plan, Safety Plan and Safety Sheriff Plan total pension liability and Plan fiduciary net position.

See "Required Supplementary Information (Unaudited)" section in the County's Annual Comprehensive Financial Report included in "APPENDIX C" for a breakdown of the pension liabilities by individual Plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's UAL on June 30, 2021, calculated using the discount rate of 6.90%, as well as what the County's UAL would be if it were calculated using a discount rate and price inflation that is 1% lower or 1% higher than the current rate:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Safety Sheriff Plan</u>	<u>Total</u>
1% Decrease in Discount Rate and Price Inflation	\$691,254,924	\$74,602,181	\$85,379,812	\$851,236,917
June 30, 2022 Discount Rate and Price Inflation	493,614,706	35,705,045	45,728,850	575,048,601
1% Increase in Discount Rate and Price Inflation	328,966,352	4,054,789	13,412,479	346,433,620

Source: California Public Employees' Retirement System; not adjusted for the portion of pension cost allocated to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority.

See Note 14 of the County's Annual Comprehensive Financial Report included in "APPENDIX C" for further information about the Plan.

Deferred Compensation Plan

The County offers all of its employees a deferred compensation plan (the "Deferred Compensation Plan") created in accordance with Section 457 of the Internal Revenue Code. The Deferred Compensation Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or emergency. Employees direct the investment of plan assets into certificates of deposits and various mutual funds. The County has insignificant administrative duties.

As of June 30, 2024, the Deferred Compensation Plan's assets were on deposit with a third-party administrator independent of the County.

Other Post-Employment Benefits

Plan Description. Employees of the County who retire through CalPERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees' Medical & Hospital Care Program Plan ("OPEB Plan"). The OPEB Plan is a defined benefit plan which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected. The cost of the OPEB Plan to the County for each bargaining group will be determined through CalPERS' regulations and requirements. For the Physicians Bargaining Unit, the County contributes fixed dollar amounts that vary by coverage. For all other bargaining units, the County contributions are based on longevity schedules with fixed dollar scaling that varies by bargaining unit. The OPEB Plan does not issue a financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funding Policy. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2023-24, the County contributed \$7,746,808 to the OPEB Plan (of which \$1,273,000 was implicit subsidy). The County's estimated contribution is \$8,337,000 (including an implicit subsidy of \$1,374,000) for Fiscal Year 2024-25.

Changes in OPEB Liability. The changes in OPEB liability as of June 30, 2023 and related ratios are shown in Table B-13. The schedule of changes in total OPEB liabilities and related ratios, included in the required supplementary information section of the County's Annual Comprehensive Financial Report, will present comparative year by year information about the total OPEB liability.

TABLE B-11
CHANGES IN TOTAL OPEB LIABILITY

	<u>Measurement Date</u>			
	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Service cost	\$ 7,315,290	\$ 10,812,207	\$ 10,755,256	\$ 8,885,901
Interest on total OPEB liability	6,178,938	3,936,054	5,047,732	5,649,710
Changes in assumptions ⁽¹⁾	(4,569,300)	(41,006,803)	3,569,076	16,761,397
Difference between actual and expected experience	(10,395,164)	-	(12,691,709)	-
Benefit payments	<u>(7,839,062)</u>	<u>(7,752,833)</u>	<u>(7,774,781)</u>	<u>(7,502,010)</u>
Net change in total OPEB liability	(9,309,298)	(34,012,375)	(1,094,426)	23,794,998
Total OPEB liability - beginning	<u>164,055,184</u>	<u>198,067,559</u>	<u>199,161,983</u>	<u>175,366,985</u>
Total OPEB liability - ending	<u>\$154,745,886</u>	<u>\$164,055,184</u>	<u>\$198,067,559</u>	<u>\$199,161,983</u>
Covered payroll	\$261,656,768	\$242,721,718	\$230,823,941	\$230,343,320
Net OPEB liability as a percentage of covered payroll	59.14%	67.59%	85.81%	86.46%

⁽¹⁾ The accounting discount rate increased to 3.69% in 2022 from 1.92% in 2021; decreased to 1.92% in 2021 from 2.45% in 2020; and decreased to 2.45% in 2020 from 3.13% in 2019.

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Annual OPEB Contributions. The County's required annual OPEB contributions for the last five Fiscal Years are shown in the table below. The required ADC was determined as part of an annual actuarial valuation. The County has funded 100% of the ADC. The most recent actuarial assumptions are described below under the caption "Actuarial Methods and Assumptions."

TABLE B-12
TREND INFORMATION FOR ANNUAL OPEB CONTRIBUTIONS

<u>Fiscal Year</u>	<u>ADC</u>	<u>ADC as a %</u> <u>of Covered Payroll</u>
2019-20	\$7,526,724	3.27%
2020-21	7,798,262	3.38
2021-22	7,778,586	3.20
2022-23	7,872,181	3.01
2023-24	7,746,808	2.96

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ADC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the June 30, 2023 actuarial valuation, the entry age normal actuarial cost method was used to value liabilities. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. The actuarial assumptions included (1) a 3.86% discount rate, (2) inflation of 2.5%, (3) 2.75% payroll increases and (4) retirement and mortality probabilities based on the CalPERS 2000-2019 Experience Study.

See Note 15 in the County's Annual Comprehensive Financial Report included in "APPENDIX C" for further information about the OPEB Plan.

Employee Relations and Collective Bargaining

County employees are represented by ten bargaining units. The largest unit is the Service Employees International Union (Local 521), which represents approximately 70% of all County employees. Most County employees are covered by negotiated agreements.

<u>Bargaining Unit</u>	<u>Expiration Date</u>
Middle Management	September 16, 2025
Government Attorneys Association	June 30, 2025
Sheriff's Correctional Officers	November 30, 2025
Law Enforcement Middle Management	June 30, 2026
Law Enforcement	June 30, 2026
Sheriff Supervisory	June 30, 2026
General Representation Unit (SEIU)	September 18, 2027
District Attorney Inspectors	June 30, 2027
Physicians' Representation Unit	November 11, 2026
Probation Association	December 31, 2024 ⁽¹⁾

⁽¹⁾ Under negotiation.

Risk Management

The County is self-insured for its general and auto liability, workers' compensation, property and employees' dental coverage as described below. Excess coverage is purchased through PRISM, a member-directed risk sharing pool of public agencies providing risk coverage programs.

Workers' Compensation. Under the Workers' Compensation Self-Insurance Program the County is liable for the first \$500,000 and carries catastrophic insurance coverage for any amount required by statute. As of June 30, 2024, this program had estimated future liabilities of \$37.7 million. No significant changes are anticipated during Fiscal Year 2024-25.

Dental. The County's self-insurance dental program had estimated future liability for dental benefits of \$369,733 as of June 30, 2024.

Liability and Property. The County has a \$1 million self-insured retention per occurrence with excess insurance for the general liability program with excess liability insurance through PRISM. The County purchases commercial property insurance through PRISM with an all risk and flood limit of \$600,000,000 and an earthquake limit of \$565,000,000. As of June 30, 2024, the County had estimated future liabilities totaling \$21.8 million which included estimates for known claims and losses incurred but not reported. No significant changes are anticipated during Fiscal Year 2025-26.

Unemployment Insurance. The estimated future liabilities as of June 30, 2024 were \$59,235.

Cyber Liability Insurance. The County purchases cybersecurity insurance through PRISM, which provides protection against breach of protected confidential and sensitive information such as medical and social security information by a third party resulting from a systems breach or stolen laptop. The County has a \$100,000 self-insured retention per breach with a limit in coverage of \$16 million.

Claims Liabilities. The change in the balance of claims liabilities during the fiscal years ended June 30, 2024, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$52,745,464	\$52,706,649	\$57,647,829
Incurred claims and claim adjustment expenses	10,929,583	11,192,103	14,522,677
Increase (decrease) in provision of insured events for prior years	(38,814)	4,941,180	2,340,139
Claim payments	<u>(10,929,584)</u>	<u>(11,912,103)</u>	<u>(14,522,677)</u>
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$52,706,649</u>	<u>\$57,647,829</u>	<u>\$59,987,968</u>

Source: County of Santa Cruz Annual Comprehensive Financial Report.

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Self-Insurance Funds. The County has established separate self-insurance funds for risk management, dental and health insurance, liability and property insurance, workers' compensation insurance, employee benefits staffing and the State unemployment insurance program. Summary financial information for the self-insurance funds is shown in Table B-15. The County's Workers' Compensation Self-Insurance Fund accounts for the negative fund balance shown in Table B-15. However, of the \$34.9 million of estimated future liabilities in the Workers' Compensation Self-Insurance Fund, the County expects that almost half of such claims, if required to be paid, will be charged to the applicable State or federal government program, because the claims relate to employees whose programs are funded by the State or federal government.

As of June 30, 2024, the self-insurance funds held a total of \$29.8 million in cash. In Fiscal Year 2023-24, the County made a loan of approximately \$6.4 million from the Workers' Compensation Self-Insurance Fund to the Road Fund to fund certain expenditures relating to the road repairs. The County repaid the loan from the Workers' Compensation Self-Insurance Fund from the receipts of federal reimbursements for damage repair costs in Fiscal Year 2024-25.

TABLE B-13
COUNTY OF SANTA CRUZ
SELF-INSURANCE FUNDS

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Operating Revenues:			
Charges for Services	\$ 24,084,225	\$32,084,135	\$40,075,259
Other Revenues	<u>2,065,079</u>	<u>3,402</u>	<u>293</u>
Total Operating Revenues	26,149,304	32,087,537	40,075,552
Operating Expenses:			
Salaries and Employee Benefits	1,448,334	1,318,792	1,839,055
Services and Supplies	23,158,715	23,835,522	25,930,911
Insurance and Compensation Claims	10,968,398	11,192,103	14,522,677
Depreciation and Amortization	<u>1,038</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>35,576,485</u>	<u>36,346,417</u>	42,292,643
Operating Income (Loss)	(9,427,181)	(4,258,880)	(2,217,091)
Non-Operating Revenues:			
Intergovernmental Revenue	-	48,221	77,225
Interest and Investment Income	(458,413)	639,990	1,278,608
Interest expense	(35)	-	-
Other	<u>3,900</u>	<u>135,290</u>	<u>4,907,174</u>
Total Non-Operating Revenues	<u>(448,744)</u>	<u>823,501</u>	<u>6,263,007</u>
Net Income (Loss)	(9,875,925)	(3,435,379)	4,045,916
Transfers In	4,000,000	8,347,110	-
Transfers Out	<u>-</u>	<u>(3,397,166)</u>	<u>-</u>
Change in Net Position	(5,875,925)	1,514,565	-
Beginning net position	<u>(23,469,171)</u>	<u>(29,345,096)</u>	<u>(27,830,531)</u>
Ending net position	\$(29,345,096)	\$(27,830,531)	\$(23,784,615)

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

County Treasurer's Investment Pool

As of March 31, 2025, the market value of the County Treasurer's investment pool was \$1.55 billion. The diversification of the County Treasurer's investment pool's assets as of such date is shown in the following table.

TABLE B-14
COUNTY OF SANTA CRUZ
TREASURER'S PORTFOLIO
as of March 31, 2025

<u>Type of Investment</u>	<u>% of Combined Pool</u>
U.S. Government Agencies	11.7%
U.S. Treasuries	30.2
Money Market Mutual Funds	16.9
Medium-Term Notes	17.1
Supranationals	6.7
Negotiable CDs	13.0
Municipal Bonds	<u>4.4</u>
	100.0%

Source: County Auditor-Controller-Treasurer-Tax Collector.

The weighted average maturity of all County Treasurer's investment pool moneys was 427 days. The current yield of the County Treasurer's investment pool as of March 31, 2025 was 4.29% and the March 31, 2025 apportionment rate was 4.22%.

In general, all depositors in the County Treasurer's investment pool are required by law to deposit their funds in the County Treasurer's investment pool. This includes the County, school districts and other special districts in the County.

Financial Statements

The County's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by the National Council of Government Accounting and the Governmental Accounting Standards Board.

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

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The County retained the firm of Brown Armstrong Certified Public Accountants, Bakersfield, California, to examine the general purpose financial statements of the County as of and for the year ended June 30,

2024. The following Tables B-15 and B-16 summarize the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the County's General Fund for the last five fiscal years. The County received a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ended June 30, 2023.

GASB Statement No. 54 Fund Balance Reserves. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, which are amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. GASB Statement No. 54 also provides for additional classification as "restricted," "committed," "assigned," and "unassigned" based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted - Restricted fund balance includes amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balance includes amounts that can only be used for a specific purpose determined by formal action of the Board and that remain binding unless removed in the same manner. The establishment of a "committed" fund balance requires (in accordance with the County's Fund Balance Policy) the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year.

The Board established a separate committed fund balance account known as the Reserve for Working Capital. Funding of the Reserve for Working Capital is established by resolution during the annual budget process. The purpose of the reserve is to assist the County in maintaining a minimal fund balance. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds and a resolution of the Board declaring a Fiscal Emergency.

The Board has also established a separate Committed fund balance account known as the Reserve for Economic Uncertainty. Funding of the Reserve for Economic Uncertainty is established by resolution during the annual budget process. The reserve is to be used only during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property taxes. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds.

The Board has also established a separate Committed fund balance account known as the Reserve for Natural Disasters. Funding of the Reserve for Natural Disasters is established by resolution during the annual budget process. The purpose of the reserve is to fund extraordinary operating costs, legal costs and cashflow associated with delays in State and federal reimbursements for any natural disaster. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds.

As of June 30, 2024, the County has Committed fund balances as follows:

Committed to:

Natural Disasters	\$ 2,000,000
Working Capital	6,000,000
Economic Uncertainty	10,000,000
MHSA Prudent Reserve	<u>2,997,367</u>
Total Committed fund balance	\$20,997,367

Assigned - Assigned fund balance includes amounts that are constrained by the County's intent to be used for specific purposes. In accordance with the County's Fund Balance Policy, the Board has the authority to assign funds for a specific purpose, or change or remove an assignment, with a simple majority vote.

The County Executive Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment, which action is to be reported to the Board at their next meeting. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget may be classified as Assigned fund balance.

The County Executive Officer has established and the Board has approved establishment of Assigned fund balance for federally qualified health programs. The amount assigned is for revenue already recognized in the General Fund but assigned to (1) provide a cushion to mitigate risk associated with mental health managed care programs, (2) provide an audit reserve for disallowed mental health costs under State or federal programs, and (3) hold for possible future repayment of grant funds.

As of June 30, 2024, the County has Assigned fund balances as follows:

Assigned to:

Federally qualified health programs	\$ 51,231,211
Budgeted structural deficit	11,646,039
Eliminate projected budgetary deficit in subsequent year's budget	39,395,363
Unanticipated liabilities	2,000,000
Human services	7,440,174
Salary savings	1,174,177
Other	<u>3,530,930</u>
Total Assigned fund balance	\$116,417,894

GASB Statement No. 84. GASB No. 84 establishes criteria for identifying fiduciary activities. It narrows the existing definition of a fiduciary fund and clarifies how these funds should be treated in the financial statements. The County determined that approximately \$60 million of fiduciary fund balances at June 30, 2021 could no longer be accounted for separate and apart from the County's General Fund in connection with the implementation of GASB No. 84 for the Fiscal Year ending June 30, 2021.

The increase in the General Fund fund balance for the inclusion of the former fiduciary funds fund balances will be treated as a prior period adjustment in the County's audited financial statements for the Fiscal Year ending June 30, 2021. Some of these amounts will be classified as restricted, committed or assigned, as appropriate (see "GASB Statement No. 54 Fund Balance Reserves" above).

TABLE B-15
COUNTY OF SANTA CRUZ
GENERAL FUND
BALANCE SHEET
As of June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2023</u>	<u>2024</u>
ASSETS					
Cash and investments	\$105,100,778	167,107,613	\$205,556,336	\$200,829,393	\$213,657,848
Receivables, net	63,733,509	65,845,879	64,231,579	88,460,364	143,663,800
Due from other funds	3,032,093	5,355,066	-	-	-
Due from other governments	-	2,451	-	-	-
Inventory	-	157,128	-	-	-
Leases receivable	-	-	79,880	46,443	17,161
Deposits with others	90,000	70,000	70,000	70,000	70,000
Prepays	1,387,970	1,669,110	1,402,075	1,974,189	1,655,408
Advances to other entities	<u>128,000</u>	<u>28,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$173,472,350</u>	<u>\$240,235,494</u>	<u>\$271,339,870</u>	<u>\$291,380,389</u>	<u>\$359,064,217</u>
LIABILITIES					
Accounts payable	\$ 29,389,338	\$ 38,120,550	\$ 40,092,126	\$ 42,897,167	\$ 49,533,812
Salaries and benefits payable	-	15,285,776	15,825,755	18,709,913	25,390,772
Deposits payable	-	1,622,674	1,743,883	1,928,920	1,968,681
Tax and revenue anticipation notes payable	46,795,000	47,581,124	49,467,305	50,353,333	64,041,528
Due to other governments	-	64,372	86,720	42,364	39,143
Due to other funds	612,324	-	-	-	-
Advances from other funds	-	1,668,121	1,486,962	1,341,821	1,165,546
Unearned revenues	<u>38,982,671</u>	<u>24,174,166</u>	<u>27,009,235</u>	<u>23,867,850</u>	<u>22,514,855</u>
Total liabilities	115,779,333	128,516,783	135,711,986	139,141,368	164,654,337
Deferred Inflow of Resources					
Opioid Settlement	-	-	-	12,781,750	12,195,990
Lease related	<u>-</u>	<u>-</u>	<u>78,742</u>	<u>45,074</u>	<u>16,479</u>
Total inflow of resources	-	-	78,742	12,826,824	12,212,469
FUND BALANCES ⁽¹⁾					
Nonspendable	1,547,245	1,695,653	1,402,075	1,974,189	1,725,408
Restricted	-	25,483,811	33,022,061	34,740,568	43,056,742
Committed	19,755,898	20,955,898	20,955,898	20,997,367	20,997,367
Assigned	<u>36,389,874</u>	<u>63,583,349</u>	<u>80,169,108</u>	<u>81,700,073</u>	<u>116,417,894</u>
Total fund balance	<u>57,693,017</u>	<u>111,718,711</u>	<u>135,549,142</u>	<u>139,412,197</u>	<u>182,197,411</u>
Total liabilities and fund balances	<u>\$173,472,350</u>	<u>\$240,235,494</u>	<u>\$271,339,870</u>	<u>\$291,380,389</u>	<u>\$359,064,217</u>

⁽¹⁾ See "GASB Statement No. 54 Fund Balance Reserves" above.

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

TABLE B-16
COUNTY OF SANTA CRUZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
REVENUES:					
Taxes	\$135,762,874	\$153,164,299	\$161,100,815	\$163,997,300	\$172,926,545
Licenses and permits	12,797,928	13,745,928	16,724,487	16,152,951	16,915,955
Fines, forfeits and penalties	8,709,559	12,883,101	9,788,183	13,030,762	6,625,072
Use of money and property	4,378,270	2,430,342	(3,004,171)	7,934,806	11,623,116
Aid from other governments	275,261,391	355,005,187	385,381,658	405,016,614	455,623,741
Charges for services	64,622,109	65,906,474	70,059,899	81,563,806	79,286,489
Other	<u>25,693,433</u>	<u>21,017,104</u>	<u>8,790,849</u>	<u>6,504,070</u>	<u>10,182,802</u>
Total Revenues	<u>527,225,564</u>	<u>624,152,435</u>	<u>648,841,720</u>	<u>694,200,309</u>	<u>753,183,720</u>
EXPENDITURES:					
Current:					
General government	42,736,817	42,889,342	41,093,575	75,551,653	54,670,060
Public protection	167,631,772	177,449,162	297,393,244 ⁽¹⁾	182,058,696	197,536,684
Public ways and facilities	267,970	227,242	1,390	-	-
Health and sanitation	164,212,383	181,786,750	195,962,924	214,846,774	241,190,651
Public assistance	144,843,557	186,809,661	178,108,823	165,040,520	182,640,611
Education	138,940	122,647	140,467	150,857	142,984
Recreation and cultural services	9,009,544	9,009,839	9,100,463	11,243,040	12,777,891
Debt service	<u>1,235,408</u>	<u>917,880</u>	<u>11,425,099</u>	<u>7,260,307</u>	<u>5,144,948</u>
Total expenditures	<u>530,076,391</u>	<u>599,212,523</u>	<u>733,225,985</u>	<u>656,151,847</u>	<u>694,103,829</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,850,827)</u>	<u>24,939,912</u>	<u>(84,384,265)</u>	<u>38,048,462</u>	<u>59,109,891</u>
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	2,000,000	-	-
Bonds issued	-	-	124,195,000 ⁽¹⁾	-	-
Operating transfers in	2,325,367	2,313,389	2,425,869	5,677,464	3,255,930
Operating transfers out	(12,502,480)	(13,222,635)	(21,269,432)	(40,171,772)	(20,127,888)
Inception of capital lease	<u>894,471</u>	<u>-</u>	<u>863,259</u>	<u>308,901</u>	<u>547,281</u>
Total other financing uses	<u>(9,282,642)</u>	<u>(10,909,246)</u>	<u>108,214,696</u>	<u>(34,185,407)</u>	<u>(16,324,677)</u>
Net change in fund balance	<u>(12,133,469)</u>	<u>14,030,666</u>	<u>23,830,431</u>	<u>3,863,055</u>	<u>42,785,214</u>
Fund balance - beginning	69,826,486	57,693,017	111,718,711	135,549,142	139,412,197
Prior period adjustment ⁽²⁾	<u>-</u>	<u>39,995,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as restated	<u>69,826,486</u>	<u>97,688,045</u>	<u>111,718,711</u>	<u>135,549,142</u>	<u>139,412,197</u>
Fund balance - ending	<u>\$ 57,693,017</u>	<u>\$111,718,711</u>	<u>\$135,549,142</u>	<u>\$139,412,197</u>	<u>\$182,197,411</u>

(1) Pension obligation bond proceeds used to pay a portion of public safety retirement plans unfunded liability.

(2) See "GASB Statement No. 84" above.

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

STATE OF CALIFORNIA BUDGET

Information about the State budget and State spending is available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst (“LAO”) at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *None of the websites or webpages referenced above are in any way incorporated into this Official Statement. They are cited for informational purposes only. The County makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites, and such information is not incorporated herein by these references.*

According to the State Constitution, the Governor is required to propose a budget to the State Legislature (the “Legislature”) by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

The State budget must be adopted by a majority vote of each house of the Legislature. Voters of the State passed Proposition 25 in November 2010, which provides that there will be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

Proposed State Budget for Fiscal Year 2025-26

Governor Newsom released his Proposed State 2025-26 Budget (the “Proposed 2025-26 Budget”) on January 10, 2025. The Proposed 2025-26 Budget totals approximately \$322.2 billion, led by stronger economic performances than those projected in the 2024-25 Budget that results in an upgraded revenue forecast of approximately \$16.5 billion in the three-year budget window. The Proposed 2025-26 Budget is largely dependent on personal income taxes, and specifically, an increase in capital gains realizations. Although the Proposed 2025-26 Budget is balanced and provides for reserves in the coming fiscal year, it anticipated shortfalls in the subsequent fiscal years that are driven by expenditures exceeding revenues.

The Proposed 2025-26 Budget does maintain a planned withdrawal of approximately \$7.1 billion from the Budget Stabilization Account as provided for in the 2024-25 Budget. In light of the withdrawal from the reserves, the State is projected to end Fiscal Year 2025-26 with available General Fund reserves that include: \$10.9 billion in the Budget Stabilization Account (the General Fund’s “rainy day” fund) for fiscal emergencies; \$1.5 billion in the Public School System Stabilization Account (the Proposition 98 “rainy day” fund used to lessen the impact of State revenue volatility on TK-14 schools) (“PSSSA”); and \$4.5 billion in the Special Fund for Economic Uncertainties, the State’s operating reserve.

Significant features of the Proposed 2025-26 Budget affecting counties and other local agencies in California include the following:

- *Natural Resources and Environment.* The Proposed 2025-26 Budget proposes \$2.7 billion for the first year of a multi-year expenditure plan to implement the \$10 billion climate bond (Proposition 4) authorized by voters in November. Bond funding is proposed for forest health and local fire prevention projects; groundwater, water reuse and recycling projects; sea level rise, coastal flooding and resilience projects and other natural resources and environmental projects. Counties are eligible for certain programs to be funded from these bonds and other sources.
- *Public Safety.* The State has invested approximately \$1.6 billion in public safety efforts since 2022-23 - including \$283.6 million proposed to be budgeted in 2025-26. The Proposed 2025-26 Budget estimates \$88.3 million in grants to public agencies for various recidivism reduction programs such

as mental health and substance use treatment services, truancy and dropout prevention, and victims' services. The Proposed 2025-26 Budget also includes \$126.5 million in 2025-26 for probation departments.

- *Housing.* Since 2019, the State has invested approximately \$5.2 billion of General Fund monies into affordable housing and homeownership programs. The Proposed 2025-26 Budget includes reductions of over \$1.2 billion General Fund monies over the multiyear period for various housing programs that received recent investments, leaving the total General Fund investment in affordable housing and homeownership programs at approximately \$4 billion since 2019. To address the projected budget shortfall, the Proposed 2025-26 Budget proposes General Fund solutions to achieve a balanced budget, including: reversion of \$300 million for regional early action planning grants; reversion of \$250 million for a multifamily housing program; and reduction of \$247.5 million for a foreclosure intervention housing preservation program over the next three years.
- *Health and Human Services.* The Proposed 2025-26 Budget includes \$296.1 billion (\$83.7 billion General Fund – over 35% of the state's overall General Fund budget expenditures) for all health and human services programs in 2025-26. The 2024 Budget Act included \$85 million (\$50 million General Fund) for counties to begin administering the Behavioral Health Services Act ("BHSA") as passed by the voters under Proposition 1 in March 2024. The Proposed 2025-26 Budget maintains the \$85 million for counties in 2025-26 and includes an additional \$93.5 million (\$55 million General Fund) in 2025-26 for counties to continue implementation efforts under the BHSA. The proposal also includes \$47.1 million in 2025-26, and \$51.1 million in 2026-27 and annually thereafter for county behavioral health agency activities. The In-Home Supportive Services ("IHSS") program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes. For 2025-26, the Proposed 2025-26 Budget includes \$28.5 billion for IHSS. This is an increase of \$3.3 billion from the 2024-25 Budget Act due to increased caseload, costs per hour, and number of hours. Child welfare services and foster care provide a range of services for children who are at risk of or have been victims of abuse and neglect. The Proposed 2025-26 Budget includes \$1 billion from the General Fund for services to children and families. Total funding for children's programs is more than \$10.8 billion when federal and certain other funding sources are included.
- *Homelessness.* The Proposed 2025-26 Budget does not contain any new homelessness funding proposals. It continues to include \$100 million from the General Fund for encampment resolution fund grants as committed to in the 2024-25 Budget. The Proposed 2025-26 Budget proposal does outline several actions to improve statewide administration of homelessness programs and increase accountability for current and future funding.
- *Transportation.* The Proposed 2025-26 Budget proposes no new funding or significant changes to existing transportation programs. The main theme is the commitment to honor the \$2 billion included in the 2024 Budget Act for the 2025-26 fiscal year. The Proposed 2025-26 Budget includes \$1.6 billion General Fund resources and \$393 million in greenhouse gas reduction fund resources for transportation programs.

Legislative Analyst's Comments on the Proposed 2025-26 Budget

On January 13, 2025, the Legislative Analyst's Office (the "LAO") offered initial comments on the Proposed 2025-26 Budget. The LAO observes that there are a handful of differences in revenue and expense estimates, but these changes are small enough that they do not change their assessment that the State's budget remains roughly balanced. The Proposed 2025-26 Budget revenue upgrade is reasonable in light of these recent tax collection trends, however, positive trends appear tied to the stock market, which situation can change rapidly and without warning. The volatility is further complicated with the tax deadline delay in response to the Los Angeles County wildfires, which will make it difficult to read tax collection trends over the next several months. The LAO observes that the previous budget's planned

withdrawal from the Budget Stabilization Account remains reasonable. The LAO also observes that the State Legislature will have to increase revenues or reduce spending to balance the budget in the coming years.

Fiscal Year 2025-26 May Revision

Governor Newsom released the May Revision to the Proposed 2025-26 Budget (the “May Revision”) on May 14, 2025. The May Revision addresses an anticipated shortfall of approximately \$12 billion in fiscal year 2025-26 to balance the budget, considering downward revisions of key economic factors in the State’s forecast, including lower forecasted personal income tax revenues from capital gains and increased expenditures related to Medi-Cal. To address the \$12 billion anticipated shortfall in 2025-26, the May Revision includes spending reductions (\$5 billion), revenue increases/inter-fund borrowing (\$5.3 billion) and shifts of expenditures from the General Fund to other funds (\$1.7 billion). The May Revision maintains the planned withdrawal of approximately \$7.1 billion from the BSA and reflects total reserve balances of approximately \$15.7 billion at the end of fiscal year 2025-26. The May Revision does not incorporate any effect of federal cuts that are currently under consideration in Congress.

Significant features of the May Revision affecting counties and other local agencies in California include the following:

- *Natural Resources and Environment.* The May Revision maintains much of the status quo as the Proposed 2025-26 Budget with some exceptions for funding shifts and elimination of State-level projects that have not started. The May Revision does not include major cuts in the disaster and recovery space. However, as counties see reductions in federal funding, from cancellation of an infrastructure resiliency program to reductions in staffing at federal forest agencies, disaster preparedness losses may increase for local agencies.
- *Public Safety.* The May Revision reflects slightly more grant funding to public agencies for various recidivism reduction programs such as mental health and substance use treatment services, truancy and dropout prevention, and victims’ services. The May Revision includes \$127.9 million General Fund in fiscal year 2025-26 for probation departments, slightly higher than the Proposed 2025-26 Budget proposal of \$126.5 million General Fund.
- *Housing.* The May Revision did not include significant funding changes compared to the Proposed 2025-26 Budget.
- *Health and Human Services.* The May Revision includes \$302.4 billion (\$85.6 billion General Fund – over 35% of the State’s overall General Fund budget expenditures) for all health and human services programs in fiscal year 2025-26, slightly higher than the Proposed 2025-26 Budget. The May Revision maintains the \$93.5 million in fiscal year 2025-26 for counties to continue implementation efforts under the BHSA. However, \$55 million of the \$93.5 million total that had been funded with General Fund is now proposed to be swapped out with part of the State’s portion of Behavioral Health Services Fund dollars. The May Revision reduces slightly the IHSS program budget to \$28.3 billion for IHSS.
- *Homelessness.* The May Revision does not contain any new proposals related to homelessness funding.
- *Transportation.* The May Revision budget provides no significant new funding, and proposes no significant funding shifts to major transportation programs.

LAO's Comments on the May Revision

On May 17, 2025, the LAO offered initial comments on the May Revision. Overall, the LAO's assessment of the State's budget condition for fiscal year 2025-26 is very similar to that of the administration's assessment - namely, since January, when the budget was roughly balanced, a budget problem has emerged. The LAO estimated that the administration solved a \$14 billion budget problem (similar to the \$12 billion budget problem cited by the Governor). This budget problem is driven by two key factors: higher baseline spending, most notably in Medi-Cal, and lower revenues, reflecting diminished expectations for both the personal income tax and the corporation tax. The May Revision proposes \$9.5 billion in spending solutions, including about \$5 billion in spending reductions. A significant share of these spending solutions are ongoing and grow to \$17.5 billion by the last year of the administration's forecast—helping to address, but not fully solve, the State's persistent multiyear deficits. Notably, the administration does not propose using any more in reserves to address this new budget problem, which the LAO considers to be prudent. The LAO recommended that the Legislature address the budget shortfall with a similar approach that the administration took and avoiding committing to new activities. According to the LAO's comment, persistent fiscal imbalance and added downside risks - particularly from potential federal actions - suggests a need for a more proactive approach to persistent structure deficits. The LAO views the Governor's focus on reducing multiyear spending as a reasonable and appropriate step, but the Legislature could allocate the mix of solutions differently, for example, by changing the types of programs, types of reductions, or mix of spending and revenue solutions adopted.

Potential Impact of State Budget and Federal Policy on County's Financial Condition

There can be no assurances regarding present or future State fiscal challenges or the effects State efforts to address such challenges might have on the County. As noted, in its May Revision to the Proposed 2025-26 Budget, the State did not incorporate any effect of federal cuts that are currently under consideration in Congress, any of which may have implications for the State budget and the County's budget, particularly in the areas of health, housing and transportation.

Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate change, clean energy, and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services, and other federally funded programs. Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders, and other official and unofficial actions at the federal level. The County cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future changes in federal policy. However, such changes could in the future have adverse effects on revenues, operations or capital funding requirements. See "APPENDIX B – Fiscal Year 2025-26 Overview."

The County staff expects to return to the Board at such a time when a response is required in alignment with development of the Federal budget or any subsequent changes in the State budget.

APPENDIX C
ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE
COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

APPENDIX D
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of _____, 2025, is executed and delivered by the County of Santa Cruz (the “County”) in connection with the issuance of Santa Cruz County Capital Financing Authority (“the Authority”) Lease Revenue Bonds, 2024 Series C (the “2025A Bonds”) pursuant to an Indenture of Trust dated as of June 1, 2024, as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2025 (as amended and supplemented, the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A.

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

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

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

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

“*Disclosure Representative*” means the Auditor-Controller-Treasurer-Tax Collector of the County, or such person’s designee, or such other officer or employee of the County as the County shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

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

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

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

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

“*Official Statement*” means the final official statement executed by the Authority and the County in connection with the issuance of the 2025A Bonds.

“*Participating Underwriter*” means the original underwriter of the 2025A Bonds required to comply with the Rule in connection with offering of the 2025A Bonds.

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

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The County shall, or shall cause the Dissemination Agent to, not later than the February 15 occurring after the end of each fiscal year of the County, commencing with the report for the 2024-25 fiscal year, which is due not later than February 15, 2026, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

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

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

- (i) Gross Assessed Value of All Taxable Property;
- (ii) Largest Taxpayers;
- (iii) County-wide Secured Property Tax Levies and Collections;
- (iv) Tax Revenues by Source;
- (v) General Fund Balance Sheet; and

(vi) General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

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

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

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

Section 5. Reporting of Listed Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2025A 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 County or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County 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 County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

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

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2025A 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 2025A Bonds. The County 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 County obtains knowledge of the occurrence of any of these Listed Events, the County 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 County 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 County 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 County has assumed jurisdiction over substantially all of the assets or business of the County, 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 agency, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental agency having supervision or jurisdiction over substantially all of the assets or business of the County.

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

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

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

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The

initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

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

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

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

(c) *Consent of Holders; Non-impairment Opinion.* The proposed amendment or waiver either (i) is approved by holders of the 2025A Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2025A 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 County 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 County 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 County 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 County 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 County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2025A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this

Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

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

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County 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 County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the 2024 Bond holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025A Bonds.

(b) The Dissemination Agent shall be paid compensation by the County 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 County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2025A 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: _____, 2025

COUNTY OF SANTA CRUZ

By: _____

Auditor-Controller-Treasurer-Tax Collector

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

By: _____

APPENDIX F
PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX G

THE BOOK-ENTRY SYSTEM

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

Neither the issuer of the 2025A Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2025A 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 2025A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2025A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2025A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2025A 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

[Remainder of Page Intentionally Left Blank]

RECORDING REQUESTED BY AND
AFTER RECORDATION PLEASE RETURN TO:

Norton Rose Fulbright US LLP
555 South Flower Street, Suite 4100
Los Angeles, California 90071
Attention: Stepan A. Haytayan

Lease is less than 35 years. R&T Code 11911.

FIRST AMENDMENT TO LEASE AGREEMENT

Dated as of August 1, 2025

by and between the

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

and the

COUNTY OF SANTA CRUZ

Relating to

\$(PAR AMOUNT)
Santa Cruz County Capital Financing Authority
Lease Revenue Bonds,
2025 Series A

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TAX
PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION
CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO
SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement, dated as of August 1, 2025 (this “First Amendment”), amending the Lease Agreement, dated as of June 1, 2024 (recorded with the County Clerk-Recorder of Santa Cruz County, as doc. no. 20240011395) (the “Existing Lease” and, together with this First Amendment, the “Lease”), is made by and between the SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), as lessor, and the COUNTY OF SANTA CRUZ, a political subdivision of the State of California (the “County”), as lessee.

RECITALS:

WHEREAS, to assist the County in financing and refinancing certain capital improvements, the Authority has previously issued its Lease Revenue Bonds, 2024 Series C (the “2024 Bonds”) pursuant to an Indenture, dated as of June 1, 2024 (as originally executed and delivered, the “Original Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, to assist the County in financing and refinancing certain other capital improvements, the Authority has determined to issue its Lease Revenue Bonds, 2025 Series A (the “2025A Bonds”) pursuant to the Original Indenture as supplemented by the First Supplemental Indenture, dated as of August 1, 2025, (together, the “Indenture”), by and between the Authority and the Trustee; and

WHEREAS, the County and the Authority are amending the Existing Lease by this First Amendment to add to the property that currently serves as the Leased Property described in Exhibit A of the Existing Lease and replace such description with the description set forth in Exhibit A hereto; and

WHEREAS, the County and the Authority are amending the Existing Lease by this First Amendment to add base rental payments to be made by the County described in Exhibit B of the Existing Lease, by adding to Exhibit B the schedule of base rental payments attached hereto as Exhibit B (2025A Additional Base Rental Payment Schedule) (the “2025A Base Rental Payments”), which correspond in timing and amount to the principal and interest coming due with respect to the 2025A Bonds, issued as Additional Bonds under the Indenture, and which, together with the Base Rental Payments related to the 2024 Bonds, are sufficient to provide for scheduled payments of principal of and interest on the 2024 Bonds and the 2025A Bonds; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Amendment;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

Terms used herein and not otherwise defined herein but defined in the Indenture shall have the meanings ascribed to them in the Indenture.

SECTION 2. OPTIONAL PREPAYMENT AND CREDITS

The County may at its option, in accordance with the Indenture, prepay from any source of available moneys for redemption of 2025A Bonds pursuant to Section 2.03(b) of the First Supplemental Indenture, all or any part (in an integral multiple of \$5,000) of the Principal Component of 2025A Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of 2025A Base Rental Payments which shall be payable after such prepayment shall each be an integral multiple of \$5,000, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium.

Before making any prepayment pursuant to this Section, the County shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the County hereby agree that any prepayment in part under this Section and the redemption of any 2025A Bonds by the Authority pursuant to Section 2.03(b) of the First Supplemental Indenture shall be credited towards the County's obligations under the Lease at the option of the County in any manner determined in writing delivered to the Trustee by the County. A prepayment made pursuant to this Section shall not cause a defeasance of any 2025A Bonds unless the requirements of Section 9.03 of the Original Indenture are satisfied.

Nothing in this section limits Section 11 of the Existing Lease.

SECTION 3. OTHER AMENDMENTS

The Existing Lease is hereby amended by restating the following definition:

“Expiration Date” means June 1, 20[].

The Existing Lease is hereby amended by adding the following definitions:

“2025A Base Rental Payments” means the Base Rental Payments due under Section 3(a) of the Lease in accordance with the 2025A Base Rental Payment Schedule attached hereto as Exhibit B (2025A Additional Base Rental Payment Schedule) .

The Existing Lease is hereby amended, in accordance with Section 21 of the Existing Lease, by deleting Exhibit A thereof and adding in its place the Exhibit A attached hereto.

The Existing Lease is hereby amended by attaching thereto as an additional exhibit, in accordance with Section 3(a) of the Existing Lease, the additional Base Rental Payment schedules attached hereto as Exhibit B (2025A Additional Base Rental Payment Schedule).

SECTION 4. EXECUTION

It is agreed that separate counterparts of this First Amendment may separately be executed by the Authority and the County, all with the same force and effect as though the same counterpart had been executed by both the Authority and the County.

IN WITNESS WHEREOF, the Authority and the County have caused this First Amendment to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SANTA CRUZ COUNTY CAPITAL
FINANCING AUTHORITY

By _____
Elissa Benson
Assistant Executive Director

COUNTY OF SANTA CRUZ

By _____
Elissa Benson
Assistant County Executive Officer

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
)
) SS:
COUNTY OF SANTA CRUZ)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE
VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE
DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE
TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the real property conveyed under the foregoing to the County of Santa Cruz, a political subdivision of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the County of Santa Cruz, pursuant to authority conferred by resolution of the County Board of Supervisors adopted on [June 10], 2025 and the grantee consents to recordation thereof by its duly authorized officer.

Dated: [____], 2025

COUNTY OF SANTA CRUZ, CALIFORNIA

By: _____

Name: Elissa Benson

Title: Assistant County Executive Officer

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The real property and improvements located at 2380 Portola Drive, Santa Cruz; 7695 Soquel Drive, Aptos; 2250 Soquel Avenue, Santa Cruz; 150 Westridge Drive, Watsonville, and 9835 Newell Creek Road, Ben Lomond, in the County of Santa Cruz, described as follows:

For Informational purposes only the following parcels cover 150 WESTRIDGE DR WATSONVILLE, CA 95076 APN: 018-401-41

PARCEL A-1

PARCEL 4 AS SHOWN UPON THAT CERTAIN PARCEL MAP OF LANDS OF NMSBPCLDHB FILED FOR RECORD NOVEMBER 25, 2019, IN VOLUME 64 OF PARCEL MAPS, PAGE 3, SANTA CRUZ COUNTY RECORDS.

PARCEL A-2:

BEING AN EASEMENT 12.5 FEET IN WIDTH, MEASURED AT RIGHT ANGLES, FOR INGRESS AND EGRESS THE NORTHERN BOUNDARY OF WHICH IS DESCRIBED AS FOLLOWS: BEGINNING AT A STATION ON THE WESTERLY BOUNDARY OF WESTRIDGE DRIVE AT THE MOST NORTHERN CORNER OF PARCEL "D" AS SHOWN ON THE MAP ENTITLED, "TRACT NO. 1133, WESTRIDGE BUSINESS PARK", RECORDED IN VOLUME 73 OF MAPS, AT PAGE 65, SANTA CRUZ COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG THE WESTERN BOUNDARY OF WESTRIDGE DRIVE NORTH 14° 46' 23" WEST 9.85 FEET; THENCE NORTHERLY CURVING TO THE RIGHT WITH A RADIUS OF 673 FEET, THROUGH A CENTRAL ANGLE OF 0° 35' 33", AN ARC DISTANCE OF 6.96 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING THE WESTERN BOUNDARY OF WESTRIDGE DRIVE, (1) SOUTH 75° 19' 31" WEST 435.97 FEET TO THE WESTERN BOUNDARY OF THE ABOVE MENTIONED WESTRIDGE BUSINESS PARK.

PARCEL A-3

EASEMENT FOR PARKING, LANDSCAPING, INGRESS, EGRESS AND UTILITIES AS THE SAME ARE SHOWN IN THAT CERTAIN DEED TO WESTRIDGE OWNERS ASSOCIATION, A NON-PROFIT CORPORATION, RECORDED NOVEMBER 15, 1988, IN BOOK 4416, PAGE 786, OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

PARCEL A-4

AN EASEMENT FOR RECIPROCAL INGRESS, EGRESS, SANITARY SEWER, SURFACE AND DRAINAGE EASEMENT PURPOSES OVER THE SOUTHERLY 12.5 FEET OF PARCEL B OF PARCEL MAP RECORDED DECEMBER 23, 1997 IN VOLUME 55 PAGE 11 OF PARCEL MAPS, SANTA CRUZ COUNTY RECORDS, AS THE SAME IS SHOWN ON SAID PARCEL MAP.

PARCEL A-5

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THOSE CERTAIN COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED MARCH 2, 1987 IN BOOK 4120 PAGE 431 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS, AS A MODIFIED BY MODIFICATIONS RECORDED AUGUST 24, 1988 IN BOOK 4376 PAGE 716 OF OFFICIAL RECORDS AND JANUARY 4, 1991 IN BOOK 4778 PAGE 437 OF OFFICIAL RECORDS, AND MAY 13, 1994 IN BOOK 5506 PAGE 682 OF OFFICIAL RECORDS ALL IN SANTA CRUZ COUNTY RECORDS.

PARCEL A-6

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THAT CERTAIN INSTRUMENT ENTITLED "ADMINISTRATIVE COVENANTS RECORDED JUNE 1, 1999 AS INSTRUMENT NO. 1999-0038250 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

**For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos
APN: 039-102-21**

Parcel C-1

Being a part of Lot 6, as the same is shown and designated on the map entitled, "Subdivision No. 1, Ledyard Acres, filed for record February 25, 1925 in Volume 18 at Page 58 of Maps, Santa Cruz County records, and more particularly described as follows:

Beginning at the common corner of Lots 4 and 5 as shown on said map on the Northeasterly line of the County highway leading from Watsonville to Santa Cruz; thence Northwesterly along the Northeasterly line of said highway, North 31° 53' West 62.02 feet to a point; thence curving to the left with a radius of 700 Feet, a distance of 12.98 Feet to a point; thence leaving said highway North 51° 04' East 130.35 feet to the most Westerly corner of lands conveyed to William D. Swan et ux, by deed recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County; thence South 35° 50' East 82.43 feet to the Southeasterly boundary of Lot 6; thence South 54° 24' West 135.21 Feet to the place of beginning.

Parcel C-2

A right of way for the installation and maintenance of a water pipe line over a strip of land 5 Feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Northeasterly 130.0 Feet of the Southeasterly boundary of said Lot 5 as reserved in the deed to William D. Swan et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County.

**For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos
APN: 039-102-43**

Parcel F-1

BEING the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated September 6, 1957, recorded September 24, 1957, in Volume 1150 Official Records at Page 346, Santa Cruz County Records and more particularly bounded and described as follows:

Being a part of Lot 3, as shown upon the map entitled, "Subdivision No. 1, Ledyard Acres, being a part of Rodeo Rancho, Santa Cruz County, California," filed for record February 25, 1925 in Map Book 18 at Page 56, Santa Cruz County Records, and beginning on the Northeasterly line of the old Santa Cruz-Watsonville Highway at the Southern corner of land conveyed to H. H. Ledyard by deed dated September 25, 1956, and recorded October 16, 1956, in Volume 1098, Page 235, Official Records of Santa Cruz County; thence along the Northeasterly line of said Highway, South $31^{\circ} 53'$ East 78.52 feet to a point of curve, and Easterly on a curve to the left with a radius of 20.00 Feet for a distance of 36.95 Feet to a point on the Northwesterly line of Ledyard Way; thence along said Northwesterly line, North $42^{\circ} 15'$ East 136.53 Feet to the southern corner of land conveyed to William Medina by deed dated February 25, 1957, and recorded March 6, 1957 in Volume 1119, Page 485, Official Records of Santa Cruz County; thence along the Southwesterly line of said land of Medina, North $35^{\circ} 50'$ West 77.13 feet to the Eastern corner of said land of Ledyard; thence along the Southeasterly line of said land of Ledyard, South $51^{\circ} 54' 30''$ West 152.28 feet to the point of beginning.

Parcel F-2

Being the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated October 10, 1957, recorded November 1, 1957, in Volume 1156 Official Records at Page 163 Santa Cruz County Records and more particularly bounded and described as follows:

BEING a part of Lot 3 as shown upon the Map entitled "Subdivision No. 1 Ledyard Acres, being a part of Aptos Rancho, Santa Cruz County, California," filed for record in the Office of the County Recorder of said Santa Cruz County February 25, 1925, in Map Book 18, Map 56, Santa Cruz County Records, and beginning at a station on the Northeastern side of the old Santa Cruz-Watsonville Highway at the Southeastern corner of Lot 4 of said Ledyard Acres Subdivision No. 1; thence from said point of beginning, Easterly along the Northeastern side of said Highway South $31^{\circ} 53'$ East a distance of 85.0 Feet to a station; thence leaving the Northeastern side of said Highway, North $51^{\circ} 54' 30''$ East a distance of 152.28 Feet to a station; thence North $35^{\circ} 50'$ West a distance of 78.0 Feet to a station in the Southeastern boundary of Lot 4, hereinabove mentioned and thence along the Southeastern boundary of said Lot 4, South $54^{\circ} 29'$ West a distance of 146.31 Feet to the point of beginning.

Together with a right of way 5 Feet in width for utilities, including water pipe lines, the Northwest line of which is the Northwest line of the above mentioned Lot 3, as granted by William Median to H. H. Ledyard by deed recorded October 29, 1957, in Volume 1155 at Page 354 Official Records of Santa Cruz County.

EXCEPTING from Parcels one and two above all of that land conveyed to the County of Santa Cruz, by Deed dated November 20, 1964, recorded December 28, 1964, in Volume 1666 Official Records at page 182, Santa Cruz County Records and being more particularly bounded and described as follows:

BEING a part of Lot 3 of Ledyard Acres Subdivision No. 1, filed for record February 25, 1925 in Volume 18 of Maps at Page 56 Office of Recorder Santa Cruz County and Beginning at a 1/2 inch pipe set on the Northwestern boundary of said Lot 3, from which another 1/2 inch pipe set on the Northerly boundary of Soquel Drive and the Southwest corner of Lot 4 as delineated on said map, bears North 35° 25' 30" West 160.25 Feet distant; thence from said point of beginning South 31° 50' 20" East 50.34 Feet distant to a 1/2 inch pipe; thence South 37° 33' East 100.50 Feet distant to a 1/2 inch pipe; thence South 87° 36' 35" East 30.67 Feet distant to a 1/2 inch pipe; thence North 42° 19' 50" East 115.06 Feet distant to a 1/2 inch pipe; thence South 35° 45' 10" East 10.22 Feet distant to a pipe found on the Northeasterly corner of said Lot 3; thence South 42° 19' 50" West 136.53 Feet distant to a pipe found at the beginning of a curve to the right; thence along the curve having a radius of 20.00 Feet, through an angle of 105° 50' an arc distance of 36.95 Feet to a pipe found on the Northerly side of Soquel Drive; thence along the said side line of Soquel Drive North 31° 50' 20" West 163.52 feet distant to a station on the Westerly boundary line of said Lot 3; thence along the Westerly boundary of said Lot 3 North 54° 31' 40" East 10.02 feet to the said point of beginning.

All 1/2 inch pipes referred to in this description are tagged L.S. 2362 unless noted otherwise.

Parcel F-3

Beginning at the common corner of Lots 4 and 5 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 24' East 135.21 feet to the most Southerly corner of lands conveyed to William D. Swan, et ux, by Deed recorded October 21, 1957, in Volume 1154, Page 217, Official Records of Santa Cruz County; thence South 35° 50' East 79.93 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Northwesterly along the Northeasterly line said Highway North 31° 53' West 80 feet to the place of beginning.

Together with a right of way for the installation and maintenance of a waterpipe over a strip of land 5 feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Southeasterly boundary of said Lot 5 as reserved in the Deed to William D. Swan, et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official Records of Santa Cruz County.

Also together with a right of way for the installation and maintenance of a waterpipe line, described as follows:

Beginning at a point on the Southeasterly line of Lot 5 and At the most Southerly corner of above mentioned lands of said William D. Swan, et ux; thence South 54° 24' West 5 feet to a point; thence North 36° 50' West 5 feet to a point; thence North 54° 24' East 5 feet more or less

to the Southerly boundary of said lands of William D. Swan, et ux; thence South 35° 50' East 5 feet more or less to the place of beginning.

Parcel F-4

Beginning at the common corner of Lots 3 and 4 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 29' East 146.31 feet to the most Westerly corner of lands conveyed to William Medina, by Deed recorded March 6, 1957, in Volume 1119, Page 485 Official Records of Santa Cruz County; thence North 35° 50' West 79.89 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Southeasterly along the Northeasterly line of said Highway, South 31° 53' East 80 feet to the place of beginning.

Together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeast 130 feet of the Northwest line of Lot 3 as granted by William Medina to H. H. Ledyard by Deed recorded October 29, 1957, in Volume 1155, Page 354, Official Records of Santa Cruz County.

Also, together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeasterly 5 feet of the Northwesterly boundary of lands conveyed to H. Roy Cunliffe, et ux, by Deed recorded November 1, 1957, in Volume 1156, Page 163, Official Records of Santa Cruz County.

Excepting from parcels one and two above all of that land conveyed to the County of Santa Cruz, by deed dated November 20, 1964, recorded December 21, 1964, in Volume 1665 at Page 92 Official Records of Santa Cruz County and being more particularly bounded and described as follows:

Being a part of Lot 4 of Ledyard Acres Subdivision No. 1 filed for record February 25, 1925, Volume 18 at Page 56 of Maps in the Office of the Santa Cruz County Recorder and beginning at a 1/2 inch pipe tagged L.S. 2362 set at the most westerly corner of Lot 4 and the Northerly side line of Soquel Drive, said corner being a common corner of Lots 4 and 5 of said Map, and from which an iron pipe bears North 31° 50' 20" West a distance of 62.02 feet; thence along the Southwesterly line of said Lot 4 South 31° 50' 20" East a distance of 160 feet to the most Southerly corner of said Lot 4; thence leaving said Southwesterly line North 54° 31' 40" East along the Southeasterly line of said Lot 4 a distance of 10.02 feet to a 1/2 inch pipe L.S. 2362; thence leaving said Southeasterly line of Lot 4 and along a line North 35° 25' 30" West 160.25 feet to the point of beginning. Containing 800 square feet, more or less.

For Informational purposes only the following parcel covers a portion of 2250 Soquel Ave, Santa Cruz APN: (PORTION OF) 026-011-06

Parcel D:

BEING a portion of the lands of the County of Santa Cruz, as described in Official Document #2011-0024806, Santa Cruz County Records and more particularly described as follows:

BEGINNING at a 3/4 inch iron pipe, tagged LS 1941 located on the Westerly side of Capitola Road Extension as shown on that map filed in Volume 63 of Maps, at Page 2, Santa Cruz County Records;

1. thence along the Southerly line of said lands of the County of Santa Cruz, South 89°41'05" East, a distance of 214.66 feet;
2. thence leave said Southerly line, North 03°00'41" West, a distance of 177.98 feet, more or less to a point of curvature on the Southerly side of Soquel Drive having a radius of 2950 feet and a tangent bearing of North 60°44'54" East;
3. thence along the Southerly side of Soquel Drive along said non-tangent curve to the right, through an angle of 02°57'32", an arc length of 152.34 feet;
4. thence continuing along the Southerly side of Soquel Drive, North 63°46'00" East, a distance of 40.59 feet, to a tangent curve to the right having a radius of 15.00 feet;
5. thence along said curve to the right, through an angle of 109°19'30", an arc length of 28.61 feet;
6. thence along the Westerly side of Capitola Road Extension, South 06°58'00" East, a distance of 258.11 feet, to the POINT OF BEGINNING.

For Informational purposes only the following parcel covers 2380 Portola Drive, Santa Cruz APN: 028-421-01

Parcel E

Being Parcel 1 as shown on the Assessor's Map filed July, 1996 in Volume 28 of Assessor's Maps at Page 42, Santa Cruz County Assessor's Office; and

Being Parcel 31 as shown on the Tract Map filed October 2, 1911 in Volume 19 of Maps at Page 9, Santa Cruz County Records.

APN: 028-421-01, 039-102-21, 039-102-43, 026-011-06, 018-401-41

[For Informational purposes only the following parcel covers 9835 Newell Creek Road, Ben Lomond, CA 95005 APNs: 076-241-05 and 076-261-02 & -03

Parcel F

SITUATE in the Southeast ¼ of Section 4, Township 10 South, Range 2 West, Mount Diablo Base & Meridian (MDB&M) in the County of Santa Cruz, State of California

BEING an area over a portion of the lands of the County of Santa Cruz as described in Volume 4226, at Page 421, Official Records of the County of Santa Cruz, and more particularly described as follows:

BEGINNING at a point on the northerly $\frac{1}{4}$ section line of Section 4, from which a found $\frac{1}{2}$ inch iron pipe, no tag, located at the northeast $\frac{1}{4}$ corner of the Southeast $\frac{1}{4}$ of Section 4, bears South $88^{\circ} 24' 19''$ East, a distance of 145.97 feet;

thence leaving said $\frac{1}{4}$ section line along the following courses:

1. North $09^{\circ} 24' 32''$ West, a distance of 49.95 feet;
2. North $37^{\circ} 09' 37''$ West, a distance of 143.45 feet;
3. North $06^{\circ} 10' 25''$ East, a distance of 21.51 feet;
4. North $39^{\circ} 18' 57''$ East, a distance of 27.95 feet;
5. North $67^{\circ} 55' 28''$ East, a distance of 41.66 feet;
6. North $52^{\circ} 42' 44''$ East, a distance of 44.30 feet;
7. North $40^{\circ} 33' 39''$ East, a distance of 61.09 feet;
8. North $22^{\circ} 30' 35''$ East, a distance of 59.91 feet;
9. North $01^{\circ} 00' 36''$ West, a distance of 126.61 feet;
10. North $09^{\circ} 39' 45''$ West, a distance of 44.77 feet;
11. North $17^{\circ} 53' 22''$ East, a distance of 73.07 feet;
12. North $11^{\circ} 13' 44''$ East, a distance of 33.09 feet;
13. North $01^{\circ} 14' 46''$ West, a distance of 52.90 feet;
14. North $18^{\circ} 07' 36''$ West, a distance of 93.21 feet;
15. North $38^{\circ} 52' 11''$ West, a distance of 81.75 feet;
16. North $02^{\circ} 07' 15''$ West, a distance of 118.07 feet;
17. North $45^{\circ} 52' 41''$ West, a distance of 286.92 feet;
18. North $56^{\circ} 19' 32''$ West, a distance of 47.52 feet;
19. North $70^{\circ} 18' 22''$ West, a distance of 200.66 feet;
20. North $76^{\circ} 12' 09''$ West, a distance of 55.83 feet;
21. North $45^{\circ} 01' 01''$ West, a distance of 63.42 feet;
22. North $10^{\circ} 49' 53''$ West, a distance of 66.73 feet;
23. North $00^{\circ} 56' 23''$ East, a distance of 204.51 feet;
24. North $23^{\circ} 51' 59''$ West, a distance of 31.28 feet;
25. South $88^{\circ} 18' 34''$ East, a distance of 27.61 feet;
26. North $00^{\circ} 56' 26''$ East, a distance of 50.00 feet;
27. North $88^{\circ} 18' 34''$ West, a distance of 50.87 feet;
28. North $11^{\circ} 09' 40''$ West, a distance of 64.53 feet;
29. North $32^{\circ} 45' 01''$ East, a distance of 60.92 feet;
30. North $71^{\circ} 34' 30''$ East, a distance of 72.37 feet;
31. South $83^{\circ} 09' 19''$ East, a distance of 79.89 feet;
32. South $54^{\circ} 02' 07''$ East, a distance of 255.85 feet;
33. South $00^{\circ} 56' 26''$ West, a distance of 38.74 feet;
34. South $88^{\circ} 18' 34''$ East, a distance of 25.00 feet;
35. North $00^{\circ} 56' 26''$ East, a distance of 21.55 feet;
36. South $54^{\circ} 02' 07''$ East, a distance of 108.85 feet;

37. South 36° 23' 41" East, a distance of 41.40 feet;
38. South 14° 55' 57" East, a distance of 55.59 feet;
39. South 02° 14' 27" West, a distance of 66.35 feet;
40. South 27° 11' 38" West, a distance of 26.44 feet;
41. South 33° 42' 20" West, a distance of 66.61 feet;
42. South 22° 12' 54" West, a distance of 39.11 feet;
43. South 03° 38' 00" East, a distance of 41.13 feet;
44. South 30° 03' 05" East, a distance of 128.83 feet;
45. South 38° 50' 45" East, a distance of 37.75 feet;
46. South 44° 32' 32" East, a distance of 110.04 feet;
47. South 37° 35' 44" East, a distance of 63.73 feet;
48. South 26° 34' 43" East, a distance of 72.22 feet;
49. South 13° 09' 03" East, a distance of 71.08 feet;
50. South 03° 48' 19" East, a distance of 318.44 feet;
51. South 00° 56' 26" West, a distance of 73.15 feet;
52. South 13° 01' 55" West, a distance of 99.75 feet;
53. South 20° 21' 20" West, a distance of 27.40 feet;
54. North 00° 56' 26" East, a distance of 159.76 feet;
55. North 88° 18' 34" West, a distance of 50.00 feet;
56. South 00° 56' 26" West, a distance of 100.01 feet;
57. South 88° 18' 34" East, a distance of 25.00 feet;
58. South 00° 56' 26" West, a distance of 100.01 feet;
59. South 42° 42' 54" West, a distance of 94.66 feet;
60. South 28° 25' 33" West, a distance of 39.50 feet;
61. South 00° 44' 47" West, a distance of 36.75 feet;
62. South 24° 10' 00" East, a distance of 74.51 feet;
63. South 66° 23' 33" East, a distance of 23.55 feet;
64. South 47° 33' 07" West, a distance of 87.07 feet, to the POINT OF BEGINNING
and CONTAINING approximately 329,328 s.f. (7.56 acres), more or less.]

(End of Legal Description)

EXHIBIT B (2025A Additional Base Rental Payment Schedule)

2025A BASE RENTAL PAYMENT SCHEDULE

<u>Interest Payment Dates⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
--	---------------------------------------	--------------------------------------	---------------------------------

⁽¹⁾ 2025A Base Rental Payments are due fifteen (15) days prior to each Interest Payment Date.

RECORDING REQUESTED BY AND
AFTER RECORDATION PLEASE RETURN TO:

Norton Rose Fulbright US LLP
555 South Flower Street, Suite 4100
Los Angeles, California 90071
Attention: Ann La Morena Rohlin, Esq.

Lease is less than 35 years. R&T Code 11911

FIRST AMENDMENT TO SITE AND FACILITY LEASE

Dated as of August 1, 2025

by and between the

COUNTY OF SANTA CRUZ

and the

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

Relating to the

\$(PAR AMOUNT)
Santa Cruz County Capital Financing Authority
Lease Revenue Bonds,
2025 Series A

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TAX
PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION
CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO
SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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FIRST AMENDMENT TO SITE AND FACILITY LEASE

This FIRST AMENDMENT TO SITE AND FACILITY LEASE, dated as of August 1, 2025 (this “First Amendment”), amending the Site and Facility Lease, dated as of June 1, 2024 (recorded with the County Clerk-Recorder of Santa Cruz County as doc. no. 20240011394) (the “Existing Site Lease” and, together with this First Amendment, the “Site Lease”), is made by and between the COUNTY OF SANTA CRUZ, a political subdivision of the State of California (the “County”), as lessor, and the SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and existing under the laws of the State of California (the “Authority”), as lessee.

RECITALS:

WHEREAS, to assist the County in financing and refinancing certain capital improvements, the Authority has previously issued its Lease Revenue Bonds, 2024 Series C (the “2024 Bonds”) pursuant to an Indenture, dated as of June 1, 2024 (as originally executed and delivered, the “Original Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, to assist the County in financing certain other capital improvements, the Authority has determined to issue its Lease Revenue Bonds, 2025 Series A (the “2025A Bonds”) pursuant to the Original Indenture as supplemented by the First Supplemental Indenture, dated as of August 1, 2025, (together, the “Indenture”), by and between the Authority and the Trustee; and

WHEREAS, the County and the Authority are amending the Existing Site Lease by this First Amendment to add to the property that currently serves as the Leased Property described in Exhibit A of the Existing Site Lease and to replace such description with the description set forth in Exhibit A hereto; and

WHEREAS, the County and the Authority, concurrently with the execution of this First Amendment, pursuant to Section 7 of the Lease Agreement, dated as of June 1, 2024, as amended by a First Amendment to Lease Agreement, dated as of August 1, 2025 (together, the “Lease”), each between the County and the Authority, will add the same additional property to the property that is subject to the Lease; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Amendment;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture or the Lease.

SECTION 2. AMENDMENT OF LEASED PROPERTY.

The County and the Authority hereby amend the Existing Site Lease by this First Amendment to add to the property described in Exhibit A of the Existing Site Lease, by replacing the property therein described with the property described in Exhibit A hereto (the “Leased Property”).

SECTION 3. RENTAL.

The Authority agrees to pay to the Trustee the proceeds of the 2025A Bonds, as advance rental for the use and right to possession of the Leased Property for the term of the Site Lease. The rental shall be applied by the Trustee as provided in the Indenture.

SECTION 4. PURPOSE OF THE LEASED PROPERTY.

The Authority covenants that during the term of this Site Lease, it shall use the Leased Property for the purposes described in the Lease and for such other purposes as may be incidental thereto.

SECTION 5. EXECUTION.

This First Amendment may be executed in any number of counterparts, each of which shall be deemed to an original, but all together shall constitute but one and the same First Amendment. It is also agreed that separate counterparts of this First Amendment may separately be executed by the County and the Authority, all with the same force and effect as though the same counterpart had been executed by both the County and the Authority.

IN WITNESS WHEREOF, the County and the Authority have caused this First Amendment to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SANTA CRUZ COUNTY CAPITAL
FINANCING AUTHORITY

By _____
Elissa Benson
Assistant Executive Director

COUNTY OF SANTA CRUZ

By _____
Elissa Benson
Assistant County Executive Officer

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
)
) ss:
COUNTY OF SANTA CRUZ)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the real property conveyed under the foregoing to the Santa Cruz County Capital Financing Authority, a joint exercise of powers authority, duly organized and existing under the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the governing board of the Santa Cruz County Capital Financing Authority, pursuant to authority conferred by resolution of the Board adopted on [June 10], 2025 and the grantee consents to recordation thereof by its duly authorized officer.

Dated: [____], 2025

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

By: _____

Name: Elissa Benson

Title: Assistant Executive Director

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The real property and improvements located at 2380 Portola Drive, Santa Cruz; 7695 Soquel Drive, Aptos; 2250 Soquel Avenue, Santa Cruz; 150 Westridge Drive, Watsonville, and 9835 Newell Creek Road, Ben Lomond, in the County of Santa Cruz, described as follows:

**For Informational purposes only the following parcels cover 150 WESTRIDGE DR
WATSONVILLE, CA 95076 APN: 018-401-41**

PARCEL A-1

PARCEL 4 AS SHOWN UPON THAT CERTAIN PARCEL MAP OF LANDS OF NMSBPCLDHB FILED FOR RECORD NOVEMBER 25, 2019, IN VOLUME 64 OF PARCEL MAPS, PAGE 3, SANTA CRUZ COUNTY RECORDS.

PARCEL A-2:

BEING AN EASEMENT 12.5 FEET IN WIDTH, MEASURED AT RIGHT ANGLES, FOR INGRESS AND EGRESS THE NORTHERN BOUNDARY OF WHICH IS DESCRIBED AS FOLLOWS: BEGINNING AT A STATION ON THE WESTERLY BOUNDARY OF WESTRIDGE DRIVE AT THE MOST NORTHERN CORNER OF PARCEL "D" AS SHOWN ON THE MAP ENTITLED, "TRACT NO. 1133, WESTRIDGE BUSINESS PARK", RECORDED IN VOLUME 73 OF MAPS, AT PAGE 65, SANTA CRUZ COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG THE WESTERN BOUNDARY OF WESTRIDGE DRIVE NORTH 14° 46' 23" WEST 9.85 FEET; THENCE NORTHERLY CURVING TO THE RIGHT WITH A RADIUS OF 673 FEET, THROUGH A CENTRAL ANGLE OF 0° 35' 33", AN ARC DISTANCE OF 6.96 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING THE WESTERN BOUNDARY OF WESTRIDGE DRIVE, (1) SOUTH 75° 19' 31" WEST 435.97 FEET TO THE WESTERN BOUNDARY OF THE ABOVE MENTIONED WESTRIDGE BUSINESS PARK.

PARCEL A-3

EASEMENT FOR PARKING, LANDSCAPING, INGRESS, EGRESS AND UTILITIES AS THE SAME ARE SHOWN IN THAT CERTAIN DEED TO WESTRIDGE OWNERS ASSOCIATION, A NON-PROFIT CORPORATION, RECORDED NOVEMBER 15, 1988, IN BOOK 4416, PAGE 786, OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

PARCEL A-4

AN EASEMENT FOR RECIPROCAL INGRESS, EGRESS, SANITARY SEWER, SURFACE AND DRAINAGE EASEMENT PURPOSES OVER THE SOUTHERLY 12.5 FEET OF PARCEL B OF PARCEL MAP RECORDED DECEMBER 23, 1997 IN VOLUME 55 PAGE

11 OF PARCEL MAPS, SANTA CRUZ COUNTY RECORDS, AS THE SAME IS SHOWN ON SAID PARCEL MAP.

PARCEL A-5

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THOSE CERTAIN COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED MARCH 2, 1987 IN BOOK 4120 PAGE 431 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS, AS A MODIFIED BY MODIFICATIONS RECORDED AUGUST 24, 1988 IN BOOK 4376 PAGE 716 OF OFFICIAL RECORDS AND JANUARY 4, 1991 IN BOOK 4778 PAGE 437 OF OFFICIAL RECORDS, AND MAY 13, 1994 IN BOOK 5506 PAGE 682 OF OFFICIAL RECORDS ALL IN SANTA CRUZ COUNTY RECORDS.

PARCEL A-6

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THAT CERTAIN INSTRUMENT ENTITLED "ADMINISTRATIVE COVENANTS RECORDED JUNE 1, 1999 AS INSTRUMENT NO. 1999-0038250 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos APN: 039-102-21

Parcel C-1

Being a part of Lot 6, as the same is shown and designated on the map entitled, "Subdivision No. 1, Ledyard Acres, filed for record February 25, 1925 in Volume 18 at Page 58 of Maps, Santa Cruz County records, and more particularly described as follows:

Beginning at the common corner of Lots 4 and 5 as shown on said map on the Northeasterly line of the County highway leading from Watsonville to Santa Cruz; thence Northwesterly along the Northeasterly line of said highway, North 31° 53' West 62.02 feet to a point; thence curving to the left with a radius of 700 Feet, a distance of 12.98 Feet to a point; thence leaving said highway North 51° 04' East 130.35 feet to the most Westerly corner of lands conveyed to William D. Swan et ux, by deed recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County: thence South 35° 50' East 82.43 feet to the Southeasterly boundary of Lot 6; thence South 54° 24' West 135.21 Feet to the place of beginning.

Parcel C-2

A right of way for the installation and maintenance of a water pipe line over a strip of land 5 Feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Northeasterly 130.0 Feet of the Southeasterly boundary of said Lot 5 as reserved in the deed to William D. Swan et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County.

**For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos
APN: 039-102-43**

Parcel F-1

BEING the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated September 6, 1957, recorded September 24, 1957, in Volume 1150 Official Records at Page 346, Santa Cruz County Records and more particularly bounded and described as follows:

Being a part of Lot 3, as shown upon the map entitled, "Subdivision No. 1, Ledyard Acres, being a part of Rodeo Rancho, Santa Cruz County, California," filed for record February 25, 1925 in Map Book 18 at Page 56, Santa Cruz County Records, and beginning on the Northeasterly line of the old Santa Cruz-Watsonville Highway at the Southern corner of land conveyed to H. H. Ledyard by deed dated September 25, 1956, and recorded October 16, 1956, in Volume 1098, Page 235, Official Records of Santa Cruz County; thence along the Northeasterly line of said Highway, South $31^{\circ} 53'$ East 78.52 feet to a point of curve, and Easterly on a curve to the left with a radius of 20.00 Feet for a distance of 36.95 Feet to a point on the Northwesterly line of Ledyard Way; thence along said Northwesterly line, North $42^{\circ} 15'$ East 136.53 Feet to the southern corner of land conveyed to William Medina by deed dated February 25, 1957, and recorded March 6, 1957 in Volume 1119, Page 485, Official Records of Santa Cruz County; thence along the Southwesterly line of said land of Medina, North $35^{\circ} 50'$ West 77.13 feet to the Eastern corner of said land of Ledyard; thence along the Southeasterly line of said land of Ledyard, South $51^{\circ} 54' 30''$ West 152.28 feet to the point of beginning.

Parcel F-2

Being the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated October 10, 1957, recorded November 1, 1957, in Volume 1156 Official Records at Page 163 Santa Cruz County Records and more particularly bounded and described as follows:

BEING a part of Lot 3 as shown upon the Map entitled "Subdivision No. 1 Ledyard Acres, being a part of Aptos Rancho, Santa Cruz County, California," filed for record in the Office of the County Recorder of said Santa Cruz County February 25, 1925, in Map Book 18, Map 56, Santa Cruz County Records, and beginning at a station on the Northeastern side of the old Santa Cruz-Watsonville Highway at the Southeastern corner of Lot 4 of said Ledyard Acres Subdivision No. 1; thence from said point of beginning, Easterly along the Northeastern side of said Highway South $31^{\circ} 53'$ East a distance of 85.0 Feet to a station; thence leaving the Northeastern side of said Highway, North $51^{\circ} 54' 30''$ East a distance of 152.28 Feet to a station; thence North $35^{\circ} 50'$ West a distance of 78.0 Feet to a station in the Southeastern boundary of Lot 4, hereinabove mentioned and thence along the Southeastern boundary of said Lot 4, South $54^{\circ} 29'$ West a distance of 146.31 Feet to the point of beginning.

Together with a right of way 5 Feet in width for utilities, including water pipe lines, the Northwest line of which is the Northwest line of the above mentioned Lot 3, as granted by William Median to H. H. Ledyard by deed recorded October 29, 1957, in Volume 1155 at Page 354 Official Records of Santa Cruz County.

EXCEPTING from Parcels one and two above all of that land conveyed to the County of Santa Cruz, by Deed dated November 20, 1964, recorded December 28, 1964, in Volume 1666 Official Records at page 182, Santa Cruz County Records and being more particularly bounded and described as follows:

BEING a part of Lot 3 of Ledyard Acres Subdivision No. 1, filed for record February 25, 1925 in Volume 18 of Maps at Page 56 Office of Recorder Santa Cruz County and Beginning at a 1/2 inch pipe set on the Northwestern boundary of said Lot 3, from which another 1/2 inch pipe set on the Northerly boundary of Soquel Drive and the Southwest corner of Lot 4 as delineated on said map, bears North 35° 25' 30" West 160.25 Feet distant; thence from said point of beginning South 31° 50' 20" East 50.34 Feet distant to a 1/2 inch pipe; thence South 37° 33' East 100.50 Feet distant to a 1/2 inch pipe; thence South 87° 36' 35" East 30.67 Feet distant to a 1/2 inch pipe; thence North 42° 19' 50" East 115.06 Feet distant to a 1/2 inch pipe; thence South 35° 45' 10" East 10.22 Feet distant to a pipe found on the Northeasterly corner of said Lot 3; thence South 42° 19' 50" West 136.53 Feet distant to a pipe found at the beginning of a curve to the right; thence along the curve having a radius of 20.00 Feet, through an angle of 105° 50' an arc distance of 36.95 Feet to a pipe found on the Northerly side of Soquel Drive; thence along the said side line of Soquel Drive North 31° 50' 20" West 163.52 feet distant to a station on the Westerly boundary line of said Lot 3; thence along the Westerly boundary of said Lot 3 North 54° 31' 40" East 10.02 feet to the said point of beginning.

All 1/2 inch pipes referred to in this description are tagged L.S. 2362 unless noted otherwise.

Parcel F-3

Beginning at the common corner of Lots 4 and 5 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 24' East 135.21 feet to the most Southerly corner of lands conveyed to William D. Swan, et ux, by Deed recorded October 21, 1957, in Volume 1154, Page 217, Official Records of Santa Cruz County; thence South 35° 50' East 79.93 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Northwesterly along the Northeasterly line said Highway North 31° 53' West 80 feet to the place of beginning.

Together with a right of way for the installation and maintenance of a waterpipe over a strip of land 5 feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Southeasterly boundary of said Lot 5 as reserved in the Deed to William D. Swan, et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official Records of Santa Cruz County.

Also together with a right of way for the installation and maintenance of a waterpipe line, described as follows:

Beginning at a point on the Southeasterly line of Lot 5 and At the most Southerly corner of above mentioned lands of said William D. Swan, et ux; thence South 54° 24' West 5 feet to a point; thence North 36° 50' West 5 feet to a point; thence North 54° 24' East 5 feet more or less

to the Southerly boundary of said lands of William D. Swan, et ux; thence South 35° 50' East 5 feet more or less to the place of beginning.

Parcel F-4

Beginning at the common corner of Lots 3 and 4 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 29' East 146.31 feet to the most Westerly corner of lands conveyed to William Medina, by Deed recorded March 6, 1957, in Volume 1119, Page 485 Official Records of Santa Cruz County; thence North 35° 50' West 79.89 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Southeasterly along the Northeasterly line of said Highway, South 31° 53' East 80 feet to the place of beginning.

Together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeast 130 feet of the Northwest line of Lot 3 as granted by William Medina to H. H. Ledyard by Deed recorded October 29, 1957, in Volume 1155, Page 354, Official Records of Santa Cruz County.

Also, together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeasterly 5 feet of the Northwesterly boundary of lands conveyed to H. Roy Cunliffe, et ux, by Deed recorded November 1, 1957, in Volume 1156, Page 163, Official Records of Santa Cruz County.

Excepting from parcels one and two above all of that land conveyed to the County of Santa Cruz, by deed dated November 20, 1964, recorded December 21, 1964, in Volume 1665 at Page 92 Official Records of Santa Cruz County and being more particularly bounded and described as follows:

Being a part of Lot 4 of Ledyard Acres Subdivision No. 1 filed for record February 25, 1925, Volume 18 at Page 56 of Maps in the Office of the Santa Cruz County Recorder and beginning at a 1/2 inch pipe tagged L.S. 2362 set at the most westerly corner of Lot 4 and the Northerly side line of Soquel Drive, said corner being a common corner of Lots 4 and 5 of said Map, and from which an iron pipe bears North 31° 50' 20" West a distance of 62.02 feet; thence along the Southwesterly line of said Lot 4 South 31° 50' 20" East a distance of 160 feet to the most Southerly corner of said Lot 4; thence leaving said Southwesterly line North 54° 31' 40" East along the Southeasterly line of said Lot 4 a distance of 10.02 feet to a 1/2 inch pipe L.S. 2362; thence leaving said Southeasterly line of Lot 4 and along a line North 35° 25' 30" West 160.25 feet to the point of beginning. Containing 800 square feet, more or less.

For Informational purposes only the following parcel covers a portion of 2250 Soquel Ave, Santa Cruz APN: (PORTION OF) 026-011-06

Parcel D:

BEING a portion of the lands of the County of Santa Cruz, as described in Official Document #2011-0024806, Santa Cruz County Records and more particularly described as follows:

BEGINNING at a 3/4 inch iron pipe, tagged LS 1941 located on the Westerly side of Capitola Road Extension as shown on that map filed in Volume 63 of Maps, at Page 2, Santa Cruz County Records;

1. thence along the Southerly line of said lands of the County of Santa Cruz, South 89°41'05" East, a distance of 214.66 feet;
2. thence leave said Southerly line, North 03°00'41" West, a distance of 177.98 feet, more or less to a point of curvature on the Southerly side of Soquel Drive having a radius of 2950 feet and a tangent bearing of North 60°44'54" East;
3. thence along the Southerly side of Soquel Drive along said non-tangent curve to the right, through an angle of 02°57'32", an arc length of 152.34 feet;
4. thence continuing along the Southerly side of Soquel Drive, North 63°46'00" East, a distance of 40.59 feet, to a tangent curve to the right having a radius of 15.00 feet;
5. thence along said curve to the right, through an angle of 109°19'30", an arc length of 28.61 feet;
6. thence along the Westerly side of Capitola Road Extension, South 06°58'00" East, a distance of 258.11 feet, to the POINT OF BEGINNING.

For Informational purposes only the following parcel covers 2380 Portola Drive, Santa Cruz APN: 028-421-01

Parcel E

Being Parcel 1 as shown on the Assessor's Map filed July, 1996 in Volume 28 of Assessor's Maps at Page 42, Santa Cruz County Assessor's Office; and

Being Parcel 31 as shown on the Tract Map filed October 2, 1911 in Volume 19 of Maps at Page 9, Santa Cruz County Records.

APN: 028-421-01, 039-102-21, 039-102-43, 026-011-06, 018-401-41

[For Informational purposes only the following parcel covers 9835 Newell Creek Road, Ben Lomond, CA 95005 APNs: 076-241-05 and 076-261-02 & -03

Parcel F

SITUATE in the Southeast ¼ of Section 4, Township 10 South, Range 2 West, Mount Diablo Base & Meridian (MDB&M) in the County of Santa Cruz, State of California

BEING an area over a portion of the lands of the County of Santa Cruz as described in Volume 4226, at Page 421, Official Records of the County of Santa Cruz, and more particularly described as follows:

BEGINNING at a point on the northerly $\frac{1}{4}$ section line of Section 4, from which a found $\frac{1}{2}$ inch iron pipe, no tag, located at the northeast $\frac{1}{4}$ corner of the Southeast $\frac{1}{4}$ of Section 4, bears South $88^{\circ} 24' 19''$ East, a distance of 145.97 feet;

thence leaving said $\frac{1}{4}$ section line along the following courses:

1. North $09^{\circ} 24' 32''$ West, a distance of 49.95 feet;
2. North $37^{\circ} 09' 37''$ West, a distance of 143.45 feet;
3. North $06^{\circ} 10' 25''$ East, a distance of 21.51 feet;
4. North $39^{\circ} 18' 57''$ East, a distance of 27.95 feet;
5. North $67^{\circ} 55' 28''$ East, a distance of 41.66 feet;
6. North $52^{\circ} 42' 44''$ East, a distance of 44.30 feet;
7. North $40^{\circ} 33' 39''$ East, a distance of 61.09 feet;
8. North $22^{\circ} 30' 35''$ East, a distance of 59.91 feet;
9. North $01^{\circ} 00' 36''$ West, a distance of 126.61 feet;
10. North $09^{\circ} 39' 45''$ West, a distance of 44.77 feet;
11. North $17^{\circ} 53' 22''$ East, a distance of 73.07 feet;
12. North $11^{\circ} 13' 44''$ East, a distance of 33.09 feet;
13. North $01^{\circ} 14' 46''$ West, a distance of 52.90 feet;
14. North $18^{\circ} 07' 36''$ West, a distance of 93.21 feet;
15. North $38^{\circ} 52' 11''$ West, a distance of 81.75 feet;
16. North $02^{\circ} 07' 15''$ West, a distance of 118.07 feet;
17. North $45^{\circ} 52' 41''$ West, a distance of 286.92 feet;
18. North $56^{\circ} 19' 32''$ West, a distance of 47.52 feet;
19. North $70^{\circ} 18' 22''$ West, a distance of 200.66 feet;
20. North $76^{\circ} 12' 09''$ West, a distance of 55.83 feet;
21. North $45^{\circ} 01' 01''$ West, a distance of 63.42 feet;
22. North $10^{\circ} 49' 53''$ West, a distance of 66.73 feet;
23. North $00^{\circ} 56' 23''$ East, a distance of 204.51 feet;
24. North $23^{\circ} 51' 59''$ West, a distance of 31.28 feet;
25. South $88^{\circ} 18' 34''$ East, a distance of 27.61 feet;
26. North $00^{\circ} 56' 26''$ East, a distance of 50.00 feet;
27. North $88^{\circ} 18' 34''$ West, a distance of 50.87 feet;
28. North $11^{\circ} 09' 40''$ West, a distance of 64.53 feet;
29. North $32^{\circ} 45' 01''$ East, a distance of 60.92 feet;
30. North $71^{\circ} 34' 30''$ East, a distance of 72.37 feet;
31. South $83^{\circ} 09' 19''$ East, a distance of 79.89 feet;
32. South $54^{\circ} 02' 07''$ East, a distance of 255.85 feet;
33. South $00^{\circ} 56' 26''$ West, a distance of 38.74 feet;
34. South $88^{\circ} 18' 34''$ East, a distance of 25.00 feet;
35. North $00^{\circ} 56' 26''$ East, a distance of 21.55 feet;
36. South $54^{\circ} 02' 07''$ East, a distance of 108.85 feet;

37. South 36° 23' 41" East, a distance of 41.40 feet;
38. South 14° 55' 57" East, a distance of 55.59 feet;
39. South 02° 14' 27" West, a distance of 66.35 feet;
40. South 27° 11' 38" West, a distance of 26.44 feet;
41. South 33° 42' 20" West, a distance of 66.61 feet;
42. South 22° 12' 54" West, a distance of 39.11 feet;
43. South 03° 38' 00" East, a distance of 41.13 feet;
44. South 30° 03' 05" East, a distance of 128.83 feet;
45. South 38° 50' 45" East, a distance of 37.75 feet;
46. South 44° 32' 32" East, a distance of 110.04 feet;
47. South 37° 35' 44" East, a distance of 63.73 feet;
48. South 26° 34' 43" East, a distance of 72.22 feet;
49. South 13° 09' 03" East, a distance of 71.08 feet;
50. South 03° 48' 19" East, a distance of 318.44 feet;
51. South 00° 56' 26" West, a distance of 73.15 feet;
52. South 13° 01' 55" West, a distance of 99.75 feet;
53. South 20° 21' 20" West, a distance of 27.40 feet;
54. North 00° 56' 26" East, a distance of 159.76 feet;
55. North 88° 18' 34" West, a distance of 50.00 feet;
56. South 00° 56' 26" West, a distance of 100.01 feet;
57. South 88° 18' 34" East, a distance of 25.00 feet;
58. South 00° 56' 26" West, a distance of 100.01 feet;
59. South 42° 42' 54" West, a distance of 94.66 feet;
60. South 28° 25' 33" West, a distance of 39.50 feet;
61. South 00° 44' 47" West, a distance of 36.75 feet;
62. South 24° 10' 00" East, a distance of 74.51 feet;
63. South 66° 23' 33" East, a distance of 23.55 feet;
64. South 47° 33' 07" West, a distance of 87.07 feet, to the POINT OF BEGINNING
and CONTAINING approximately 329,328 s.f. (7.56 acres), more or less.]

(End of Legal Description)

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
Lease Revenue Bonds, 2025 Series A

BOND PURCHASE AGREEMENT

_____, 2025

Santa Cruz County Capital Financing Authority
701 Ocean Street
Santa Cruz, CA
95060

Santa Cruz County
701 Ocean Street
Santa Cruz, CA
95060

Ladies and Gentlemen:

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), hereby offers to enter into this bond purchase agreement (the "Bond Purchase Agreement") with the Santa Cruz County Capital Financing Authority (the "Authority") and Santa Cruz County (the "County"). Upon the acceptance hereof by the Authority and the County prior to 11:59 P.M., Los Angeles time, on the date hereof, this offer will be binding upon the Authority, the County and the Underwriter. This offer is made subject to (a) the written acceptance hereof by the Authority and the County, and (b) withdrawal by the Underwriter upon written notice (given electronically or otherwise) delivered to the Authority and the County at any time prior to the acceptance hereof by each of the Authority and the County.

The Authority and the County hereby acknowledge and agree that (a) the purchase and sale of the 2025 Bonds (as defined herein) pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction among the Authority, the County and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Authority or the County, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority or the County with respect to the offering and sale of the 2025 Bonds contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the County on other matters) and the Underwriter has no obligation to the Authority or the County with respect to the offering and sale of the 2025 Bonds contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, and (d) the Authority and the County have

consulted their own legal, financial and other advisors to the extent they have deemed appropriate, in connection with the issuance of the 2025 Bonds and the other matters contemplated by this Bond Purchase Agreement. The County and the Authority acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB"). The undersigned representative of the Underwriter has been duly authorized to execute this Bond Purchase Agreement on behalf of the Underwriter and to act hereunder.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase on the Closing Date (as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter on the Closing Date, the \$_____ aggregate principal amount of Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (the "2025 Bonds").

The 2025 Bonds shall be dated their date of delivery, and shall have the maturities, bear interest at the rates, have reoffering yields, and be subject to mandatory sinking fund redemption as shown on Exhibit A hereto.

The aggregate purchase price to be paid by the Underwriter for the 2025 Bonds is hereby agreed to be \$_____, which amount represents the principal amount of the 2025 Bonds of \$_____, less \$_____, representing the Underwriter's discount, plus \$_____, representing net original issue premium.

Such payment and delivery of the 2025 Bonds and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing" or "Closing Date."

The 2025 Bonds are being issued pursuant to Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, a resolution of the Authority authorizing the issuance of the 2025 Bonds, adopted on _____, 2025 (the "Authority Resolution"), and an Indenture of Trust, dated as of June 1, 2024, as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2025 (as amended and supplemented, the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee").

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

The 2025 Bonds are being issued to finance the acquisition of and improvements to certain facilities and to pay the costs incurred in connection with the issuance of the 2025 Bonds.

The 2025 Bonds are payable from the revenues pledged under the Indenture. The revenues consist primarily of lease payments (the "Base Rentals") to be made by the County to the Authority as the rental for real property and improvements thereon (the "Leased Property") and from certain funds held under the Indenture and investment earnings thereon (collectively with the Base Rentals, the "Revenues"), and from net proceeds of insurance or condemnation awards with respect to the Property.

Pursuant to a Site and Facility Lease, dated as of June 1, 2024 as amended and supplemented by a First Amendment to Site and Facility Lease, dated as of August 1, 2025 (as amended and supplemented the "Site Lease"), by and between the Authority and the County, the County will lease the Leased Property to the Authority. The Authority will sublease the Leased

Property back to the County under a Lease Agreement, dated as of June 1, 2024, as amended and supplemented by a First Amendment to Lease Agreement, dated as of August 1, 2025 (as amended and supplemented, the "Lease"), by and between the County and the Authority.

Payments are to be made by the County pursuant to the Lease. Under the Lease, the County is required to make the Base Rentals from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due, subject to abatement. All of the Authority's right, title and interest in and to the Lease (except for the right to receive Additional Payments to the extent payable to the Authority and certain rights to indemnification), including the right to receive Base Rentals under the Lease, are assigned to the Trustee for the benefit of the Owners of the Bonds.

A preliminary official statement of the Authority and the County, dated _____, 2025 (together with the Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), has been prepared for use in marketing the 2025 Bonds, and a final Official Statement of the Authority and the County to be dated the date hereof, as amended to conform to the terms of this Bond Purchase Agreement, and with such changes and amendments as are mutually agreed to by the Authority, the County and the Underwriter, including the cover page, the appendices and all information incorporated therein by reference, is herein collectively referred to as the "Official Statement," which shall be in substantially the form of the Preliminary Official Statement, with such changes and amendments thereto as may be mutually agreed upon by the Underwriter, the Authority and the County.

It shall be a condition to the Authority's obligation to sell and to deliver the 2025 Bonds to the Underwriter and to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the 2025 Bonds that the entire \$_____ aggregate principal amount of the 2025 Bonds, as authorized by the Indenture, shall be sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter may change the offering prices (or yields) of the 2025 Bonds from time to time. The 2025 Bonds may be offered and sold to certain dealers at prices lower than the initial public offering prices. The obligation of the Authority to sell and deliver the 2025 Bonds to the Underwriter shall also be conditioned upon the delivery by Norton Rose Fulbright US LLP, Bond Counsel ("Bond Counsel"), of its approving legal opinions with respect to the 2025 Bonds.

The Authority and the County hereby authorize the Underwriter to use and distribute the Lease, the Indenture, the Preliminary Official Statement and the Official Statement and the information contained in such documents in connection with the public offering and sale of the 2025 Bonds. The Authority and the County have authorized the use of the Preliminary Official Statement in connection with the public offering of the 2025 Bonds by the Underwriter prior to the date hereof.

2. Bona Fide Public Offering. The Underwriter agrees to make a bona fide public offering of all of the 2025 Bonds, at prices not in excess of the initial public offering yields or prices set forth on the inside cover page of the Official Statement. Subject to Section 3(c), the 2025 Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; *provided, however*, that the Underwriter may offer a portion of the 2025 Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the 2025 Bonds and to offer and sell the 2025 Bonds to certain dealers (including dealers depositing the 2025 Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A

attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the 2025 Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the 2025 Bonds or the amount to be paid by the Underwriter to the Authority for the 2025 Bonds.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the County in establishing the issue price of the 2025 Bonds and shall execute and deliver to the Authority and the County at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the County and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2025 Bonds. All actions to be taken by the Authority and the County under this Section 3 to establish the issue price of the 2025 Bonds may be taken on behalf of the Authority and the County by the County's Municipal Advisor (hereinafter defined) and any notice or report to be provided to the Authority and the County may be provided to the County's Municipal Advisor.

(b) The Authority and the County will treat the first price at which 10% of each maturity of the 2025 Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority and the County the price or prices at which it has sold to the public each maturity of 2025 Bonds. If at that time the 10% test has not been satisfied as to any maturity of the 2025 Bonds, the Underwriter agrees to promptly report to the Authority and the County the prices at which it sells the unsold 2025 Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the 2025 Bonds of that maturity or until all 2025 Bonds of that maturity have been sold to the public, provided that the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the County or Bond Counsel.

(c) The Underwriter confirms that it has offered the 2025 Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the 2025 Bonds for which the 10% test has not been satisfied and for which the Authority, the County and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority and the County to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2025 Bonds, the Underwriter will neither offer nor sell unsold 2025 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the 2025 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority and the County promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the 2025 Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

- (i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the 2025 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold 2025 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all 2025 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the 2025 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of 2025 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2025 Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

- (ii) any selling group agreement relating to the initial sale of the 2025 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2025 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) report the prices at which it sells to the public the unsold 2025 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all 2025 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the 2025 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority and the County acknowledge that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the 2025 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2025 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price

rule, if applicable to the 2025 Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the 2025 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2025 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority and the County further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2025 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025 Bonds.

(f) The Underwriter acknowledges that sales of any 2025 Bonds to any person that is a related party to an underwriter participating in the initial sale of the 2025 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority and the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2025 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2025 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2025 Bonds to the public),
- (iii) a purchaser of any of the 2025 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

4. The 2025 Bonds. The 2025 Bonds will be issued, executed and delivered pursuant to the Indenture. The Board of Supervisors of the County adopted a resolution on _____, 2025, relating to the 2025 Bonds (the “County Resolution”). This Bond Purchase Agreement, the Site Lease, the Lease and the Continuing Disclosure Certificate (as hereinafter defined), are collectively referred to as the “County Documents.” This Bond Purchase Agreement, the Indenture, the Site Lease, the Lease and the Assignment Agreement, dated as of June 1, 2024, as amended by an Amended and Restated Assignment Agreement, dated as of August 1, 2025, by and between the Authority and the Trustee, are collectively referred to as the “Authority Documents.”

5. Official Statement, Continuing Disclosure.

(a) The Authority and the County represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the 2025 Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) The Underwriter agrees that, prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the 2025 Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent electronically or by first class mail (or other equally prompt means) not later than the second business day following the date upon which each such request is received.

(c) The Authority agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the final Official Statement relating to the 2025 Bonds as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of the Rule and with Rule G-32, Rule G-36 and all other applicable rules of the Municipal Securities Rulemaking Board. The Authority agrees to deliver such Official Statements within seven business days after the execution hereof. The Underwriter agrees to give notice to the Authority on the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule, which date shall be no earlier than 25 days after the "end of the underwriting period," as determined in accordance with subsection (e) herein.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter that 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 (ii) 25 days after the date of the Closing, the Authority and the County shall provide the Underwriter with such information regarding the Authority and the County, each of their current financial conditions and ongoing operations as the Underwriter may reasonably request.

(e) The County agrees that, for a period of 25 days after the "end of the underwriting period" (as defined in the Rule), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the County shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The County shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. 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 required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. The County shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the 2025 Bonds. Unless the Underwriter otherwise advises the County that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date. If such notification shall be subsequent to the Closing, the County shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The County hereby covenants and agrees that it will, on or prior to the Closing Date, enter into an agreement or contract for the benefit of the owners of the 2025 Bonds in which the County will undertake to provide financial information, operating data and notices of material events as required by paragraph (d)(2)(ii) of the Rule substantially in the applicable form in Appendix E to the Official Statement (the "Continuing Disclosure Certificate").

(g) The Underwriter agrees to file the Official Statement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or as otherwise provided by the Securities Exchange Commission or Municipal Securities Rulemaking Board within one business day after receipt thereof from the County, but in no event later than the Closing Date.

6. Representations, Warranties and Agreements of the County. The County represents, warrants and agrees as follows:

(a) The County is a political subdivision duly organized and validly existing under the laws of the State of California.

(b) The County has full legal right, power and authority (i) to enter into, execute and deliver the County Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the County Documents and the Official Statement.

(c) By all necessary official action, the County has duly authorized and approved the County Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in the County Documents, and the consummation by it of all other transactions contemplated by the County Documents, all pursuant to the County Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the Board of Supervisors of the County was continuously present. The County Resolution has not been modified, amended or rescinded since the date of its adoption.

(d) The County is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the County Documents) or other instrument to which the County is a party which breach or default has or may have an adverse effect on the ability of the County to perform its obligations under the County Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the County Documents, and compliance with the provisions on the County's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County or under the terms of any such law, regulation or instrument, except as provided by the County Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the County of its obligations under the County Documents or the consummation by it of all other transactions contemplated by the County Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2025 Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the County of its obligations under the County Documents have been duly obtained.

(f) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the County, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the County executing this Bond Purchase Agreement, threatened against the County, affecting the existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2025 Bonds pursuant to the Indenture, or contesting or affecting as to the County the validity or enforceability of the 2025 Bonds or the County Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the County to cause the execution and delivery by the County of the County Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the County, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the 2025 Bonds or the authorization, execution, delivery or performance by the County of the County Documents.

(g) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the 2025 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the 2025 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2025 Bonds; provided, however, that the County shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(h) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the County's acceptance hereof, and (unless an event occurs of the nature described in paragraph (k) of this Section 6) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 5 hereof) any event of which the officer of the County executing this Bond Purchase Agreement has knowledge shall occur affecting the County which might adversely affect the marketability of the 2025 Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(l) Any certificate signed by any officer of the County and delivered to the Underwriter pursuant to the County Documents or any document contemplated thereby or required for the valid execution and delivery of the 2025 Bonds shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein.

(m) So long as any of the 2025 Bonds are outstanding and except as may be authorized by the Indenture, the County will not issue or sell, or cause to be issued or sold, any bonds or other obligations, other than the 2025 Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from Base Rentals.

(n) Between the date of this Bond Purchase Agreement and the date of Closing, the County will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, secured payable from the County's general fund.

(o) The County shall honor all other covenants on its part contained in the Lease which are incorporated herein and made a part of this Bond Purchase Agreement.

(p) Based on a review of its prior undertakings with respect to the Rule, except as disclosed in the Official Statement, the County has never failed to comply in all material respects with any undertaking of the County pursuant to the Rule.

(q) The audited financial statements of the County appended to the Official Statement for the year ended June 30, 2024, and any stub financial information presented in the body thereof, fairly present the financial position and results of the County as of the dates and for the periods set forth. Prior to the Closing Date, there will have been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the County. Except as described in the Preliminary Official Statement and the Official Statement, the County is not a party to any litigation or other proceeding pending, or to its knowledge, threatened, which if, decided adversely to the County, would have a materially adverse effect on the financial condition of the County.

7. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to a Joint Exercise of Powers Agreement, dated as of February 25, 2014, as amended, by and between the County and the Santa Cruz County Flood Control and Water Conservation District (the "JPA Agreement"), and as of the time of acceptance hereof and as of the date of Closing, except as otherwise disclosed in the Official Statement, the Authority has complied with the filing requirements of section 6500 *et seq.* of the California Government Code.

(b) The Authority has full legal right, power and authority (i) to enter into, execute and deliver the Authority Documents and to sell and deliver the 2025 Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the 2025 Bonds and the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the execution and delivery of the 2025 Bonds on its part contained in the 2025 Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the execution and delivery of the 2025 Bonds, all pursuant to the Authority Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the board members of the Authority was continuously present. The Authority Resolution has not been modified, amended or rescinded since the date of its adoption and each Authority Document is the valid and binding obligation of the Authority.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or the JPA Agreement, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Authority Documents) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the 2025 Bonds or the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the 2025 Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the 2025 Bonds and the Authority Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by,

the Authority of its obligations in connection with the execution and delivery of the 2025 Bonds under the Authority Documents or the consummation by it of all other transactions contemplated by the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2025 Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the 2025 Bonds and the Authority Documents have been duly obtained.

(f) The 2025 Bonds, when executed, issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly executed and outstanding obligations, entitled to the benefits of the Indenture, and upon such execution and delivery, the Indenture will provide, for the benefit of the Owners from time to time of the 2025 Bonds, the legally valid and binding security interest it purports to create.

(g) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, execution or delivery of the 2025 Bonds pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the 2025 Bonds or the Authority Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority to cause the execution and delivery of the 2025 Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the 2025 Bonds or the authorization, execution, delivery or performance by the Authority of the 2025 Bonds or the Authority Documents.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the 2025 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the 2025 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2025 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(i) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (l) of this Section 7) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the

Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended pursuant to paragraph (l) of this Section 7, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the Authority executing this Bond Purchase Agreement has knowledge shall occur affecting the Authority which might adversely affect the marketability of the 2025 Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(m) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby or required for the valid execution and delivery of the 2025 Bonds shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(n) The Authority will cause the proceeds from the sale of the 2025 Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the 2025 Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any Bonds or other obligations, other than the 2025 Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from the Revenues.

(o) The Authority shall honor all other covenants on its part contained in the Indenture and the Lease which are incorporated herein and made a part of this Bond Purchase Agreement.

8. Closing. At 8:00 A.M., California time, on _____, 2025, or on such other date and time as may be mutually agreed upon by the Authority, the County and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver to the Trustee as FAST agent for The Depository Trust Company ("DTC"), New York, New York, to be held for the account of the Underwriter at DTC or at such other place as the Authority, the County and the Underwriter may mutually agree upon, the 2025 Bonds in definitive, fully registered form (one Bond for each maturity), duly executed and registered in the name of Cede & Co. as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter shall wire to the Trustee Federal Reserve Bank Funds in the amount of the purchase price of the 2025 Bonds.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the County contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and

the County of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the 2025 Bonds shall be conditioned upon the performance by the Authority and the County of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements the officers and other officials of the Authority and of the County, as the Underwriter, authorized representatives of Bond Counsel, the Trustee, counsel to the Authority and counsel to the County made in any certification or other documents furnished pursuant to the provisions hereof, and shall also be subject to the following additional conditions:

(a) The respective representations and warranties of the Authority and the County contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the County Documents and the Authority Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) All necessary official action of the Authority, the County and of the other parties thereto relating to the County Documents and the Authority Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the County or the 2025 Bonds, as the foregoing are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the 2025 Bonds; and

(e) At or prior to the Closing Date, the Underwriter shall have received copies of each of the following documents:

(i) the 2025 Bonds;

(ii) the Official Statement and each supplement or amendment, if any, thereto, executed by authorized officers of the Authority and the County;

(iii) a copy of the Indenture, executed by the parties thereto;

(iv) a copy of the Site and Facility Lease, executed by the parties thereto;

(v) a copy of the Lease, executed by the parties thereto;

(vi) a copy of the Continuing Disclosure Certificate, executed by the County;

(vii) a certified copy of the JPA Agreement;

(viii) receipts for the 2025 Bonds and the 2025 Bond proceeds;

(ix) a certificate or certificates of the County, dated the Closing Date, to the effect that:

(A) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the County has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the County at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the 2025 Bonds, (ii) the adoption of the County Resolution, or (iii) the execution and delivery of the County Documents and performance of its obligations thereunder, has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2024, and prior to Closing, there have been no material adverse changes in the financial position of the County, except as described in the Official Statement;

(D) no event affecting the County has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(E) the information and statements contained in the Official Statement (other than information relating to the Underwriter and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the County is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which would have a material adverse impact on the County's ability to perform its obligations under the County 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;

(F) no consent is required for the inclusion of the County's audited financial statements for the Fiscal Year ended June 30, 2024, in the Official Statement;

(G) the County is in compliance, in all material respects, with the terms of the County Documents;

(H) the 2025 Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE 2025 BONDS" and the proceeds of sale of the 2025 Bonds will be applied as described in the Official Statement under the caption "THE FINANCING PLAN;" and

(I) there is no lawsuit, regulatory or other action now pending, or, to the best knowledge of the County, threatened, to attempt to limit, enjoin or otherwise restrict or prevent the County from making the Base Rentals under the Lease;

(x) a certificate or certificates of the Authority, dated the Closing Date, to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Authority has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the 2025 Bonds, (ii) the adoption of the Authority Resolution, or (iii) the execution and delivery of the Authority Documents, has been repealed, modified, amended, revoked or rescinded;

(C) no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(D) the information and statements contained in the Official Statement (other than information relating to the Underwriter and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(xi) an opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of counsel to the County, to the effect that:

(A) the County is duly organized and validly existing under the Constitution and laws of the State of California;

(B) the resolution of the County approving and authorizing the execution and delivery of the County Documents and approving and authorizing the issuance of the 2025 Bonds and the delivery of the Official Statement and other actions of the County was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the County has been served or, to such counsel's knowledge, threatened against or affecting the County, except as may be disclosed in the Official Statement, which would materially adversely impact the County's ability to complete the transactions contemplated by the County Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Lease Payments with respect to the Lease Agreement, or in any way contesting or affecting the validity of the 2025 Bonds, the Official Statement or the County Documents;

(D) the execution and delivery of the County Documents and compliance with the provisions thereof do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject, which breach or default has or may have a material adverse effect on the ability of the County to perform its obligations under the County Documents;

(E) no authorization, approval, consent, or other order of the State of California or any other governmental body within the State of California is required for the valid authorization, execution and delivery of the County Documents or the consummation by the County of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the 2025 Bonds by the Underwriter; and

(F) based on the information made available to such counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the date of Closing (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed and information relating to the Authority and DTC and its book entry system) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xii) an opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(A) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the JPA Agreement;

(B) the resolution of the Authority approving and authorizing the execution and delivery of the Authority Documents and approving and authorizing the issuance of the 2025 Bonds and the delivery of the Official Statement and other actions of the Authority was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the Authority has been served or, to such counsel's knowledge, threatened against or affecting the Authority, except as may be disclosed in the Official Statement, which would materially adversely impact the Authority's ability to complete the transactions contemplated by the Authority Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Lease Payments with respect to the Lease Agreement, or in any way contesting or affecting the validity of the 2025 Bonds, the Official Statement or the Authority Documents;

(D) the execution and delivery of the Authority Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents;

(E) no authorization, approval, consent, or other order of the State of California or any other governmental body within the State of California is required for the valid authorization, execution and delivery of the Authority Documents or the consummation by the Authority of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the 2025 Bonds by the Underwriter; and

(F) based on the information made available to such counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the date of Closing (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed and information relating to the County and DTC and its book entry system) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) opinions, dated the Closing Date and addressed to the Authority, of Bond Counsel, substantially in the forms set forth in Appendix F to the Official Statement, together with a letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinions may be relied upon by the Underwriter to the same extent as if such opinions were addressed to the Underwriter;

(xiv) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(A) the 2025 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by the Authority and the County and is a valid and binding agreement of the Authority and the County; and

(C) the statements contained in the Official Statement under the captions “THE 2025 Bonds,” “SOURCES OF PAYMENT FOR THE 2025 Bonds” and “LEGAL MATTERS,” in APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS and in APPENDIX F—PROPOSED FORM OF BOND COUNSEL’S OPINION, insofar as such statements expressly summarize certain provisions of the Indenture, the Lease, certain tax matters relating to the 2025 Bonds and the final opinion of Bond Counsel, are accurate in all material respects;

(xv) a letter, dated the Closing Date and addressed to the Authority, the Municipal Advisor and the Underwriter of Best Best & Krieger LLP, Riverside, California, Disclosure Counsel (“Disclosure Counsel”), to the effect that based upon its participation in the preparation of the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that during the course of such representation of the Authority as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendices A, C or F to the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) the opinion of Underwriter’s counsel satisfactory to Underwriter;

(xvii) a certificate of an authorized officer of the Trustee satisfactory to the Underwriter, certifying substantially as follows:

(A) the Trustee is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into the Indenture and to perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the 2025 Bonds to the Underwriter pursuant to the terms of the Indenture and, when executed by the other parties thereto, the Indenture will constitute a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms;

(C) the 2025 Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Authority;

(D) the Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or of any department, division, agency or instrumentality thereof, of any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture;

(E) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the 2025 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2025 Bonds or the Indenture;

(F) the execution and delivery of the Indenture will not conflict with or constitute a breach of or default under the Trustee's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(G) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication and delivery of the 2025 Bonds, the execution and delivery of the Indenture, the performance of the Trustee's duties under the Indenture or the consummation by the Trustee of the other transactions contemplated by the Indenture, except as such may be required under the state securities or blue sky laws in connection with the distribution of the 2025 Bonds by the Underwriter;

(xviii) an opinion of counsel to the Trustee in form and substance acceptable to the Underwriter;

(xix) 15c2-12 certificates of the County and the Authority;

(xx) certified copies of the County Resolution and the Authority Resolution;

(xxi) evidence that S&P Global Ratings has assigned the rating of "AA+" to the 2025 Bonds;

(xxii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xxiii) a Tax Certificate and Agreement relating to the 2025 Bonds in a form satisfactory to Bond Counsel;

(xxiv) a copy of a CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the County's leasehold interest in the Property, subject only to Permitted Encumbrances (as defined in the Lease) or such other encumbrances approved in writing by the Underwriter;

(xxv) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the 2025 Bonds;

(xxvi) a certificate of Harrell & Company Advisors, LLC, as municipal advisor to the County (the "Municipal Advisor"), dated the Closing Date and addressed to the County and the Underwriter, to the effect that, while the Municipal Advisor has not independently verified or undertaken an independent investigation of the information in the Preliminary Official Statement and the Official Statement, based on its participation in the preparation and review of the Preliminary Official Statement and Official Statement (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendices A, C or F to the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed), no information has come to its attention which would lead it to believe that the information contained in the Preliminary Official Statement and Official Statement is as of the date of delivery of the 2025 Bonds, not true or correct in all material respects, or that the Preliminary Official Statement and the Official Statement contains any untrue statement of a material fact or omits to state a material fact where necessary to make a statement not misleading in light of the circumstances under which it was made;

(xxvii) the DTC Letter of Representations; and

(xxviii) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the County's and the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County and the Authority on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by each of them.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter.

If the Authority and the County shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2025 Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2025 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter, the Authority or the County shall be under any further obligation hereunder.

10. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the 2025 Bonds by notifying the Authority and the County in writing or by telegram, of its election to do so, if, after the execution hereof and prior to the Closing:

(a) a decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or be enacted or a decision by a federal court of the United States or the United States Tax Court shall have been rendered, or a ruling, release, order, regulation or offering circular by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency shall have been made or proposed to be made having the purpose or effect, or any other action or event shall have occurred which has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax

consequences of owning the 2025 Bonds, including causing interest on the 2025 Bonds to be included in gross income for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the Authority or by any similar body under the Indenture, the Lease or similar documents or upon interest received on obligations of the general character of the 2025 Bonds which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of or market for the 2025 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2025 Bonds; or

(b) legislation shall have been introduced or enacted, resolution passed, or considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States shall have been rendered, the effect of which is that the 2025 Bonds, including any underlying obligations, or the Indenture, as the case may be, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, 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

(c) a stop order, ruling, regulation or offering circular by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the 2025 Bonds, including any underlying obligations, or the execution of the Indenture, as contemplated hereby or by the Official Statement, is or would be in violation of any provisions of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, 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

(d) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the 2025 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2025 Bonds; or

(e) there shall be in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the 2025 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2025 Bonds; or

(f) a general banking moratorium shall have been declared by federal, New York or State authorities; or

(g) any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Authority or the County; or

(h) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(i) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory authority, shall impose, as to the 2025 Bonds or obligations of the general character of the 2025 Bonds, any material restrictions not now in force, or increase

materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of the Underwriter; or

(j) the rating on the 2025 Bonds, or on any other bonds, notes or other obligations of the County, shall have been placed on review, downgraded, suspended, withdrawn or changed to negative watch in credit watch status by a national rating service which, in the opinion of the Underwriter, materially adversely affects the market price of the 2025 Bonds; or

(k) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the County or the Authority, or their property, income securities (or interest thereon); or

(l) any event's occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(m) 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 which the County has failed to provide; or

(n) there shall have occurred any materially adverse change in the affairs or financial condition of the County, other than as disclosed in the Official Statement; or

(o) the purchase of and payment for the 2025 Bonds by the Underwriter, or the resale of the 2025 Bonds by the Underwriter, on the terms and conditions herein provided, shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(p) any change, which in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the 2025 Bonds or the financial condition of the County.

If this Bond Purchase Agreement shall be terminated pursuant to Section 9 or this Section 10, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligations hereunder is not satisfied or because of any refusal, inability or failure on the part of the County or the Authority to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the County or the Authority shall be unable to perform all of its respective obligations under this Bond Purchase Agreement, none of the County or the Authority shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement. The Underwriter may, in its sole discretion, waive any of the conditions set forth in Section 9 or this Section 10.

11. Payment of Costs and Expenses.

(a) All costs and expenses incident to the sale and delivery of the 2025 Bonds to the Underwriter shall be payable by the Authority from the proceeds of the 2025 Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the 2025 Bonds; (ii) the fees and expenses of the County, its counsel, the Municipal Advisor and consultants; (iii) the fees and expenses of the Authority, its counsel and consultants; (iv) the fees and expenses of Bond Counsel; (v) the fees and expenses of Disclosure Counsel; (vi) the fees and expenses of the Verification Agent; (vii) all expenses in connection with the preparation and printing of the 2025 Bonds; (viii) all expenses in connection with the preparation, printing, distribution and delivery of

the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (ix) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (x) the fees and expenses of any rating agency rating the 2025 Bonds.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the 2025 Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's counsel, (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the 2025 Bonds, fees for Lumesis to provide a continuing disclosure review and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the County; and (iv) the fees of the California Debt and Investment Advisory Commission.

The Authority and the County acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the 2025 Bonds.

12. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

If to the Authority: Santa Cruz County Capital Financing Authority
c/o Santa Cruz County
701 Ocean Street
Santa Cruz, CA 95060
Attention: Assistant Executive Director
Phone: (831) 454-2100

If to the County: Santa Cruz County
701 Ocean Street
Santa Cruz, CA 95060
Attention: Assistant County Executive Officer
Phone: (831) 454-2100

To the Underwriter: Stifel, Nicolaus & Company, Incorporated
2121 Avenue of the Stars, Suite 2150
Los Angeles, CA 90067
Attention: Ms. Sara Oberlies Brown, Managing Director
Phone: (213) 443-5004

13. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the County and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the County's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of:

(a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the 2025 Bonds pursuant to this Bond Purchase Agreement; and (c) any termination of this Bond Purchase Agreement.

14. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the end of the underwriting period for the 2025 Bonds shall mean the earlier of (a) the Closing Date unless the County and the Authority have been notified in writing by the Underwriter, on or prior to the Closing Date, that the "end of the underwriting period" for the 2025

Bonds for all purposes of the Rule will not occur on the Closing Date, or (b) the date on which notice is given to the County and the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the County and the Authority pursuant to clause (a) above that the “end of the underwriting period” for the 2025 Bonds will not occur on the Closing Date, the Underwriter agrees to notify the County and the Authority in writing as soon as practicable following the “end of the underwriting period” for the 2025 Bonds for all purposes of the Rule. The Underwriter agrees to file a copy of the Official Statement with each of the nationally recognized municipal securities information repositories.

15. No Assignment. This Bond Purchase Agreement is entered into among the County, the Authority and the Underwriter, and none of them shall assign any right or obligation hereunder without the prior written consent of the other parties hereto.

16. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution of the acceptance hereof by an authorized representative of the County and an authorized representative of the Authority, and shall be valid and enforceable at the time of such acceptance.

17. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

18. Governing Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

19. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the County, the Authority and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Name _____
Title _____

ACCEPTED AND AGREED at:
_____ p.m., _____, 2025

SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY

By _____
Name _____
Title _____

ACCEPTED AND AGREED at:
_____ p.m., _____, 2025

SANTA CRUZ COUNTY

By _____
Name _____
Title _____

EXHIBIT A

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
Lease Revenue Bonds, 2025 Series A

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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REDEMPTION PROVISIONS

Optional Redemption. The 2025 Bonds maturing on or before June 1, ____, are not subject to redemption prior to their respective stated maturities. The 2025 Bonds maturing on or after June 1, ____, are subject to redemption in whole, or in part at the election of the Authority among maturities on such basis as shall be designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after June 1, ____, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2025 Bonds are subject to redemption as a whole, or in part, on any date, pro rata in integral multiples of \$5,000, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair, reconstruct or replace any portion of the Property damaged or destroyed or elected by the Authority, at the direction of the County to be used for such purpose, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium on a pro rata basis with all outstanding 2025 Bonds.

Mandatory Sinking Fund Redemption. The 2025 Bonds maturing on June 1, ____, and June 1, ____ (the "Series A Term Bonds") are also subject to redemption in part by lot on June 1 in each of the years as set forth in the following tables at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date without premium or in lieu thereof shall be purchased as described below in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided however that if some but not all of either or both of the Series A Term Bonds have been redeemed pursuant to the special mandatory redemption, special optional redemption or optional redemption provisions described above, the total amount of all future payments with respect to the Series A Term Bonds so redeemed shall be reduced by the aggregate principal amount of the Series A Term Bonds so redeemed to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Authority (written notice of which determination and revised sinking account schedule shall be given by the Authority to the Trustee).

<u>Series A Term Bonds maturing June 1, _____</u>	
Sinking Fund	
Redemption Date	Principal Amount
(June 1)	To be
	Redeemed
_____	_____

† Maturity

<u>Series A Term Bonds maturing June 1, _____</u>	
Sinking Fund	
Redemption Date	Principal Amount
(June 1)	To be
Redeemed	

† Maturity

EXHIBIT B
ISSUE PRICE CERTIFICATE

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
Lease Revenue Bonds, 2025 Series A

ISSUE PRICE CERTIFICATE

The undersigned, Stifel, Nicolaus & Company, Incorporated, as underwriter ("Stifel"), based on the information available to it, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "2025 Bonds").

I. General

1. Stifel, the Santa Cruz County Capital Financing Authority (the "Issuer") and Santa Cruz County have executed a bond purchase agreement in connection with the 2025 Bonds on the Sale Date. Stifel has not modified the bond purchase agreement since its execution on the Sale Date.

II. Price

1. As of the date of this certificate, for each Maturity of the 2025 Bonds, the first price at which at least 10% of such Maturity of the 2025 Bonds was sold to the Public is the respective price listed in Schedule A.

III. Defined Terms

1. Maturity means 2025 Bonds with the same credit and payment terms. 2025 Bonds with different maturity dates, or 2025 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

2. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

3. A person is a "Related Party" to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

4. Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the 2025 Bonds. The Sale Date of the 2025 Bonds is _____, 2025.

5. Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with Stifel to form an underwriting syndicate) to participate in the initial sale of the 2025 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the 2025 Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2025 Bonds to the Public).

All terms not defined herein shall have the same meanings as in the Tax Certificate with respect to the 2025 Bonds, to which this Certificate is attached.

The Issuer may rely on the statements made herein in connection with its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel may also rely on this Certificate for purposes of its opinion regarding the treatment of interest on the 2025 Bonds as excludable from gross income for federal income tax purposes. However, notwithstanding the foregoing, we remind you that Stifel is not an accountant or actuary, nor is Stifel engaged in the practice of law. Accordingly, while Stifel believes the calculations described above to be correct, it does not warrant their validity for purposes of Sections 103 and 141 through 150 of the Code or make any representation as to the legal sufficiency of the factual matters set forth herein. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

Dated: _____, 2025

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Name _____
Title _____

SCHEDULE A TO ISSUE PRICE CERTIFICATE

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
Lease Revenue Bonds, 2025 Series A

<u>Hold-the- Offering Price Maturities</u>	<u>General Rule Maturities</u>	<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
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FIRST SUPPLEMENTAL INDENTURE

by and between the

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

and

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

Dated as of August 1, 2025

Relating to

\$(PAR AMOUNT)
Santa Cruz County Capital Financing Authority
Lease Revenue Bonds,
2025 Series A

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FIRST SUPPLEMENTAL INDENTURE

This FIRST SUPPLEMENTAL INDENTURE is dated as of August 1, 2025, by and between the SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States with a corporate trust office in Los Angeles, California and qualified to accept and administer the trusts hereby created, as trustee (the “Trustee”), and amends and supplements the Indenture, dated as of June 1, 2024 (the “Original Indenture” and, together with this First Supplemental Indenture, the “Indenture”), between the Authority and the Trustee.

RECITALS:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated February 25, 2014 (as amended, the “Joint Exercise of Powers Agreement”), between the County of Santa Cruz, California (the “County”), and the Santa Cruz County Flood Control and Water Conservation District, a water conservation district duly organized and existing under the Constitution and laws of the State of California (the “State”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of assisting in the financing and refinancing for capital improvements of the County; and

WHEREAS, the County desires to finance public capital improvements to the County’s Ben Lomond Transfer Station, the acquisition of certain real property at 420 and 440 May Avenue, Santa Cruz, California, and other public capital improvements; and

WHEREAS, the Authority has previously issued its Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2024 Series C (the “2024 Bonds”) payable from and secured by revenues consisting primarily of Base Rental Payments to be made by the County; and

WHEREAS, the Authority has determined to assist the County in providing funds to finance the 2025A Project (as defined herein) and to refund the 2024 Bonds by issuing its Lease Revenue Bonds, 2025 Series A (the “2025A Bonds”), pursuant to and secured by the Indenture in the manner provided therein; and

WHEREAS, the County and the Authority have entered into a First Amendment to Site and Facility Lease, dated as of August 1, 2025, amending the Site and Facility Lease, dated as of June 1, 2024 (together, the “Site Lease”), whereby the Authority has agreed to lease the Leased Property from the County; and

WHEREAS, the Authority and the County have entered into a First Amendment to Lease Agreement, dated as of August 1, 2025, amending the Lease Agreement, dated as of June 1, 2024 (together, the “Lease”), whereby the Authority has agreed to sublease the Leased Property to the County; and

WHEREAS, under and pursuant to the Lease, the County is obligated to make Base Rental Payments to the Authority for the sublease of the Leased Property; and

WHEREAS, as security for its obligations under the Indenture, the Authority has assigned, without recourse, all of its rights to receive the Base Rental Payments scheduled to be paid by the County under and pursuant to the Lease and certain other rights to the Trustee pursuant to an Amended and Restated Assignment Agreement, dated as of August 1, 2025 (the “Amended and Restated Assignment Agreement”), between the Authority and the Trustee, and the Indenture; and

WHEREAS, under the Original Indenture, the Authority previously issued its Lease Revenue Bonds, 2025 Series C (the “2024 Bonds”), and the 2025A Bonds will be issued as a Series of Additional Bonds under the Indenture; and

WHEREAS, the Base Rental Payments scheduled under the Lease are in such amounts as are sufficient to provide for scheduled payments of principal of and interest on the 2024 Bonds and the 2025A Bonds; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the 2025A Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this First Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH, that to secure the payment of the principal of and the interest and premium (if any) on all 2025A Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2025A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants therein and herein contained and of the purchase and acceptance of the 2025A Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2025A Bonds, as follows:

ARTICLE I DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of the Indenture and this First Supplemental Indenture and of any certificate, opinion, request or other document herein mentioned have the meanings herein specified.

“Original Indenture” means the Indenture, dated as of June 1, 2024, between the Authority and the Trustee, as originally executed and delivered.

“2024 Bonds” means the Authority’s Lease Revenue Bonds, 2024 Series C.

“2025A Bonds” means the Authority’s Lease Revenue Bonds, 2025 Series A.

“2025A Construction Costs” means the capital costs of acquisition and construction of the 2025A Project as determined in accordance with the Tax Certificate.

“2025A Construction Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.04 hereof.

“2025A Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“2025A Project” means the acquisition and construction of public capital improvements to the County’s Ben Lomond Transfer Station, the acquisition of certain real property at 420 and 440 May Avenue, Santa Cruz, California and other public capital improvements.

ARTICLE II ISSUANCE OF 2025A BONDS

SECTION 2.01. Designation. The 2025A Bonds are authorized to be issued by the Authority under and subject to the Bond Law and the terms of the Indenture. The 2025A Bonds shall be designated as the “Lease Revenue Bonds, 2025 Series A.” The 2025A Bonds shall be issued in the original aggregate principal amount of \$[PAR AMOUNT].

SECTION 2.02. Terms of 2025A Bonds.

The 2025A Bonds shall be dated the Closing Date thereof, shall mature on the dates and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

T

^TTerm Bonds

SECTION 2.03. Redemption of 2025A Bonds.

(a) Extraordinary Redemption. The 2025A Bonds are subject to extraordinary redemption prior to their respective maturity dates as set forth in Section 2.03(a) of the Original Indenture.

(b) Optional Redemption from Prepayments of Base Rental Payments. The 2025A Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date, by such maturities as may be designated by the Authority to the Trustee at least thirty (30) days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee) prior to the date fixed for redemption, or, if the Authority fails to so designate, in inverse order of maturity, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the County pursuant to Section 11(b) of the Lease, on or after June 1, 20__, at a redemption price equal to the principal amount of the

Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

(c) 2025A Mandatory Sinking Account Redemption. The 2025A Bonds maturing June 1, 20__ (the “20__ Term 2025A Bonds”) are subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule on June 1, 20__ [and]/[through] June 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Account Redemption Date (June 1)	Principal Amount To be Redeemed
	\$
*	

*Maturity.

If some but not all of the 20__ Term 2025A Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 20__ Term 2025A Bonds so redeemed by reducing each such future sinking account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 (for extraordinary redemptions) or as determined by the Authority (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the Authority with the Trustee.

(d) The 2025A Bonds maturing June 1, 20__ (the “20__ Term 2025A Bonds”) are subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule on June 1, 20__ [and]/[through] June 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Account Redemption Date (June 1)	Principal Amount To be Redeemed
	\$
*	

*Maturity.

If some but not all of the 20__ Term 2025A Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the

20__ Term 2025A Bonds so redeemed by reducing each such future sinking account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 (for extraordinary redemptions) or as determined by the Authority (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the Authority with the Trustee.

SECTION 2.04. Forms of 2025A Bonds. The 2025A Bonds, the forms of Trustee's certificate of authentication, and the forms of assignment to appear thereon, shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate series designations, variations, omissions and insertions, as permitted or required by the Indenture.

ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of 2025A Bonds. Upon the execution and delivery of this First Supplemental Indenture, the Authority shall execute and deliver the 2025A Bonds to the Trustee for authentication and delivery to the original purchaser thereof upon the Request of the Authority.

SECTION 3.02. Application of Proceeds of Sale of 2025A Bonds.

(a) Upon the receipt of payment for the 2025A Bonds on the Closing Date thereof, the Trustee shall apply \$[_____] of the proceeds of the sale of the 2025A Bonds (representing the principal amount of the 2025A Bonds of \$[PAR AMOUNT].00, plus bond premium of \$[_____] , less an underwriter's discount of \$[_____]), as follows:

(1) The Trustee shall deposit in the 2025A Costs of Issuance Fund the amount of \$[_____].

(2) The Trustee shall deposit in the 2025A Construction Fund the amount of \$[_____].

(b) The Trustee may establish such temporary funds, accounts and subaccounts as may be necessary or desirable to accomplish such deposits.

SECTION 3.03. 2025A Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee designated as the "2025A Costs of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the 2025A Bonds pursuant to Section 3.02(a) of this First Supplemental Indenture. The moneys in the 2025A Costs of Issuance Fund shall be used to pay Costs of Issuance related to the 2025A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition, substantially in the form attached hereto as Exhibit B, executed by an officer of the Authority. On the date that is 180 days following the Closing Date of the 2025A Bonds, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the 2025A Bonds have been paid or

provided for, the Trustee shall transfer any remaining amounts in the 2025A Costs of Issuance Fund to the Construction Fund, and the Trustee shall then close the 2025A Costs of Issuance Fund.

SECTION 3.04. 2025A Construction Fund. There is hereby established in trust a special fund designated the “2025A Construction Fund,” which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Monies in the 2025A Construction Fund shall be expended for the purposes specified in this Article III. The Trustee shall administer such fund and the accounts thereof as provided in this Article III.

There shall be deposited in the 2025A Construction Fund that portion of the proceeds of the 2025A Bonds required to be deposited therein pursuant to Section 3.02(a) hereof. The Trustee shall from time to time disburse monies from the 2025A Construction Fund to pay related 2025A Construction Costs, in each case promptly after receipt of a written payment request in the form attached hereto as Exhibit C. In making all such payments, the Trustee may rely upon the representations made in such written payment request. If for any reason the County should decide prior to the payment of any item in such written payment request not to pay such item, then it may give written notice of such decision to the Trustee, and thereupon the Trustee shall not make such payment. In no event shall the Trustee be responsible for the improper use of money properly disbursed pursuant to requests made under this subsection (a).

If, after payment by the Trustee of all written requests theretofore tendered to the Trustee under the provisions of this subsection (a), and delivery to the Trustee of a Certificate of the County certifying completion with respect to all of the 2025A Project there shall remain any balance of money in the 2025A Construction Fund, all money so remaining shall be transferred, at the written direction of the County, to any of the following accounts in such amounts as the County shall direct: (i) to the Interest Account of the Lease Revenue Fund, to the extent permitted by the Tax Certificate (as determined by the County), to be used to pay interest on the 2025A Bonds, or (ii) to the Principal Account of the Lease Revenue Fund, to pay principal of the 2025A Bonds. Notwithstanding anything herein to the contrary, in the event monies remain in the 2025A Construction Fund as of ____, 20__, the Trustee shall comply with the investment directions from the County, and the County shall be responsible for such directions complying with the restrictions on investments as set forth in the Tax Certificate.

ARTICLE IV COVENANTS OF THE AUTHORITY

SECTION 4.01. Power to Issue 2025A Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the 2025A Bonds and to enter into this First Supplemental Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The 2025A Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of Section 6.02 of the Original Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

ARTICLE V
AMENDMENTS TO ORIGINAL INDENTURE; MISCELLANEOUS

SECTION 5.01. Amendments to Original Indenture. The Original Indenture is hereby amended by restating the following definitions in Section 1.01 of the Original Indenture:

“Bond Year” means, with respect to the 2024A Bonds, each twelve-month period extending from June 2 in one calendar year to June 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on June 1, 2025, and, with respect to the 2025A Bonds, each twelve-month period extending from June 2 in one calendar year to June 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on June 1, 2026.

“Closing Date” means, with respect to the 2024 Bonds, June 20, 2024, being the date of delivery of the 2024 Bonds to the Original Purchaser thereof, and, with respect to the 2025A Bonds, [____], 2025, being the date of delivery of the 2025A Bonds to the Original Purchaser thereof.

“Original Purchaser” means, with respect to the 2024 Bonds, Stifel, Nicolaus & Company, Incorporated, and, with respect to the 2025A Bonds, Stifel, Nicolaus & Company, Incorporated.

SECTION 5.02. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this First Supplemental Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this First Supplemental Indenture or of the 2025A Bonds; but the Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be signed by their respective officers, all as of the day and year first above written.

SANTA CRUZ COUNTY CAPITAL
FINANCING AUTHORITY

By _____
Assistant Executive Director

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

By _____
Authorized Officer

EXHIBIT A

[FORM OF 2025A BOND]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____ \$ _____

**SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BOND,
2025 SERIES A**

<u>RATE OF INTEREST:</u>	<u>MATURITY DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP:</u>
_____ %	June 1, 20__	_____, 2025	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay (but only out of the Revenues, as defined in the Indenture hereinafter referred to, and certain other moneys) to the Registered Owner identified above or registered assigns (the “Registered Owner”), on the Maturity Date identified above or any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this 2025A Bond (unless this 2025A Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month preceding such Interest Payment Date, in which event, it shall bear interest from such Interest Payment Date, or unless this 2025A Bond is authenticated on or prior to November 15, 2025, in which event it, shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this 2025A Bond, interest is in default on this 2025A Bond, this 2025A Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on June 1 and December 1 in each year, commencing December 1, 2025 (the “Interest Payment Dates”) until payment of such Principal Amount in full. The Principal Amount

hereof is payable by check upon presentation hereof upon maturity or earlier redemption at the principal corporate trust office (the “Trust Office”) of The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), in Los Angeles, California, or at such other office as the Trustee may designate. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the Record Date preceding such Interest Payment Date (except that in the case of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Outstanding 2025A Bonds, such payment may, at such Registered Owner’s option, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Registered Owner prior to the Record Date preceding such Interest Payment Date).

This 2025A Bond is one of a duly authorized issue of bonds of the Authority designated the “Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A” (the “2025A Bonds”), in an aggregate principal amount of \$[PAR AMOUNT] issued under an Indenture, dated as of June 1, 2024, as supplemented by the First Supplemental Indenture, dated as of August 1, 2025 (together, the “Indenture”), each by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the 2025A Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The 2025A Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”). The 2025A Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), including all of the moneys in the Interest Account and the Principal Account, and all amounts derived from the investment of such amounts on deposit in such funds, as provided in the Indenture. All of the Bonds (as defined in the Indenture) are equally secured by a pledge of, and charge and lien upon, all of the Revenues and such amounts on deposit in such funds and accounts (other than deposits to the Rebate Fund created by the Indenture), and the Revenues and such amounts on deposit in such funds and accounts (other than deposits to the Rebate Fund created by the Indenture) constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the 2025A Bonds. The 2025A Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The 2025A Bonds have been issued for the purpose of financing or refinancing certain capital improvements for the County of Santa Cruz (the “County”). The Authority and the County have entered into a Lease Agreement, dated as of June 1, 2024, as amended by the First

Amendment to Lease Agreement, dated as of August 1, 2025 (together, the “Lease”), under which the County is obligated to make Base Rental Payments which are anticipated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds.

The 2025A Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date, by such maturities as may be designated by the Authority to the Trustee at least thirty (30) days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee) prior to the date fixed for redemption, or, if the Authority fails to so designate, in inverse order of maturity, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the County pursuant to the Lease, on or after June 1, 20__, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

The 2025A Bonds maturing June 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule on June 1, 20__ [and]/[through] June 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Account Redemption Date (June 1)	Principal Amount To be Redeemed
	\$
*	

*Maturity.

The 2025A Bonds maturing June 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule on June 1, 20__ [and]/[through] June 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Account Redemption Date (June 1)	Principal Amount To be Redeemed
	\$
*	

*Maturity.

The 2025A Bonds are subject to redemption prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part on any date, from prepayments of Base

Rental Payments made by the County pursuant to the Lease from funds received by the County due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the County due to damage to or destruction of, or title defect with respect to, the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. Redemption of 2025A Bonds pursuant to this paragraph shall be made at a redemption price equal to the sum of the principal of the 2025A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The 2025A Bonds may be issued in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this 2025A Bond may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount, interest rate and maturity of fully registered 2025A Bonds of other authorized denominations.

This 2025A Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the designated corporate trust operations or agency office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this 2025A Bond. Upon such transfer a new fully registered 2025A Bond or 2025A Bonds, of Authorized Denomination or Denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Trustee shall not be required to register the transfer or exchange of any 2025A Bond during the period in which the Trustee is selecting 2025A Bonds for redemption or any 2025A Bond selected for redemption.

The Indenture and the rights and obligations of the Authority and of the owners of the 2025A Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any 2025A Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums at the time and place and at the rate and in the currency provided therein of any 2025A Bond without the express written consent of the owner of such 2025A Bond, (b) reduce the percentage of 2025A Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this 2025A Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act and the amount of this 2025A Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This 2025A Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.

[Signatures of following page.]

IN WITNESS WHEREOF, the Authority has caused this 2025A Bond to be executed in its name and on its behalf by the manual or facsimile signatures of its Assistant Executive Director and Secretary as of the Dated Date identified above.

SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY

By [form document]
Assistant Executive Director

ATTEST:

[form document]
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2025A Bonds described in the within-mentioned Indenture and registered on the Bond Registration Books.

Date: _____, 20__

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

By _____ [form document]
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____
_____, whose tax identification number is _____, the within-
mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney to transfer the same
on the books of the Trustee with full power of substitution in the premises.

Dated:

Signature guaranteed:

NOTE: The signature(s) on this Assignment
must correspond with the name(s) as written on
the face of the within 2025A Bond in every
particular without alteration or enlargement or
any change whatsoever.

NOTICE: Signature must be guaranteed by a
member of an institution which is a participant
in the Securities Transfer Agent Medallion
Program (STAMP) or other similar program.

EXHIBIT B

FORM OF 2025A COSTS OF ISSUANCE FUND REQUISITION

REQUISITION NO. ____

with reference to

Santa Cruz County Capital Financing Authority
Lease Revenue Bonds,
2025 Series A

I. The Santa Cruz County Capital Financing Authority (the “Authority”) hereby requests The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”), pursuant to that certain Indenture, dated as of June 1, 2024, as supplemented by the First Supplemental Indenture, dated as of August 1, 2025 (together, the “Indenture”), each by and between the Authority and the Trustee, to pay from the moneys in the 2025A Costs of Issuance Fund established pursuant to the Indenture, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the 2025A Costs of Issuance Fund. None of the items for which payment is requested has been reimbursed previously from the 2025A Costs of Issuance Fund.

DATED: _____

SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY

By: _____ [form document]

Title: _____

EXHIBIT C

FORM OF 2025A CONSTRUCTION FUND REQUISITION

REQUISITION NO. __ (to be numbered sequentially)

with reference to

Santa Cruz County Capital Financing Authority
Lease Revenue Bonds,
2025 Series A

I. The Santa Cruz County Capital Financing Authority (the “Authority”) hereby requests The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), pursuant to that certain Indenture, dated as of June 1, 2024, as supplemented by the First Supplemental Indenture, dated as of August 1, 2025 (together, “Indenture”), each by and between the Authority and the Trustee, to pay from the moneys in the 2025A Construction Fund established pursuant to the Indenture, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the 2025A Construction Fund. None of the items for which payment is requested has been reimbursed previously from the 2025A Construction Fund.

IV. There has not been filed with or served upon the County or the Authority a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person[s] named on Schedule I hereto which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

DATED: _____

SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY

By: _____ [form document]

Title: _____

RECORDING REQUESTED BY AND
AFTER RECORDATION PLEASE RETURN TO:

Norton Rose Fulbright US LLP
555 South Flower Street, Suite 4100
Los Angeles, California 90071
Attention: Stepan A. Haytayan

Lease is less than 35 years.
R&T Code 11911

AMENDED AND RESTATED ASSIGNMENT AGREEMENT

Dated as of August 1, 2025

by and between the

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

and

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

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TAX
PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION
CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO
SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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EXHIBIT A – DESCRIPTION OF THE LEASED PROPERTY	A-1

AMENDED AND RESTATED ASSIGNMENT AGREEMENT

THIS AMENDED AND RESTATED ASSIGNMENT AGREEMENT, dated as of August 1, 2025 (the “Assignment Agreement”), amends and restates the Assignment Agreement, dated as of June 1, 2024 (recorded with the County Clerk-Recorder of Santa Cruz County, as doc. no. 20240011396), by and between the SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America and authorized to accept assignments of the nature herein set forth, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority has entered into a Site and Facility Lease, dated as of June 1, 2024, and a First Amendment to Site and Facility Lease, dated as of August 1, 2025 (together, the “Site Lease”), with the County of Santa Cruz, California (the “County”), whereby the Authority has agreed to lease certain real property located within the County, as described in Exhibit A attached hereto (the “Leased Property”), from the County; and

WHEREAS, the Authority has entered into a Lease Agreement, dated as of June 1, 2024, and a First Amendment to Lease Agreement, dated as of August 1, 2025 (together, the “Lease”), with the County, whereby the Authority has agreed to lease the Leased Property to the County; and

WHEREAS, under and pursuant to the Lease, the County is obligated to make rental payments, including the Base Rental Payments as defined therein, to the Authority for the lease of the Leased Property; and

WHEREAS, the Base Rental Payments under the Lease have been pledged by the Authority as security for the payment of principal of and interest on its Lease Revenue Bonds, 2024 Series C and Lease Revenue Bonds, 2025 Series A (together, the “Bonds”), authorized and issued pursuant to an Indenture, dated as of June 1, 2024, as supplemented by the First Supplemental Indenture, dated as of August 1, 2025 (together, the “Indenture”), by and between the Authority and the Trustee; and

WHEREAS, the Authority has assigned to the Trustee without recourse certain of its rights under the Lease and the Site Lease, including all of its rights to receive the Base Rental Payments, scheduled to be paid by the County under and pursuant to the Lease; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture or the Lease, as appropriate.

Section 2. Assignment. The Authority does hereby assign and transfer to the Trustee, as security for its obligations under the Indenture and the Bonds, all of the Authority's right, title and interest in and to the Lease and the Site Lease (excepting only the Authority's rights to give consents and approvals thereunder and the Authority's right to the payment of Additional Rental pursuant to Section 3(b) of the Lease and to indemnification pursuant to Section 14 of the Lease), including the Authority's right to receive Base Rental Payments, as well as its right to enforce payment of such Base Rental Payments when due or otherwise to protect its interests in the event of a default by the County under the Lease, in accordance with the terms thereof, in trust nonetheless. The Base Rental Payments shall be applied, and the rights of the Authority assigned hereunder shall be exercised by the Trustee, as provided in the Indenture.

Section 3. Acceptance of Assignment. The Trustee hereby accepts the assignment and transfer of such of the Authority's right, title and interest in and to the Lease and the Site and Facility Lease as are assigned and transferred pursuant to the terms of this Assignment Agreement.

Section 4. No Additional Rights or Duties. Excepting only the assignment and transfer of rights to the Trustee pursuant to Section 2 hereof, this Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Lease, the Site Lease and the Indenture. The Trustee does not warrant the accuracy of any of the recitals hereto. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the County beyond those expressly provided in the Lease, the Site Lease and the Indenture or as otherwise set forth herein.

Section 5. Further Assurances. The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the Trustee the rights and obligations intended to be conveyed pursuant hereto.

Section 6. Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 7. Law Governing. This Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 8. Notices. All notices under this Assignment Agreement shall be in accordance with Section 9.13 of the Original Indenture.

Section 9. Binding Effect; Successors. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the date first above written.

SANTA CRUZ COUNTY CAPITAL FINANCING
AUTHORITY

By _____
Elissa Benson
Assistant Executive Director

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

By _____
Fanny Chen
Vice President

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
)
) ss:
COUNTY OF SANTA CRUZ)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

[Seal]

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE
VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE
DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE
TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
)
) SS:
COUNTY OF SANTA CRUZ)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The real property and improvements located at 2380 Portola Drive, Santa Cruz; 7695 Soquel Drive, Aptos; 2250 Soquel Avenue, Santa Cruz; 150 Westridge Drive, Watsonville, and 9835 Newell Creek Road, Ben Lomond, in the County of Santa Cruz, described as follows:

For Informational purposes only the following parcels cover 150 WESTRIDGE DR WATSONVILLE, CA 95076 APN: 018-401-41

PARCEL A-1

PARCEL 4 AS SHOWN UPON THAT CERTAIN PARCEL MAP OF LANDS OF NMSBPCLDHB FILED FOR RECORD NOVEMBER 25, 2019, IN VOLUME 64 OF PARCEL MAPS, PAGE 3, SANTA CRUZ COUNTY RECORDS.

PARCEL A-2:

BEING AN EASEMENT 12.5 FEET IN WIDTH, MEASURED AT RIGHT ANGLES, FOR INGRESS AND EGRESS THE NORTHERN BOUNDARY OF WHICH IS DESCRIBED AS FOLLOWS: BEGINNING AT A STATION ON THE WESTERLY BOUNDARY OF WESTRIDGE DRIVE AT THE MOST NORTHERN CORNER OF PARCEL "D" AS SHOWN ON THE MAP ENTITLED, "TRACT NO. 1133, WESTRIDGE BUSINESS PARK", RECORDED IN VOLUME 73 OF MAPS, AT PAGE 65, SANTA CRUZ COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG THE WESTERN BOUNDARY OF WESTRIDGE DRIVE NORTH 14° 46' 23" WEST 9.85 FEET; THENCE NORTHERLY CURVING TO THE RIGHT WITH A RADIUS OF 673 FEET, THROUGH A CENTRAL ANGLE OF 0° 35' 33", AN ARC DISTANCE OF 6.96 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING THE WESTERN BOUNDARY OF WESTRIDGE DRIVE, (1) SOUTH 75° 19' 31" WEST 435.97 FEET TO THE WESTERN BOUNDARY OF THE ABOVE MENTIONED WESTRIDGE BUSINESS PARK.

PARCEL A-3

EASEMENT FOR PARKING, LANDSCAPING, INGRESS, EGRESS AND UTILITIES AS THE SAME ARE SHOWN IN THAT CERTAIN DEED TO WESTRIDGE OWNERS ASSOCIATION, A NON-PROFIT CORPORATION, RECORDED NOVEMBER 15, 1988, IN BOOK 4416, PAGE 786, OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

PARCEL A-4

AN EASEMENT FOR RECIPROCAL INGRESS, EGRESS, SANITARY SEWER, SURFACE AND DRAINAGE EASEMENT PURPOSES OVER THE SOUTHERLY 12.5 FEET OF PARCEL B OF PARCEL MAP RECORDED DECEMBER 23, 1997 IN VOLUME 55 PAGE

11 OF PARCEL MAPS, SANTA CRUZ COUNTY RECORDS, AS THE SAME IS SHOWN ON SAID PARCEL MAP.

PARCEL A-5

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THOSE CERTAIN COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED MARCH 2, 1987 IN BOOK 4120 PAGE 431 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS, AS A MODIFIED BY MODIFICATIONS RECORDED AUGUST 24, 1988 IN BOOK 4376 PAGE 716 OF OFFICIAL RECORDS AND JANUARY 4, 1991 IN BOOK 4778 PAGE 437 OF OFFICIAL RECORDS, AND MAY 13, 1994 IN BOOK 5506 PAGE 682 OF OFFICIAL RECORDS ALL IN SANTA CRUZ COUNTY RECORDS.

PARCEL A-6

EASEMENTS AND OTHER RIGHTS AS CONTAINED IN THAT CERTAIN INSTRUMENT ENTITLED "ADMINISTRATIVE COVENANTS RECORDED JUNE 1, 1999 AS INSTRUMENT NO. 1999-0038250 OF OFFICIAL RECORDS, SANTA CRUZ COUNTY RECORDS.

For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos APN: 039-102-21

Parcel C-1

Being a part of Lot 6, as the same is shown and designated on the map entitled, "Subdivision No. 1, Ledyard Acres, filed for record February 25, 1925 in Volume 18 at Page 58 of Maps, Santa Cruz County records, and more particularly described as follows:

Beginning at the common corner of Lots 4 and 5 as shown on said map on the Northeasterly line of the County highway leading from Watsonville to Santa Cruz; thence Northwesterly along the Northeasterly line of said highway, North 31° 53' West 62.02 feet to a point; thence curving to the left with a radius of 700 Feet, a distance of 12.98 Feet to a point; thence leaving said highway North 51° 04' East 130.35 feet to the most Westerly corner of lands conveyed to William D. Swan et ux, by deed recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County: thence South 35° 50' East 82.43 feet to the Southeasterly boundary of Lot 6; thence South 54° 24' West 135.21 Feet to the place of beginning.

Parcel C-2

A right of way for the installation and maintenance of a water pipe line over a strip of land 5 Feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Northeasterly 130.0 Feet of the Southeasterly boundary of said Lot 5 as reserved in the deed to William D. Swan et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official records of Santa Cruz County.

**For Informational purposes only the following parcels cover 7695 Soquel Drive, Aptos
APN: 039-102-43**

Parcel F-1

BEING the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated September 6, 1957, recorded September 24, 1957, in Volume 1150 Official Records at Page 346, Santa Cruz County Records and more particularly bounded and described as follows:

Being a part of Lot 3, as shown upon the map entitled, "Subdivision No. 1, Ledyard Acres, being a part of Rodeo Rancho, Santa Cruz County, California," filed for record February 25, 1925 in Map Book 18 at Page 56, Santa Cruz County Records, and beginning on the Northeasterly line of the old Santa Cruz-Watsonville Highway at the Southern corner of land conveyed to H. H. Ledyard by deed dated September 25, 1956, and recorded October 16, 1956, in Volume 1098, Page 235, Official Records of Santa Cruz County; thence along the Northeasterly line of said Highway, South $31^{\circ} 53'$ East 78.52 feet to a point of curve, and Easterly on a curve to the left with a radius of 20.00 Feet for a distance of 36.95 Feet to a point on the Northwesterly line of Ledyard Way; thence along said Northwesterly line, North $42^{\circ} 15'$ East 136.53 Feet to the southern corner of land conveyed to William Medina by deed dated February 25, 1957, and recorded March 6, 1957 in Volume 1119, Page 485, Official Records of Santa Cruz County; thence along the Southwesterly line of said land of Medina, North $35^{\circ} 50'$ West 77.13 feet to the Eastern corner of said land of Ledyard; thence along the Southeasterly line of said land of Ledyard, South $51^{\circ} 54' 30''$ West 152.28 feet to the point of beginning.

Parcel F-2

Being the same lands conveyed to H. Roy Cunliffe and Deorwyn Cunliffe, his wife, by deed dated October 10, 1957, recorded November 1, 1957, in Volume 1156 Official Records at Page 163 Santa Cruz County Records and more particularly bounded and described as follows:

BEING a part of Lot 3 as shown upon the Map entitled "Subdivision No. 1 Ledyard Acres, being a part of Aptos Rancho, Santa Cruz County, California," filed for record in the Office of the County Recorder of said Santa Cruz County February 25, 1925, in Map Book 18, Map 56, Santa Cruz County Records, and beginning at a station on the Northeastern side of the old Santa Cruz-Watsonville Highway at the Southeastern corner of Lot 4 of said Ledyard Acres Subdivision No. 1; thence from said point of beginning, Easterly along the Northeastern side of said Highway South $31^{\circ} 53'$ East a distance of 85.0 Feet to a station; thence leaving the Northeastern side of said Highway, North $51^{\circ} 54' 30''$ East a distance of 152.28 Feet to a station; thence North $35^{\circ} 50'$ West a distance of 78.0 Feet to a station in the Southeastern boundary of Lot 4, hereinabove mentioned and thence along the Southeastern boundary of said Lot 4, South $54^{\circ} 29'$ West a distance of 146.31 Feet to the point of beginning.

Together with a right of way 5 Feet in width for utilities, including water pipe lines, the Northwest line of which is the Northwest line of the above mentioned Lot 3, as granted by William Median to H. H. Ledyard by deed recorded October 29, 1957, in Volume 1155 at Page 354 Official Records of Santa Cruz County.

EXCEPTING from Parcels one and two above all of that land conveyed to the County of Santa Cruz, by Deed dated November 20, 1964, recorded December 28, 1964, in Volume 1666 Official Records at page 182, Santa Cruz County Records and being more particularly bounded and described as follows:

BEING a part of Lot 3 of Ledyard Acres Subdivision No. 1, filed for record February 25, 1925 in Volume 18 of Maps at Page 56 Office of Recorder Santa Cruz County and Beginning at a 1/2 inch pipe set on the Northwestern boundary of said Lot 3, from which another 1/2 inch pipe set on the Northerly boundary of Soquel Drive and the Southwest corner of Lot 4 as delineated on said map, bears North 35° 25' 30" West 160.25 Feet distant; thence from said point of beginning South 31° 50' 20" East 50.34 Feet distant to a 1/2 inch pipe; thence South 37° 33' East 100.50 Feet distant to a 1/2 inch pipe; thence South 87° 36' 35" East 30.67 Feet distant to a 1/2 inch pipe; thence North 42° 19' 50" East 115.06 Feet distant to a 1/2 inch pipe; thence South 35° 45' 10" East 10.22 Feet distant to a pipe found on the Northeasterly corner of said Lot 3; thence South 42° 19' 50" West 136.53 Feet distant to a pipe found at the beginning of a curve to the right; thence along the curve having a radius of 20.00 Feet, through an angle of 105° 50' an arc distance of 36.95 Feet to a pipe found on the Northerly side of Soquel Drive; thence along the said side line of Soquel Drive North 31° 50' 20" West 163.52 feet distant to a station on the Westerly boundary line of said Lot 3; thence along the Westerly boundary of said Lot 3 North 54° 31' 40" East 10.02 feet to the said point of beginning.

All 1/2 inch pipes referred to in this description are tagged L.S. 2362 unless noted otherwise.

Parcel F-3

Beginning at the common corner of Lots 4 and 5 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 24' East 135.21 feet to the most Southerly corner of lands conveyed to William D. Swan, et ux, by Deed recorded October 21, 1957, in Volume 1154, Page 217, Official Records of Santa Cruz County; thence South 35° 50' East 79.93 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Northwesterly along the Northeasterly line said Highway North 31° 53' West 80 feet to the place of beginning.

Together with a right of way for the installation and maintenance of a waterpipe over a strip of land 5 feet in width at right angles along the Southeasterly boundary of said Lot 5, the Southeasterly boundary of said right of way being the Southeasterly boundary of said Lot 5 as reserved in the Deed to William D. Swan, et ux, recorded October 21, 1957 in Volume 1154, Page 217 Official Records of Santa Cruz County.

Also together with a right of way for the installation and maintenance of a waterpipe line, described as follows:

Beginning at a point on the Southeasterly line of Lot 5 and At the most Southerly corner of above mentioned lands of said William D. Swan, et ux; thence South 54° 24' West 5 feet to a point; thence North 36° 50' West 5 feet to a point; thence North 54° 24' East 5 feet more or less

to the Southerly boundary of said lands of William D. Swan, et ux; thence South 35° 50' East 5 feet more or less to the place of beginning.

Parcel F-4

Beginning at the common corner of Lots 3 and 4 as shown on said Map on the Northeasterly line of the County Highway leading from Watsonville to Santa Cruz; thence North 54° 29' East 146.31 feet to the most Westerly corner of lands conveyed to William Medina, by Deed recorded March 6, 1957, in Volume 1119, Page 485 Official Records of Santa Cruz County; thence North 35° 50' West 79.89 feet to a point; thence South 54° 26' West 140.72 feet to the Northeasterly line of said Highway; thence Southeasterly along the Northeasterly line of said Highway, South 31° 53' East 80 feet to the place of beginning.

Together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeast 130 feet of the Northwest line of Lot 3 as granted by William Medina to H. H. Ledyard by Deed recorded October 29, 1957, in Volume 1155, Page 354, Official Records of Santa Cruz County.

Also, together with a right of way 5 feet in width for utilities, including water pipe lines, the Northwest line of which is the Northeasterly 5 feet of the Northwesterly boundary of lands conveyed to H. Roy Cunliffe, et ux, by Deed recorded November 1, 1957, in Volume 1156, Page 163, Official Records of Santa Cruz County.

Excepting from parcels one and two above all of that land conveyed to the County of Santa Cruz, by deed dated November 20, 1964, recorded December 21, 1964, in Volume 1665 at Page 92 Official Records of Santa Cruz County and being more particularly bounded and described as follows:

Being a part of Lot 4 of Ledyard Acres Subdivision No. 1 filed for record February 25, 1925, Volume 18 at Page 56 of Maps in the Office of the Santa Cruz County Recorder and beginning at a 1/2 inch pipe tagged L.S. 2362 set at the most westerly corner of Lot 4 and the Northerly side line of Soquel Drive, said corner being a common corner of Lots 4 and 5 of said Map, and from which an iron pipe bears North 31° 50' 20" West a distance of 62.02 feet; thence along the Southwesterly line of said Lot 4 South 31° 50' 20" East a distance of 160 feet to the most Southerly corner of said Lot 4; thence leaving said Southwesterly line North 54° 31' 40" East along the Southeasterly line of said Lot 4 a distance of 10.02 feet to a 1/2 inch pipe L.S. 2362; thence leaving said Southeasterly line of Lot 4 and along a line North 35° 25' 30" West 160.25 feet to the point of beginning. Containing 800 square feet, more or less.

For Informational purposes only the following parcel covers a portion of 2250 Soquel Ave, Santa Cruz APN: (PORTION OF) 026-011-06

Parcel D:

BEING a portion of the lands of the County of Santa Cruz, as described in Official Document #2011-0024806, Santa Cruz County Records and more particularly described as follows:

BEGINNING at a 3/4 inch iron pipe, tagged LS 1941 located on the Westerly side of Capitola Road Extension as shown on that map filed in Volume 63 of Maps, at Page 2, Santa Cruz County Records;

1. thence along the Southerly line of said lands of the County of Santa Cruz, South 89°41'05" East, a distance of 214.66 feet;
2. thence leave said Southerly line, North 03°00'41" West, a distance of 177.98 feet, more or less to a point of curvature on the Southerly side of Soquel Drive having a radius of 2950 feet and a tangent bearing of North 60°44'54" East;
3. thence along the Southerly side of Soquel Drive along said non-tangent curve to the right, through an angle of 02°57'32", an arc length of 152.34 feet;
4. thence continuing along the Southerly side of Soquel Drive, North 63°46'00" East, a distance of 40.59 feet, to a tangent curve to the right having a radius of 15.00 feet;
5. thence along said curve to the right, through an angle of 109°19'30", an arc length of 28.61 feet;
6. thence along the Westerly side of Capitola Road Extension, South 06°58'00" East, a distance of 258.11 feet, to the POINT OF BEGINNING.

For Informational purposes only the following parcel covers 2380 Portola Drive, Santa Cruz APN: 028-421-01

Parcel E

Being Parcel 1 as shown on the Assessor's Map filed July, 1996 in Volume 28 of Assessor's Maps at Page 42, Santa Cruz County Assessor's Office; and

Being Parcel 31 as shown on the Tract Map filed October 2, 1911 in Volume 19 of Maps at Page 9, Santa Cruz County Records.

APN: 028-421-01, 039-102-21, 039-102-43, 026-011-06, 018-401-41

[For Informational purposes only the following parcel covers 9835 Newell Creek Road, Ben Lomond, CA 95005 APNs: 076-241-05 and 076-261-02 & -03

Parcel F

SITUATE in the Southeast ¼ of Section 4, Township 10 South, Range 2 West, Mount Diablo Base & Meridian (MDB&M) in the County of Santa Cruz, State of California

BEING an area over a portion of the lands of the County of Santa Cruz as described in Volume 4226, at Page 421, Official Records of the County of Santa Cruz, and more particularly described as follows:

BEGINNING at a point on the northerly $\frac{1}{4}$ section line of Section 4, from which a found $\frac{1}{2}$ inch iron pipe, no tag, located at the northeast $\frac{1}{4}$ corner of the Southeast $\frac{1}{4}$ of Section 4, bears South $88^{\circ} 24' 19''$ East, a distance of 145.97 feet;

thence leaving said $\frac{1}{4}$ section line along the following courses:

1. North $09^{\circ} 24' 32''$ West, a distance of 49.95 feet;
2. North $37^{\circ} 09' 37''$ West, a distance of 143.45 feet;
3. North $06^{\circ} 10' 25''$ East, a distance of 21.51 feet;
4. North $39^{\circ} 18' 57''$ East, a distance of 27.95 feet;
5. North $67^{\circ} 55' 28''$ East, a distance of 41.66 feet;
6. North $52^{\circ} 42' 44''$ East, a distance of 44.30 feet;
7. North $40^{\circ} 33' 39''$ East, a distance of 61.09 feet;
8. North $22^{\circ} 30' 35''$ East, a distance of 59.91 feet;
9. North $01^{\circ} 00' 36''$ West, a distance of 126.61 feet;
10. North $09^{\circ} 39' 45''$ West, a distance of 44.77 feet;
11. North $17^{\circ} 53' 22''$ East, a distance of 73.07 feet;
12. North $11^{\circ} 13' 44''$ East, a distance of 33.09 feet;
13. North $01^{\circ} 14' 46''$ West, a distance of 52.90 feet;
14. North $18^{\circ} 07' 36''$ West, a distance of 93.21 feet;
15. North $38^{\circ} 52' 11''$ West, a distance of 81.75 feet;
16. North $02^{\circ} 07' 15''$ West, a distance of 118.07 feet;
17. North $45^{\circ} 52' 41''$ West, a distance of 286.92 feet;
18. North $56^{\circ} 19' 32''$ West, a distance of 47.52 feet;
19. North $70^{\circ} 18' 22''$ West, a distance of 200.66 feet;
20. North $76^{\circ} 12' 09''$ West, a distance of 55.83 feet;
21. North $45^{\circ} 01' 01''$ West, a distance of 63.42 feet;
22. North $10^{\circ} 49' 53''$ West, a distance of 66.73 feet;
23. North $00^{\circ} 56' 23''$ East, a distance of 204.51 feet;
24. North $23^{\circ} 51' 59''$ West, a distance of 31.28 feet;
25. South $88^{\circ} 18' 34''$ East, a distance of 27.61 feet;
26. North $00^{\circ} 56' 26''$ East, a distance of 50.00 feet;
27. North $88^{\circ} 18' 34''$ West, a distance of 50.87 feet;
28. North $11^{\circ} 09' 40''$ West, a distance of 64.53 feet;
29. North $32^{\circ} 45' 01''$ East, a distance of 60.92 feet;
30. North $71^{\circ} 34' 30''$ East, a distance of 72.37 feet;
31. South $83^{\circ} 09' 19''$ East, a distance of 79.89 feet;
32. South $54^{\circ} 02' 07''$ East, a distance of 255.85 feet;
33. South $00^{\circ} 56' 26''$ West, a distance of 38.74 feet;
34. South $88^{\circ} 18' 34''$ East, a distance of 25.00 feet;
35. North $00^{\circ} 56' 26''$ East, a distance of 21.55 feet;
36. South $54^{\circ} 02' 07''$ East, a distance of 108.85 feet;

37. South 36° 23' 41" East, a distance of 41.40 feet;
38. South 14° 55' 57" East, a distance of 55.59 feet;
39. South 02° 14' 27" West, a distance of 66.35 feet;
40. South 27° 11' 38" West, a distance of 26.44 feet;
41. South 33° 42' 20" West, a distance of 66.61 feet;
42. South 22° 12' 54" West, a distance of 39.11 feet;
43. South 03° 38' 00" East, a distance of 41.13 feet;
44. South 30° 03' 05" East, a distance of 128.83 feet;
45. South 38° 50' 45" East, a distance of 37.75 feet;
46. South 44° 32' 32" East, a distance of 110.04 feet;
47. South 37° 35' 44" East, a distance of 63.73 feet;
48. South 26° 34' 43" East, a distance of 72.22 feet;
49. South 13° 09' 03" East, a distance of 71.08 feet;
50. South 03° 48' 19" East, a distance of 318.44 feet;
51. South 00° 56' 26" West, a distance of 73.15 feet;
52. South 13° 01' 55" West, a distance of 99.75 feet;
53. South 20° 21' 20" West, a distance of 27.40 feet;
54. North 00° 56' 26" East, a distance of 159.76 feet;
55. North 88° 18' 34" West, a distance of 50.00 feet;
56. South 00° 56' 26" West, a distance of 100.01 feet;
57. South 88° 18' 34" East, a distance of 25.00 feet;
58. South 00° 56' 26" West, a distance of 100.01 feet;
59. South 42° 42' 54" West, a distance of 94.66 feet;
60. South 28° 25' 33" West, a distance of 39.50 feet;
61. South 00° 44' 47" West, a distance of 36.75 feet;
62. South 24° 10' 00" East, a distance of 74.51 feet;
63. South 66° 23' 33" East, a distance of 23.55 feet;
64. South 47° 33' 07" West, a distance of 87.07 feet, to the POINT OF BEGINNING
and CONTAINING approximately 329,328 s.f. (7.56 acres), more or less.]

(End of Legal Description)

OFFICIAL NOTICE OF SALE

\$12,005,000*

**SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BONDS, 2025 SERIES A**

NOTICE IS HEREBY GIVEN that electronic bids will be received in the manner described below through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") by the Santa Cruz County Capital Financing Authority (the "**Authority**") for the purchase of the lease bonds captioned above (the "**Bonds**"). Bidding procedures and sale terms are as follows:

- Issue:** The Bonds are described in the Authority's Preliminary Official Statement for the Bonds dated ____, 2025 (the "**Preliminary Official Statement**").
- Time:** Bids for the Bonds must be received by the Authority by 9:30 a.m., California time, on ____, 2025.
- Place:** Electronic bids must be submitted in the manner and subject to the terms and conditions described under "TERMS OF SALE—Form of Bids; Delivery of Bids" below, but no bid will be accepted after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON ____, 2025, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE AUTHORITY THROUGH THOMSON NEWS SERVICE (TM3) OR ANY OTHER AVAILABLE MEANS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE—FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice in writing from the Authority's municipal advisor (the "**Municipal Advisor**"):

Harrell & Company Advisors, LLC
13891 Newport Avenue, Suite 145
Tustin, California 92780
Telephone: 714-939-1464
attention: Suzanne Harrell
email: s.harrell@harrellco.com

However, failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale of the Bonds. See "TERMS OF SALE—Postponement or Cancellation of Sale."

* Preliminary, subject to change.

The Authority reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts for the maturities of the Bonds; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale of the Bonds. Bidders are required to bid upon the Bonds as so modified or amended. See “TERMS OF SALE—Right to Modify or Amend.”

Bidders are referred to the Preliminary Official Statement for additional information regarding the Authority, the County, the Bonds, the security for the Bonds and other matters. See “CLOSING PROCEDURES AND DOCUMENTS—Official Statement.” Capitalized terms used and not defined in this Official Notice of Sale have the meanings given to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in “TERMS OF SALE—Form of Bids; Delivery of Bids” below). If the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINION OF BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry only form in denominations of one Bond for each maturity of the Bonds, all dated the date of delivery, which is expected to be _____, 2025. If the sale is postponed, notice of the new date of the sale will also set forth any new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof and the successful bidder (the “**Purchaser**”) will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on December 1, 2025, and semiannually thereafter on June 1 and December 1 of each year (each an “**Interest Payment Date**”). Interest shall be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds. Bidders may specify any number of separate interest rates for the Bonds, and the same interest rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid for the Bonds must be a multiple of one-twentieth or one-eighth of one percent per annum;
- (ii) the maximum interest rate bid for any maturity shall not exceed 6% per annum;
- (iii) no Bond shall bear a zero rate of interest;
- (iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest for the respective Bond specified in the bid; and
- (v) all Bonds maturing at any one time shall bear the same rate of interest.

See the Preliminary Official Statement – “THE BONDS – Description of the Bonds.”

Maximum Discount. All bids must be for not less than all of the Bonds hereby offered for sale and must provide for a purchase price of not less than 99% of the aggregate par amount thereof or more than 110% of the aggregate par amount thereof.

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on September 1 of each year, commencing on June 1, 2026, as shown below. Subject to the Authority’s right to modify or amend this Notice of Sale (see “TERMS OF SALE—Right to Modify or Amend”), the final maturity of the Bonds shall be June 1, 2055. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of \$5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Bonds is shown below for information purposes only. **Bidders for the Bonds must provide bids for all of the Bonds Principal Amounts.**

Subject to the Authority’s right to modify or amend this Notice of Sale (see “TERMS OF SALE—Right to Modify or Amend”), and to adjustment as provided in this Notice of Sale (see “—Adjustment of Principal Payments”), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Maturity Date (September 1)	Principal Amount*
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TOTAL

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Authority with respect to the likely interest rates and reoffering yields of the winning bid and the premium/discount that will be contained in the winning bid. **The Authority reserves the right to change the principal payment schedule set forth above after the determination of the successful bidder, by adjusting one or more of the principal payments of the Bonds, in increments of \$5,000, as determined in the sole discretion of the Authority, in order to provide sufficient proceeds to accomplish the purposes of the financing, reduce principal to eliminate excess proceeds due to a bid premium, and achieve approximately level annual debt service. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

See also "TERMS OF SALE—Right to Modify or Amend," regarding the Authority's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

* Preliminary, subject to change.

A BIDDER AWARDED THE BONDS BY THE AUTHORITY WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Redemption.

(a) Optional Redemption of the Bonds. The Bonds are subject to optional call and redemption prior to maturity from funds derived by the Authority from any source on the dates and at the redemption prices set forth in the Preliminary Official Statement.

See the Preliminary Official Statement – “THE 2025 BONDS—Redemption of 2025 Bonds—Optional Redemption.”

(b) Mandatory Sinking Payment Redemption. If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on June 1 of the first year which has been combined to form such term bonds and continuing on June 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such maturity date set forth above under “Principal Payments,” as adjusted pursuant to “Adjustment of Principal Payments” above. The Authority, at its option, may credit against any mandatory sinking fund redemption payment term bonds of the maturity then subject to redemption, which have been purchased and canceled by the Authority or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption payment.

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Norton Rose Fulbright US LLP, Bond Counsel to the Authority (“**Bond Counsel**”), will deliver its legal opinion as to the validity and enforceability of the Bonds.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. A copy of the opinion of Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – “TAX MATTERS.”

TERMS OF SALE

Maximum Discount/Premium. All bids must provide for a purchase price of not less than 99% of the aggregate par amount of the Bonds nor more than 110% of the aggregate par amount of the Bonds. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) unconditional, and (3) submitted via Parity; and after the verbal award, an email copy of the completed and signed applicable Official Bid Form conforming to the Parity bid by the winning bidder, with any adjustments made by the Authority pursuant hereto must be submitted by the winning bidder. Electronic bids must conform to the procedures established by Parity. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids for the Bonds shall be rejected. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Authority retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Authority takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either the Municipal Advisor at the number provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds must be submitted electronically via Parity. However, none of the Authority, the Municipal Advisor or Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions:

(a) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control;

(b) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale;

(c) the Authority will not have any duty or obligation to provide or ensure access to Parity to any bidder, and the Authority will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity;

(d) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority;

(e) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity;

(f) the Authority may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory;

(g) if the bidder's bid is accepted by the Authority, the signed, completed and conforming Official Bid Form submitted by the bidder by email or facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and

(h) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Authority unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost to the Authority. The true interest cost will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium or discount. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term Bonds specified by a bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. In the event that two or more bidders offer bids for the Bonds at the same true interest cost, the Authority will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Authority.

Estimate of True Interest Cost. Each bidder is requested, but not required, to supply an estimate of the true interest cost based upon its bid, which will be considered as informative only and not binding on either the bidder or the Authority.

Multiple Bids. If multiple bids with respect to the Bonds are received from a single bidder by any means or combination thereof, the Authority shall be entitled to accept the bid representing the lowest true interest cost to the Authority, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the Authority.

No Good Faith Deposit. No good faith deposit is required.

Establishment of Issue Price for the Bonds.

(a) Upon notification that it has submitted the winning bid, the Purchaser shall provide the initial offering prices at which it has offered or reasonably expects to offer all of the Bonds of each maturity to the general public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering.

Prior to delivery of the Bonds, the Purchaser shall be required to provide to the Authority a reoffering price certification in form and substance similar to either the certificate attached as Exhibit A hereto, the certificate attached as Exhibit B hereto, or the certificate attached as Exhibit C hereto. In addition, based on reasonable requests of Bond Counsel, the Purchaser will provide information regarding its sales of the Bonds. For purposes of this paragraph, sales of the Bonds to other securities brokers or dealers will not be considered sales to the general public.

(b) The Authority intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

(1) the Authority shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the Authority may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the Authority anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (i.e., lowest overall true interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) If the competitive sale requirements are not satisfied, the Authority shall so advise the Purchaser. In such event, the Authority shall treat the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity unless the Purchaser has elected on the bid form to apply the “hold-the-offering price rule,” as described below, in which case the initial offering price to the public as of the sale date of any maturity of the Bonds will be treated as the issue price of that maturity, in each case applied on a maturity-by-maturity basis. If the competitive sale requirements are not satisfied, the Purchaser shall advise the Authority if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds, and if the Purchaser has elected to apply the hold-the-offering-price rule, the Purchaser shall notify the Authority, within one hour of the time of award of the Bonds, which maturities of the Bonds satisfy the 10% test and which maturities shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation if the competitive sale requirements are not satisfied.

(d) By submitting a bid, the Purchaser shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid

submitted by the Purchaser and (ii) if the Purchaser has elected to use the hold-the-offering-price rule, the Purchaser agrees, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the 5th business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Purchaser shall promptly advise the Authority when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the 5th business day after the sale date.

(e) If the competitive sale requirements are not satisfied, and the Purchaser does not elect to use the hold-the-offering-price rule, then until the 10% test has been satisfied as to each maturity of the Bonds, the Purchaser agrees to promptly report to the Authority the prices at which such unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

(f) The Authority acknowledges that, if the Purchaser has elected to use the hold-the-offering-price rule, in making the representation set forth above, the Purchaser will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) if a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public

and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Purchaser and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Purchaser or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the Authority to the Purchaser.

Right of Rejection and Waiver of Irregularity. The Authority reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the Authority’s right to adjust the payment amounts of the Bonds as provided in “TERMS RELATING TO THE BONDS—Adjustment of Principal Payments” the Authority reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal

amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Notice of Sale (see "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale of the Bonds.

Postponement or Cancellation of Sale. The Authority may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Authority will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 24 hours after the time for receipt of bids for the Bonds, unless such time period is waived by the Purchaser.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about _____, 2025.** Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the Fiscal Agent. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Authority will deliver to the Purchaser, dated as of the delivery date, the legal opinion with respect to the Bonds described in Appendix B to the Preliminary Official Statement.

Qualification for Sale. The Authority will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Authority may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; provided, that the Authority will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. Upon delivery of the Bonds, the Authority and the County will each deliver a certificate stating that no litigation of any nature is pending, or to the knowledge of the officer of the Authority executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the Authority or the County, or concerning the validity of the Bonds, the corporate existence of

the Authority or the County, or the entitlement of any officers of the Authority or the County who will execute the Bonds to their respective offices.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract for the sale of the Bonds if the Authority fails to execute the Bonds and tender the same for delivery within 30 days from the sale date, and in such event the Purchaser will not be entitled to any damages or other compensation.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses of printing CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the successful bidder. The Municipal Advisor shall be responsible for obtaining the CUSIP numbers and providing them to the Authority and the successful bidder.

Expenses of the Successful Bidder. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), The Depository Trust Company charges and all other expenses of the successful bidder will be the responsibility of the successful bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within 60 days from the sale date, the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon written request to the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the Authority and the County deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds.

By submitting a bid for the Bonds, the Purchaser of the Bonds agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the sale and delivery of the Bonds by the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Authority. The name of a Purchaser of the Bonds will not appear on the cover of the final Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the Authority and the County, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date,

and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the Authority or the County that would make it unreasonable for such Purchaser of the Bonds to rely upon the final Official Statement in connection with the resale of the Bonds, and (iii) the Authority authorizes the Purchaser of the Bonds to distribute copies of the final Official Statement in connection with the resale of the Bonds.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser of the Bonds will be required to execute and deliver to the Authority, prior to the date of closing, a certificate to the following effect:

- (i) The Purchaser has provided to the Authority the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the Authority of the need to modify or supplement the final Official Statement.
- (iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the County will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

The County believes it is in compliance in all material respects with prior continuing disclosure undertakings. See the Preliminary Official Statement – “CONTINUING DISCLOSURE.”

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the Municipal Advisor.

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any resale of the Bonds to persons outside the United States.

Dated: _____, 2025.

EXHIBIT A
FORM OF REOFFERING PRICE CERTIFICATE

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE MET (I.E., 3 BIDS FROM
COMPETITIVE PROVIDERS ARE RECEIVED)

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BONDS, 2025 SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of **[NAME OF UNDERWRITER]** ("**[SHORT NAME OF UNDERWRITER]**"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by **[SHORT NAME OF UNDERWRITER]** are the prices listed in Schedule 1 (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by **[SHORT NAME OF UNDERWRITER]** in formulating its bid to purchase the Bonds. Attached as Schedule 1 is a true and correct copy of the bid provided by **[SHORT NAME OF UNDERWRITER]** to purchase the Bonds.

(b) **[SHORT NAME OF UNDERWRITER]** was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by **[SHORT NAME OF UNDERWRITER]** constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is **[DATE]**.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [**SHORT NAME OF UNDERWRITER**]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [**ISSUE DATE**]

[**UNDERWRITER**]

By: _____
Name and Title

SCHEDULE 1

EXPECTED OFFERING PRICES

Maturity Dates (September 1)*	Principal Amount*	Interest Rate†	Offering Price or Yield†
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* Subject to adjustment in accordance with the Official Notice of Sale.

† To be completed by Purchaser.

EXHIBIT B
FORM OF REOFFERING PRICE CERTIFICATE

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE NOT MET (3
COMPETITIVE BIDS ARE NOT RECEIVED) AND 10% TEST IS USED FOR ISSUE PRICE

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BONDS, 2025 SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”])[, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule 1 (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule 1.

(b) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule 1 hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the

Underwriters] ~~[has]~~**[have]** sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Santa Cruz County Capital Financing Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is **[DATE]**.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents **[NAME OF UNDEWRITING FIRM]**~~[the Representative's]~~ interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificates as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: **[ISSUE DATE]**

[UNDERWRITER]

By: _____
Name and Title

SCHEDULE 1

LISTING OF 10% TEST, UNDERSOLD MATURITIES AND PRICING WIRE

EXHIBIT C
FORM OF REOFFERING PRICE CERTIFICATE

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE NOT MET (3
COMPETITIVE BIDS ARE NOT RECEIVED) AND PURCHASER ELECTS TO USE HOLD-
THE-OFFERING-PRICE FOR ISSUE PRICE

\$ _____
SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BONDS, 2025 SERIES A
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”])[, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. Initial Offering Price of the Bonds.

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule 1 (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule 1.

(b) As set forth in the [Bond Purchase Agreement][Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Bonds, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) *Holding Period* means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [SHORT NAME OF THE UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) *Issuer* means Santa Cruz County Capital Financing Authority.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is **[DATE]**.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents **[NAME OF UNDERWRITING FIRM][the Representative’s]** interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: **[ISSUE DATE]**

[UNDERWRITER]

By: _____
Name and Title

SCHEDULE 1
LISTING OF HOLD-THE-PRICE MATURITIES, INITIAL OFFERING PRICES AND
PRICING WIRE

NOTICE OF INTENTION TO SELL BONDS

NOT TO EXCEED

\$15,000,000

**SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
LEASE REVENUE BONDS, 2025 SERIES A**

NOTICE IS HEREBY GIVEN, pursuant to section 53692 of the California Government Code, that the Santa Cruz County Capital Financing Authority (the “Authority”), intends to sell not-to-exceed \$15,000,000 principal amount of its Lease Revenue Bonds, 2025 Series A (the “Bonds”) at public sale.

All-or-none bids for the Bonds, dated the date of delivery and maturing in annual installments on the 1st day of June in each of the years 2026 to 2055, inclusive, are to be submitted electronically via the Ipreo BiDCOMP/PARITY[®] system until 9:30 a.m. Pacific Time on _____, **2025**.

The Bonds will be offered for public sale subject to all of the terms and conditions of the Official Notice of Sale and the Preliminary Official Statement. Each bid must be submitted electronically via Ipreo BiDCOMP/PARITY[®], in the manner described in the Official Notice of Sale and conform to the terms and conditions set forth therein. The Authority reserves the right to cancel, postpone or reschedule the sale of the Bonds as more fully described in the Official Notice of Sale.

When available, the Preliminary Official Statement and the Official Notice of Sale may be obtained from the Authority’s Municipal Advisor, Harrell & Company Advisors, LLC, Tustin, California, by telephone at (714) 939-1464 or by email at s.harrell@harrellco.com or by contacting BiDCOMP/PARITY[®] at (212) 849-5021.



Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A


Agenda Item #8 and #9

Overview

- Public Improvements to be Financed
- Financing Process
- Cost of Financing
- Resolutions and Recommended Actions

Public Improvements to Be Financed

Ben Lomond Transfer Station

- Household Hazardous Waste Drop Off 
- Recycling Center Canopy 
- Electrical Upgrades 
- Minor Repairs

Total Project Cost Estimate = \$8,500,000

Bids to be Opened June 11 to Finalize Cost

Bid to be Awarded by August 10, 2025

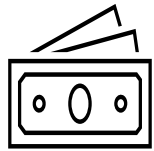
Public Improvements to Be Financed

Acquisition of Public Defender's Office Space

- Currently Leasing 420 and 440 May Avenue
- Board Authorized Offer to Purchase
- \$3.5 Million Acquisition Cost
- \$500,000 Repairs



Financing Process



Issuance of Lease Revenue Bonds is the County's Traditional Method of Financing Infrastructure



Requires Board to Conduct a Public Hearing and Adoption of Resolutions by Both the Board of Supervisors and the Santa Cruz County Capital Financing Authority Board

Financing Costs

	Transfer Station	Acquisition	Total
Project Fund	\$8,500,000	\$4,000,000	\$12,500,000
Underwriter Discount	53,000	27,000	80,000
Costs of Issuance	135,000	65,000	200,000
Total Costs	8,688,000	4,092,000	12,780,000
Original Issue Premium	(528,000)	(247,000)	(775,000)
Par Amount of Bonds Issued	\$8,160,000	\$3,845,000	\$12,005,000
Annual Debt Service	\$ 540,000	\$255,000	\$ 795,000
Paid From	CSA 9C	Rental Savings	

30 Year Maturity

Estimated
Interest
Rate ~ 4.65%

County
Lease Revenue
Bond Rating ~
AA+

Resolutions

- Authorize Sale of Bonds
- Set Parameters for Bond Sale
 - Bond Amount
 - Not-To-Exceed \$15,000,000
 - Interest Rate
 - Not-to-Exceed 6%
- Authorize Competitive Bid or Negotiated Sale Depending on Market Conditions
- Approve Form of Financing Documents
 - Preliminary Official Statement
 - 1st Amendment to Lease Agreement
 - 1st Amendment to Site Lease
 - 1st Supplemental Indenture
 - Assignment Agreement
 - Official Notice Inviting Bids
 - Bond Purchase Agreement

Recommended Action

- Board of Supervisors
 - Open Public Hearing and Receive Testimony
 - Close Public Hearing
 - Adopt Resolution Authorizing Issuance of Bonds and Related Actions
- Financing Authority Board of Directors
 - Adopt Resolution Authorizing Issuance of Bonds and Related Actions

Questions?

Thank You

