A G E N D A

Meeting of the
Scotts Valley City Council
and the
Scotts Valley Public Financing Authority

Date: November 2, 2016
Time: 6:00 p.m.

CITY OF SCOTTS VALLEY	**MEETING LOCATION**	**POSTING**: The agenda was posted
1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5602	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	10-28-16 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org.

Elected Officials	**City Staff Members**
Donna Lind, Mayor Randy Johnson, Vice Mayor Stephany E. Aguilar, Council Member Dene Bustichi, Council Member Jim Reed, Council Member	Jenny Haruyama, City Manager Kirsten Powell, City Attorney Taylor Bateman, Acting Community Development Dir Scott Hamby, Public Works Director John Weiss, Chief of Police Tracy Ferrara, City Clerk

Notice regarding City Council Meetings:
The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 pm in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066.

Agenda and Agenda Packet Materials:
The City Council agenda and the complete agenda packet are available for review by 5:00 pm the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.

Televised Meetings:
City Council meetings are cablecast "Live" on Community Television of Santa Cruz County on Comcast Channel 25.

CALL TO ORDER 6:00 p.m.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

COMMITTEE REPORTS
(Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.)

CITY MANAGER REPORT

PUBLIC COMMENT TIME
(This is the opportunity for individuals to make and/or submit written or oral comments to the Council on any items within the purview of the Council, which are **NOT** part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda.

ALTERATIONS TO CONSENT AGENDA
(Council can remove or add items to the Consent Agenda.)

CONSENT AGENDA
(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.)

A. Approve City Council meeting minutes of 10-19-16

B. Approve check register – 10-20-16

C. Approve second reading and introduction of Ordinance No. 110.6 modifying Sections 10.08.010 and 10.08.020 of Title 10 of the Scotts Valley Municipal Code related to vehicle storage and vehicle code enforcement on private streets

D. Approve Change Order No. 1 to the contract with Northwest Demolition, Inc., for the Granite Creek Road Storm Damage Repair Project, increasing the contract amount from $166,080.00 to $182,554.43

E. Ratify the Scotts Valley Fire Protection District Fire Code, adopted by the Scotts Valley Fire Protection District Board of Directors by Ordinance No. 2016-1 at their October 12, 2016 Board meeting

F. Approve the revised Scotts Valley Council Policy No. 01-16, the City of Scotts Valley Debt Management Policy

G. Approve joint resolution of the City Council of the City of Scotts Valley, the Scotts Valley Public Financing Authority and the Successor Agency of the Scotts Valley Redevelopment Agency Approving the Adoption of Disclosure Policies and Procedures (Resolution No. 1925 / JPA-41 / SA-35)

H. Approve the following resolutions for the issuance of refunding bonds to refund certain outstanding obligations of the Successor Agency of the Scotts Valley Redevelopment Agency:
   (1) Approve Resolution No. 1926, a Resolution of the City Council of the City of Scotts Valley Approving the Issuance of Refunding Bonds in order to Refund Certain Outstanding Obligations of the Dissolved Redevelopment Agency of the City Of Scotts Valley, Approving Documents Relating Thereto, and Providing for Other Matters Properly Relating Thereto; and
   (2) Approve Resolution No. JPA-42, a Resolution of the Board of Directors of the Scotts Valley Public Financing Authority Approving the Execution and Delivery of Documents and Other Related Actions in Connection with a Proposed Refunding of Certain Outstanding Obligations of the Dissolved Redevelopment Agency of the City of Scotts Valley

ALTERATIONS TO REGULAR AGENDA

(Council can remove or add items to the Regular Agenda.)

PUBLIC HEARING (To be heard at 6:30 p.m.)

1. Consider first reading and introduction of Ordinance No. 102.14 to adopt the 2016 California Code of Regulations Title 24 Building Standards Codes and amend Title 15.04 (Building Regulations) of the Scotts Valley Municipal Code (Planning / Bateman)

   ➜ Open public hearing
   ➜ Close public hearing
   ➜ Approve first reading and introduction of Ordinance 102.14

REGULAR AGENDA

(For Regular Agenda items following the public hearing. Regularly scheduled subjects of discussion on the Regular Agenda include:)

2. Future Council agenda items
   (This portion of the Regular Agenda allows the Council to determine items to be placed on a future agenda and to choose a date, if so desired.)

ADJOURNMENT

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk's Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:
1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.

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M I N U T E S

Meeting of the
Scotts Valley City Council

Date: October 19, 2016

POSTING:
The agenda was posted on 10-14-16
at City Hall, the SV Senior Center, and
the SV Library, by the City Clerk.

CALL TO ORDER 6:00 p.m.

PLEDGE OF ALLEGIANCE and **MOMENT OF SILENCE**

ROLL CALL

Present:	Mayor Lind	City Manager Haruyama
	Vice Mayor Johnson	City Attorney Powell
	Council Member Aguilar	Police Chief Weiss
	Council Member Bustichi	Public Wks Director Hamby
	Council Member Reed	Police Lieutenant Wilson
		Recreation Division Manager Ard
		City Clerk Ferrara
Absent:		Acting Community Development Director Bateman

COMMITTEE REPORTS

CM Aguilar reported that the League of California Cities Board of Directors met and discussed Proposition 57, which if approved, would attempt to empty jails of people who are not considered high risk offenders. She reported that the League is in opposition to Proposition 57, along with many other individuals and organizations, due to the crimes that were not considered as violent crimes such as battery with personal infliction of serious bodily injury, assault with a deadly weapon, rape of an unconscious person, rape via use of intoxication or controlled substance, burnishing a weapon, etc.

Mayor Lind reported that the Seniors Council Area Agency on Aging met and discussed programs for medical programs that will not be available after January 1. She reported that the Seniors Council also received information on a shift in funding for senior programs, and they will be working with the County to try to maintain programs and look for alternative funding.

Mayor Lind attended an open house for Dientes Dental Care that provides dental care for low income families.

Mayor Lind reported that she attended the Select Committee workshop meeting with FAA on Thursday, October 13 in Palo Alto. She reported that there was some progress on plans that they are looking into further, and they are trying to adjust and investigate the cause of the noise, not just the location so that it will benefit everyone.

CITY MANAGER REPORT

(1) City streets and storm drains weathered the first major storm of the year with very few reports of minor flooding. Over the weekend, the City recorded 6.43 inches of rain. There were no emergency conditions that required off duty response from maintenance personnel. Preventative maintenance measures appeared to have paid off as City crews took advantage of the time leading up to the storm to make sure storm drains and potential problem areas were clear.
(2) We are scheduled for the second and final phase of resurfacing Mt. Hermon Road this weekend. The circus will be in town, so work is scheduled to start early Saturday and Sunday with the intention of returning traffic to normal prior to the arrival of circus goers. Lane striping, turn arrows, crosswalks and other painting will take place the first week of November after the slurry has had at least seven days to cure.
(3) Work continues on the Granite Creek Overpass sidewalk repair. The contractor had hoped to complete the work by the end of October; however, drilling the holes for the retaining wall took more time than expected. The contractor now expects to complete the work in mid November.
(4) On Friday, October 28 we have a great evening planned – Food trucks at 4:30, Hotel Transylvania 2 at 6:30 and a Canned Food Drive for Valley Churches United. I also heard that if you come in costume, you get a special treat.
(5) Through the City's partnership with Visit Santa Cruz County, we now have a landing page to support our marketing and tourism efforts.
(6) Visit Santa Cruz also publishes tourism articles, most recently on Scotts Valley's Farmer's Market and that we are now a destination in the County.
(7) Police Lieutenant Wilson gave an update on the recent child pornography case.

PUBLIC COMMENT

No one came forward.

ALTERATIONS TO CONSENT AGENDA

M/S: Aguilar/Johnson
To approve the Consent Agenda.
Carried 5/0 (AYES: Aguilar, Bustichi, Johnson, Lind, Reed)

Consent Agenda:

A. Approve City Council meeting minutes of 9-21-16
B. Approve check register – 9-23-16, 9-30-16, 10-7-16
C. Approve second reading and adoption of Ordinance No. 17.4 repealing Section 5.16.170 of Chapter 5.16 of Title 5, Entertainment Permit fees on City property
D. Approve Resolution No. 1442.4 authorizing examination of Sales, Use and Transactions Tax Records and authorizing the City Manager to execute the agreement between the City of Scotts Valley and Hinderliter, de Llamas and Associates (HdL)

E. Approve Change Order No. 1, increasing the contract amount with Earth Works Paving Contractors Inc. for the Mount Hermon Road Curb Ramp Accessibility Improvements Project from $21,360 to $24,220

F. Approve Scotts Valley Council Policy No. 01-16, the City of Scotts Valley Debt Management Policy

ALTERATIONS TO
REGULAR AGENDA

M/S: Aguilar/Johnson
To approve the Regular Agenda.
Carried 5/0 (AYES: Aguilar, Bustichi, Johnson, Lind, Reed)

REGULAR AGENDA

1. **Consider approval of Resolution No. 1924 affirming the City's intent to participate in governing and financing discussions with the proposed Monterey Bay Community Powers (MBCP) Joint Powers Authority (JPA)**

CM Haruyama presented the written staff report and responded to questions from Council. She stated that Gine Johnson from Santa Cruz County 5th District Supervisor Bruce McPherson's office was available to respond to questions.

Gine Johnson, Supervisor McPherson's office representative and SV resident, spoke regarding the Monterey Bay Community Powers Joint Powers Authority and responded to questions from the Council.

CM Johnson recommended that the City consider and evaluate any potential agreements thoroughly to protect the City and the community.

M/S: Bustichi/Aguilar
To approve Resolution No. 1924 affirming the City's intent to participate in governing and financing discussions with the proposed Monterey Bay Community Powers (MBCP) Joint Powers Authority (JPA).
Carried 5/0 (AYES: Aguilar, Bustichi, Johnson, Lind, Reed)

2. **Senior Center Annual presentation**

Darshana Croskrey, Senior Center Coordinator, gave a Powerpoint presentation on the programs, activities, and outreach that the Senior Center and its members are involved in at the Senior Center and in the community. She thanked the service clubs and local businesses for their support of the Senior Center and its members.

3. **Consider first reading and introduction of Ordinance No. 110.6 modifying Sections 10.08.010 and 10.08.020 of Title 10 of the Scotts Valley Municipal Code related to vehicle storage and vehicle code enforcement on private streets** (Police/Wilson)

PL Wilson presented the written staff report and responded to questions from Council.

CM Aguilar stated that South Navarra is not a private street and requested that it be removed from the Ordinance.

Mayor Lind stated that Bel Air Court and Bel Air Drive should be corrected as they are one word, not two.

M/S: Aguilar/Johnson
To approve the first reading and introduction of Ordinance No. 110.6 modifying Sections 10.08.010 and 10.08.020 of Title 10 of the Scotts Valley Municipal Code related to vehicle storage and vehicle code enforcement on private streets, as amended, removing South Navarra and correcting Bel Air Court and Bel Air Drive to be Belair Court and Belair Drive.
Carried 5/0 (AYES: Aguilar, Bustichi, Johnson, Lind, Reed)

4. **Future Council agenda items**

None.

ADJOURNMENT The meeting adjourned at 7:18 p.m.

Approved: ______________________________
Donna Lind, Mayor

Attest:______________________________
Tracy A. Ferrara, City Clerk

CONSENT AGENDA ITEM B
DATE: 11-2-2016

Report Selection:

RUN GROUP... 102016   COMMENT... A/P AS OF OCT 20 2016

DATA-JE-ID	DATA COMMENT
W-10202016-008	A/P AS OF OCT 20 2016

Run Instructions:

Jobq	Banner	Copies	Form	Printer	Hold	Space	LPI	Lines	CPI	CP	SP	RT
L		01			Y	S	6	066	10			

BA GENERAL CHECKING ACCOUNT

BANK	VENDOR	CHECK#	DATE	AMOUNT
000705	ADVOCACY, INC	108692	10/20/16	384.00
001626	AGUILAR/STEPHANY	108693	10/20/16	328.98
001219	ALHAMBRA	108694	10/20/16	78.94
001219	ALHAMBRA	108695	10/20/16	70.04
000563	APPI	108696	10/20/16	582.81
000998	ASSOCIATED SERVICES CO.	108697	10/20/16	98.61
001670	AT &T	108698	10/20/16	2,276.77
000097	AT&T	108699	10/20/16	323.61
000614	BATTERIES PLUS	108700	10/20/16	36.96
000021	BOWMAN & WILLIAMS	108701	10/20/16	22,387.58
000437	BRASS KEY LOCKSMITH	108702	10/20/16	54.16
000772	CABRILLO COLLEGE STROKE	108703	10/20/16	1,419.00
000725	CALIFORNIA GREY BEARS, I	108704	10/20/16	312.00
001385	CALIFORNIA PUBLIC EMPLOY	108705	10/20/16	124,739.88
003521	CARD SERVICE CENTER	108706	10/20/16	3,345.53
000773	CENTRAL COAST LANDSCAPE	108707	10/20/16	383.00
001051	COASTAL EVERGREEN CORP	108708	10/20/16	1,675.00
002091	COMCAST	108709	10/20/16	273.44
002091	COMCAST	108710	10/20/16	238.56
002091	COMCAST	108711	10/20/16	158.68
000761	COMMUNITY BRIDGES	108712	10/20/16	2,222.75
001941	COMMUNITY TECHNOLOGY ALL	108713	10/20/16	542.00
003100	CRPOA	108714	10/20/16	450.00
000037	CRYSTAL SPRINGS WATER CO	108715	10/20/16	64.15
003043	CSG CONSULTANTS, INC	108716	10/20/16	22,045.00
000389	DASSEL'S PETROLEUM INC	108717	10/20/16	3,550.51
000207	DEPARTMENT OF JUSTICE	108718	10/20/16	148.00
001362	DUNCAN AUTO TECH	108719	10/20/16	1,313.09
003248	EARTHWORKS	108720	10/20/16	18,720.00
003206	ERNIE'S AUTO CENTER	108721	10/20/16	55.60
000703	FAMILY SERVICE AGENCY	108722	10/20/16	1,020.75
000051	FISHER SCIENTIFIC	108723	10/20/16	53.47
001597	FLEMING/JOSEPHINE	108724	10/20/16	4,085.00
000198	GREEN LINE	108725	10/20/16	796.00
000057	HACH COMPANY	108726	10/20/16	4,406.69
003575	HARUYAMA/JENNIFER	108727	10/20/16	441.69
003553	HEAVY EQUIPMENT PARTS	108728	10/20/16	107.17
003387	HEIDARI DDS/ALI	108729	10/20/16	39.80
000615	HOHMANN/PATRICK J.	108730	10/20/16	113.80
002070	HOMELESS SERVICE CENTER	108731	10/20/16	396.00
000835	INTERSTATE SALES	108732	10/20/16	593.00
001308	JOHNSON DDS/BRETT	108733	10/20/16	995.00
001673	LINCOLN FINANCIAL GROUP	108734	10/20/16	1,006.24
000284	LOGAN & POWELL, LLP	108735	10/20/16	15,500.00
001234	MC GRAW DDS/BERNARD	108736	10/20/16	224.20
001852	MCCAIN INC.	108737	10/20/16	4,250.00
003171	MICHALAK/GENE	108738	10/20/16	110.00
000083	MISSION UNIFORM SERVICE	108739	10/20/16	733.74

BANK	VENDOR	CHECK#	DATE	AMOUNT	
BA	GENERAL CHECKING ACCOUNT				
003218	MITCHELL/SCOTT	108740	10/20/16	152.00	
001418	MONTEREY REGIONAL	108741	10/20/16	2,653.50	
000939	NATIONAL COMTEL NETWORK	108742	10/20/16	15.19	
000323	NBS GOVERNMENT FINANCE G	108743	10/20/16	2,535.80	
001988	O'REILLY AUTOMOTIVE,INC	108744	10/20/16	980.72	
001802	ONTRAC	108745	10/20/16	40.96	
000101	PACIFIC GAS & ELECTRIC C	108746	10/20/16	41,003.71	
000101	PACIFIC GAS & ELECTRIC C	108747	10/20/16	171.55	
000101	PACIFIC GAS & ELECTRIC C	108748	10/20/16	26.73	
000382	PETE'S OUTFLOW TECHNICIA	108749	10/20/16	490.00	
003539	PHELPS/JUDITH ANN	108750	10/20/16	626.40	
000723	PIED PIPER INC./THE	108751	10/20/16	57.50	
000102	PITNEY BOWES	108752	10/20/16	147.44	
001876	POLITO/BRANDON	108753	10/20/16	769.50	
003503	PURETEC INDUSTRIAL WATER	108754	10/20/16	102.34	
.15123	RUIZ/MARTIN	108755	10/20/16	200.00	
001894	S.V. WATER DISTRICT - BU	108756	10/20/16	214.89	
000109	SAN LORENZO LUMBER CO.	108757	10/20/16	395.19	
001885	SANTA CRUZ BIOTECHNOLOGY	108758	10/20/16	101.14	
001909	SANTA CRUZ CNTY ANTI-CRI	108759	10/20/16	20,564.00	
001533	SANTA CRUZ COUNTY BANK	108760	10/20/16	2,972.34	
001875	SANTA CRUZ MOSQUITO	108761	10/20/16	649.04	
000127	SANTA CRUZ SENTINEL	108762	10/20/16	1,253.78	
001558	SCOTT DDS/KEVIN RAY	108763	10/20/16	171.00	
001586	SCOTTS VALLEY CLEANERS	108764	10/20/16	245.50	
000130	SCOTTS VALLEY FIRE DISTR	108765	10/20/16	5,924.00	
000805	SHAPE INC.	108766	10/20/16	19,585.88	
003478	SHARPS SOLUTIONS, LLC	108767	10/20/16	75.00	
001923	SIRCHIE	108768	10/20/16	79.34	
000228	SOIL CONTROL LAB	108769	10/20/16	71.00	
003196	SONSRAY MACHINERY	108770	10/20/16	38.29	
000143	SUMMIT UNIFORMS	108771	10/20/16	134.85	
001085	SYCAL ENGINEERING INC	108772	10/20/16	4,261.78	
001589	TELECOMMUNICATIONS	108773	10/20/16	4,440.00	
000153	THOMSON REUTERS-WEST	108774	10/20/16	277.96	
001560	TRITON CONSTRUCTION	108775	10/20/16	150.00	
001366	U.S. BANCORP OFFICE	108776	10/20/16	342.03	
001831	USA BLUE BOOK	108777	10/20/16	1,063.12	
001106	VERIZON WIRELESS	108778	10/20/16	1,270.66	
000899	VISTA CENTER FOR THE BLI	108779	10/20/16	518.50	
003145	WAGE WORKS	108780	10/20/16	160.00	
000443	WALPOLE/STEVE	108781	10/20/16	103.00	
000154	WINCHESTER AUTO STORES	108782	10/20/16	70.86	
002021	ZOOM	108783	10/20/16	534.59	
	GENERAL CHECKING ACCOUNT			358,792.28	***

BANK	VENDOR	CHECK#	DATE	AMOUNT
REPORT TOTALS:				358,792.28

RECORDS PRINTED - 000227

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
001	GENERAL	235,814.94
003	GAS TAX - SPECIAL STATE TRST	18,720.00
004	RECREATION	12,116.33
010	WASTEWATER OPERATIONS	54,534.09
011	TERTIARY TREATMENT PLANT	4,420.90
014	WASTEWATER EQMT REPLACE RES	19,585.88
023	SVRDA SUCCESSOR AGENCY	3,040.00
028	SENIOR CENTER	1,465.62
050	PINEWOOD EST LNDSCP MAINT DT	392.92
077	SKYPARK MAINT ASSESS DIST	895.11
090	SV DRIVE A REDEMPTION	2,535.80
112	DENTAL INS INTERNAL SERV	1,646.80
123	COMMUNITY FACILITY CENTER	1,683.49
150	GENERAL CAPITAL IMPROVEMENTS	1,940.40
TOTAL ALL FUNDS		358,792.28

BANK RECAP:

BANK	NAME	DISBURSEMENTS
BA	GENERAL CHECKING ACCOUNT	358,792.28
TOTAL ALL BANKS		358,792.28

CONSENT AGENDA ITEM C
DATE: 11-2-2016

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: John Wilson, Police Lieutenant

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **SECOND READING AND ADOPTION OF ORDINANCE NO. 110.6; MODIFICATION OF SECTION10.08.010 AND 10.08.020 TO TITLE 10 OF THE SCOTTS VALLEY MUNICIPAL CODE (SVMC) ADDING PRIVATE STREETS SUBJECT TO VEHICLE CODE ENFORCEMENT**

SUMMARY OF ISSUES

On October 19, 2016, the City Council approved the first reading and introduction of Ordinance No. 110.6, which makes the following modifications:

Section 10.08.010 Scotts Valley Vehicle Municipal Code (SVMC) prohibits the storage of vehicles "upon any public street or highway in the city for a period of seventy-two or more consecutive hours." However, there are many streets which are privately owned and maintained that are open to and used by the public for vehicular travel. Section 10.18.010B SVMC declares "that it is in the public interest to provide vehicle code enforcement on private streets…regularly used by the public." Private streets that are currently subject to vehicle code enforcement are listed in Section 10.18.020 SVMC.

However, under the current ordinance language, enforcement regarding the storage of vehicles for 72 hours or more does not apply to the private streets listed in Section 10.18.020 SVMC (over 100 streets). Including the phrase "or any street designated in Section 10.18.020" to Section 10.08.010 SVMC would resolve this oversight. Additionally, there are several streets, both public and private that need to be removed and/or added to Section 10.18.020 SVMC.

FISCAL IMPACT

There is no fiscal impact to the City.

RECOMMENDATION

It is recommended that City Council approve the second reading and adoption of the Ordinance No. 110.6, modifying Sections 10.08.010 and 10.08.020 of Title 10 of the Scotts Valley Municipal Code (SVMC).

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ORDINANCE NO. 110.6

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SCOTTS MODIFYING SECTIONS 10.08.010 AND 10.08.020 OF CHAPTER 10.08 OF TITLE 10 OF THE SCOTTS VALLEY MUNICIPAL CODE REGARDING PRIVATE STREETS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AS FOLLOWS:

SECTION 1. Section 10.08.010 A of Chapter 10.08 of Title 10 of the Scotts Valley Municipal Code is hereby amended to read as follows:

"10.08.010 - Storage of vehicles on streets prohibited.

A. No person or business who owns or has possession, custody or control of any vehicle shall park or leave standing, or cause to be left parked or left standing, such vehicle upon any public street, public highway, or any street designated in section 10.18.020, in the city for a period of seventy-two (72) or more consecutive hours."

SECTION 2. Section 10.08.020 of Title 10 of the Scotts Valley Municipal Code is hereby amended to read as follows:

"10.18.020 - Private streets subject to Vehicle Code enforcement.

The following streets shall be subject to the Vehicle Code enforcement:

Acorn Court, Appaloosa Court, Arabian Way, Ball Drive, Baymonte Christian School, Belair Court, Belair Drive, Blake Lane, Blossom Way, Cadillac Drive, Camp Evers Lane, Canham Road, Carriage Lane, Casa Way, Castle Ridge Way, Cathy Lane, Club Drive, Coopers Hawk Court, Country Lane, Crescent Court, Crescent Drive, Cubre Lane, Dana Court, Deer Trail Way, Dell Way, Dunn Lane, Dunslee Way, Elderberry Court, El Carlo Drive, Elzer Drive, Falcon Ridge Road, Flora Lane, Forest Hill, Fox Sparrow Court, Frapwell Court, Fred Court, Gaston Circle, Gold Court, Golden Eagle Court, Grace Way, Green Valley Road, Greenwood Court, Greenwood Street, Harvest Lane, Hidden Drive, Horseshoe Court, Johnston Way, Jolley Way, K Street, Kelly Way, Kelsey Court, Kent Court, Kings Drive, Kings Canyon Court, La Escuela, Lassen Park Court, Locke Way, Lockhart Gulch, Lucinda Street, MacLeod Way, Meadow Way, Milano Court, Mill Site Road, Morgan Court, Nashua Drive, Old Coach Road, Orchard Run, Pioneer Lane, Pippin Way, Quarter Horse Court, Quien Sabe Road, Ray Way, Ridgecrest Lane, Saddleback Ridge Road, San Augustine Way, Sandraya Heights, Sawbuck Court, Sawyer Circle, Sawyer Court, Scott Court, Scotts Valley High School, Scotts Valley Middle School, Scotts Valley Square Shopping Center, Scotts Village Shopping Center, Shadow Court, Shasta Park Court, Sherman Court, Sherman Drive, Sidesaddle Circle, Sidesaddle Court, Silverwood Drive, Silver Birch Lane, Single Spur Court, Siri Lane, Southwood Drive, Spring Lakes Drive, Sramek Lane, Sucinto Drive, Sunridge Drive, Sunridge Court, Sunset Terrace, Tankers Run, Terrace View Court, Terrace View Drive, Timber Ridge Court, Thompson Lane, Trammel Way, Tuscany Court, Twin Pines Drive, Venice Way, Viki Court, Vine Hill School, Wells Road, Willis Road, Windward Place, Woodhill Drive, Woodside Court, York Road."

SECTION 3. SEVERABILITY. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction such portion shall be deemed a separate, distinct and independent provision of such Ordinance and shall not affect the validity of the remaining portions thereof.

SECTION 4. REPEALS CONFLICTING ORDINANCES. All other ordinances of the City of Scotts Valley or provisions of the Scotts Valley Municipal Code which are in conflict with this Ordinance are hereby repealed to the extent of such conflict.

SECTION 5. CEQA COMPLIANCE. The City Council finds and determines that the enactment of this Ordinance is not a "project" as that term is used in the California Environmental Quality Act ("CEQA;" Cal. Pub. Resources Code Section 21000 et seq.) or the State CEQA Guidelines (Cal. Code of Regs., Title 14, Section 15000 et seq.). Therefore, no environmental assessment is required or necessary.

SECTION 6. EFFECTIVE DATE. This Ordinance shall take effect thirty (30) days after the date of its adoption. Prior to the expiration of fifteen (15) days from the date of adoption, this Ordinance shall be published in at least three (3) public places.

This Ordinance was introduced on the 19th day of October, 2016 and passed and adopted by the City Council of the City of Scotts Valley on the 2nd day of November, 2016, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:______________________________
Donna R. Lind, Mayor

ATTEST: ______________________________
Tracy A. Ferrara, City Clerk

APPROVED
AS TO FORM: ______________________________
Kirsten Powell, City Attorney

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Scott Hamby, Public Works Director

Approved: Jenny Haruyama, City Manager

SUBJECT: **GRANITE CREEK ROAD STORM DAMAGE REPAIR PROJECT CHANGE ORDER NO. 1**

SUMMARY OF ISSUE

This change order represents additional project work for the Granite Creek Road Storm Damage Repair Project. The project includes a 100-ft retaining wall that requires the contractor to drill 13 24-inch diameter holes measuring 20-ft deep. The contractor encountered granite rock and/or debris in most all of the holes, which resulted in a more time consuming process, requiring different equipment. The geotechnical report conducted prior to the project did not indicate granite rock was present.

The cost for the additional work is $16,474.43. This expense includes the removal of the unanticipated rock and debris, and time required for the core drilling.

Change Order No. 1 will increase the contract amount to Northwest Demolition, Inc. by $16,474.43.

FISCAL IMPACT

Total cost for the change order is $16,474.43 which will be paid from Fund 3, Gas Tax. There is no impact to the General Fund.

STAFF RECOMMENDATION

It is recommended Council approve Change Order No. 1, increasing the contract amount with Northwest Demolition, Inc. for the Granite Creek Road Storm Damage Repair Project. The contract amount will increase from $166,080 to $182,554.43. There are adequate funds in Fund 3 to cover this adjustment.

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PCO 1 Date 10/14/2016

Description Differing Site Condition - Rock fill encounterd in pile locations

24" CIDH Drilling location							
	1	2	3	4	5	6	
Total	6.5	4	6.5	5	12.5	13	47.5
Contract	2	2	2	2	2	2	12
Extra	4.5	2	4.5	3	10.5	11	35.5

Labor			
Classification	Rate	Hours	Total
Labor - 1	$ 53.00	35.5	$ 1,881.50
Labor - 2	$ 50.00	35.5	$ 1,775.00
Operator	$ 100.00	35.5	$ 3,550.00
			$ -
Subtotal			$ 7,206.50
Mark-up		36%	$ 2,594.34
Labor Total			$ 9,800.84

Equipment			
Unit	Rate	Hours	Total
Truck	$ 20.56	35.5	$ 729.88
161 Kubota	$ 60.71	35.5	$ 2,155.21
Subtotal			$ 2,885.09
Mark-up		10%	$ 288.51
Equipment Total			$ 3,173.59

Holes 7-13			
Description	Qty	Rate	Total
7 locations	7	$ 500.00	$ 3,500.00
Mark-up		0%	$ -
Material Total			$ 3,500.00

Grand Total	$ 16,474.43

002

SCOTTS VALLEY
FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

Daniel J. Grebil
Fire Chief

Date: October 17, 2016

To: City Council

From: Daniel J. Grebil, Fire Chief

Subject: Ratification of the Adopted Scotts Valley Fire Protection District - Fire Code

Recommendation

Ratify the Scotts Valley Fire Protection District Fire Code – Ordinance No. 2016-1

Discussion

The Board of Directors of the Scotts Valley Fire Protection District unanimously adopted Ordinance No. 2016-1 at their October 12, 2016, regular board meeting. Per California Health and Safety Code Section 13869.7, the Ordinance is being forwarded to you for final ratification. Upon ratification, Ordinance No. 2016-1 will be effective January 1, 2017.

PART 7

That the fire chief of the Scotts Valley Fire Protection District is hereby ordered and directed to cause a notice of this ordinance to be published in a newspaper in general circulation in accordance with Section 6066 of the California Government Code.

PART 8

That this ordinance and the rules, regulations, provisions, requirements, orders and matters established and adopted hereby shall take effect and be in full force and effect on January 1, 2017 pursuant to Health and Safety Code Section 18941.5. This Ordinance shall remain in full force and effect until a subsequent superseding ordinance becomes effective.

PASSED AND ADOPTED this 12th day of October, 2016, by the Board of Directors of the Scotts Valley Fire Protection District by the following vote:

AYES: Armstrong, Campbell, Alan Smith, Art Smith + Warren

NOES: ______

ABSENT: ______

ABSTAIN: ______

______
Joshua Warren
Board President

Attest:

______
Daniel J. Grebil
Board Secretary

APPROVED AS TO FORM:

______
Phillip Passafuime
District Counsel

DISTRIBUTION: Board of Supervisors
City Council

SCOTTS VALLEY FIRE PROTECTION DISTRICT
OF SANTA CRUZ COUNTY

ORDINANCE NO. 2016-1

An ordinance of the Scotts Valley Fire Protection District adopting the 2015 edition of the International Fire Code, regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises in the Scotts Valley Fire Protection District providing for the issuance of permits and collection of fees therefore; repealing Ordinance 2013-1 of the Scotts Valley Fire Protection District and all other ordinances and parts of the ordinances in conflict therewith.

PART 1

The Board of Directors of the Scotts Valley Fire Protection District does ordain as follows:

That portion of the 2016 California Fire Code that imposes substantially the same requirements as are contained in the International Fire Code, 2015 Edition published by the International Code Council and the California Building Standards Commission with Errata, together with those portions of the International Fire Code, 2015 Edition, including Appendices B, BB, C, CC, I and N as published by the International Code Council not included in the California Fire Code, as modified and amended by this ordinance, are adopted by this reference into this code, and are hereby collectively declared to be the Fire Code of the Scotts Valley Fire Protection District, in the State of California regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises as herein provided; providing for the issuance of permits and collection of fees for same; and each and all of the regulations, provisions, penalties, conditions and terms of said Fire Code on file in the office of the Scotts Valley Fire Protection District are hereby referred to, adopted, and made a part hereof, as if fully set out in this ordinance, with the additions, insertions, deletions and changes, if any, prescribed in Part 2 of this ordinance.

PART 2

Ordinance No. 2013-1 of the Scotts Valley Fire Protection District is hereby repealed and replaced with Ordinance 2016-1 to read as follows:

International Fire Code Adopted.
That portion of the 2016 California Fire Code that imposes substantially the same requirements as are contained in the International Fire Code, 2015 Edition published by the International Code Council and the California Building Standards Commission with errata, together with those portions of the International Fire Code, 2015 Edition, including Appendices B, BB, C, CC, I and N published by the International Code Council not included in the 2016 California Fire Code, as modified and amended by this ordinance, are adopted by this reference into code, and are hereby collectively declared to be the Fire Code of the Scotts Valley Fire Protection District for the purpose of regulating and governing the safeguarding of life, property and public welfare to a reasonable degree from the hazards of fire, hazardous materials release and explosion arising from the storage, use and handling of dangerous and hazardous materials, substances and devices, conditions hazardous to life or property in the occupancy and use of buildings and premises, the operation, installation, construction, location, safeguarding and maintenance of attendant equipment, the installation and maintenance of adequate means of egress not provided for by the building code, and providing for the issuance of permits and collection of fees for same.

Section 101.1 is amended – Title.

Section 101.1 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

101.1 Title. These regulations shall be known as the Fire Code of the Scotts Valley Fire Protection District, hereinafter referred to as “this code.”

Section 102.1 amended – Construction and design provisions.

Section 102.1 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

102.1 – Construction and design provisions. The construction and design provisions of this code shall apply to:

1. Structures, facilities and conditions arising after the adoption of this code.
2. Existing structures, facilities and conditions not legally in existence at the time of adoption of this code.
3. Existing structures, facilities and conditions where required in Chapter 11.
4. Existing structures, facilities and conditions that, in the opinion of the fire code official, constitute a distinct hazard to life or property.
5. Existing Structures, Alterations and Repairs. All new work performed in alterations and/or repairs to existing structures shall comply with the current provisions of this Chapter. When alterations and/or repairs result in the removal, alteration, modification, replacement and/or repair of fifty percent or more of the external walls of a building, or result in the removal, modification, replacement and/or repair of fifty percent or more of the existing internal structural and/or non-structural framework, independently or in combination thereof, within a five year period, the entire building shall be made to conform to the current provisions of this chapter. The determination under this section of the requirement for upgrading any existing structure to full conformance with current provisions of this Chapter shall be at the sole discretion of the Fire Code Official.

Section 102.9 amended - Matters Not Provided For.

Section 102.9 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

102.9 - Matters Not Provided For. Requirements that are essential for the public safety of an existing or proposed activity, building or structure, or for the safety of the occupants thereof, which are not specifically provided for by this code shall be determined by the fire code official.

The fire chief is authorized to render interpretations of this code and to make and enforce rules, supplemental regulations and standards in order to carry out the application and intent of its provisions. Such interpretations, rules, regulations and standards shall be in conformance with the intent and purpose of this code and shall be available to the public during normal business hours. Those standards promulgated by the Santa Cruz County Fire Chiefs Association shall be deemed as prima facie evidence of compliance with this code.

Section 103.5 Added – Police Powers.

Section 103.5 is added to Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

103.5 Police Powers. The fire code official and his/her deputies shall have the powers of police officers in performing their duties under this code. When requested to do so by the fire code official, the chief of police of the jurisdiction is authorized to assign such available police officers as necessary to assist the fire code official with enforcing the provisions of this code.

Section 105.1 amended – General.

Section 105 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

105.1 - General. Permits shall be in accordance with Sections 105.1.1. through 105.7.18~~.~~ or other provisions of this code as required by the jurisdiction having authority.

Section 108.1 amended - Board of Appeals Established.
Section 108.1 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

108.1 – Board of Appeals Established. In order to hear and decide appeals of orders, decisions or determinations made by the fire code official relative to the application and interpretation of this code, there shall be and is hereby created a Board of Appeals. The Board of Appeals shall be the Board of Directors of the Scotts Valley Fire Protection District or a sub-committee as appointed by the Board of Directors of the Scotts Valley Fire Protection District. The fire code official shall be an ex-officio member of said board but shall have no vote on any matter before the board. The board may adopt additional rules of procedure for conducting its business, and shall render all decisions and findings in writing to the appellant with a duplicate copy to the fire code official.

Section 108.3 deleted – Qualifications
Section 108.3 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is deleted.

Section 108.4 added – Appeals Process
Section 108.4 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

Section 108.4.1 - Initiating Appeal. Any beneficially interested party has the right to appeal the order served by the fire code official by filing a written "NOTICE OF APPEAL" with the office of the fire code official within fourteen (14) days after service of such order. The notice shall state the order appealed from, the identity and mailing address of the appellant, and the specific grounds upon which the appeal is made.

108.4.2 - Stay of Order. The filing of a properly completed notice of appeal shall have the effect of staying the implementation of the order appealed from, until the final decision of appeal.

> EXCEPTION: Orders affecting acts or conditions which in the opinion of the fire code official, pose an immediate threat to life, property, or the environment as a result of panic, fire, explosion, or release.

108.4.3 - Hearing of Appeal. Following is the process for establishing and hearing appeals:

1. The Board of Appeals, or the secretary thereof, shall set the matter to be heard at a date within thirty days of receipt of such notice of appeal. Written notice of the time and place set for hearing shall be served on the appellant by first class mail to the mailing address given in the notice of appeal at least five days prior to the date set for the hearing. The fire code official shall transmit to the Board of Appeals all records related to the appeal.

2. At the hearing on the appeal, the appellant shall, in the first instance present evidence in support of the grounds enumerated in her/his notice of appeal. The fire code official shall next present evidence in support of her/his order. The appellant and the fire code official shall each have one opportunity to rebut the evidence presented by the other. The hearing shall be de novo in all respects.

108.4.4 - Decision of the Board of Appeals. Upon hearing the appeal, the Board of Appeals may issue a decision affirming, modifying or vacating the order of the fire code official. The decision shall be in writing and shall be served upon the appellant by first class mail to the mailing address given in the notice of appeal.

108.4.5 - Time of Decision. The Board of Appeals shall have the power to continue any hearing and may, in its discretion, take the appeal under submission. The Board of Appeals shall render a decision not later than the seventh day following the date the matter was taken under submission, and forthwith notify the interested parties as previously set forth.

Section 109.4 is amended – Violation penalties.

Section 109.4 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

109.4 – Violation Penalties. Persons who shall violate a provision of this code or shall fail to comply with any of the requirements thereof or who shall erect, install, alter, repair or do work in violation of the approved construction documents, or of a permit or certificate used under provisions of this code, shall be guilty of an infraction.

Acts denominated as infractions shall not be punishable by imprisonment. Every violation determined to be an infraction is punishable by:

1. A fine not exceeding one hundred dollars for a first violation;
2. A fine not exceeding two hundred dollars for a second violation of the same provision of this code within one year;
3. A fine not exceeding five hundred dollars for each additional violation of the same provision of this code within one year.

A person charged with an infraction shall not be entitled to a trial by jury. A judgment that a person convicted of an infraction be punished by fine may also provide for the payment to be made within a specified time or in specified installments, contingent upon the person giving his written promise to either pay the fine as provided or to appear in court on the due date. Any person who willfully violates any such written promise is guilty of a misdemeanor.

Each day that a violation continues after due notice has been served shall be deemed a separate offense.

Section 109.4.1 is amended – Abatement of violation.

Section 109.4.1 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

109.4.1 – Abatement of violation. In addition to the imposition of the penalties herein described, the fire code official is authorized to institute appropriate action to prevent unlawful construction or to restrain, correct or abate a violation; or to prevent illegal occupancy of a structure or premises; or to stop an illegal act, conduct of business or occupancy of a structure on or about any premises. Any violation of this code shall be deemed a public nuisance pursuant to Santa Cruz County Code Section 1.12.050 and/or the Scotts Valley Fire Protection District's Fire Code. In the event that a public nuisance is not abated in accordance with the fire code official's order or the order of the Board of Appeals, if any, the fire code official may, upon securing approval of the Board of Directors of the Scotts Valley Fire Protection District, proceed to abate the nuisance by force account, contract, or any other method deemed most expedient by the Board. The cost of such abatement may be charged to the owner of record, or assessed to the property in a manner provided in Sections 1.14.040 through 1.14.080 of the County of Santa Cruz Code.

Section 109.4.2 is added – Enforcement.

Section 109.4.2 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

109.4.2 - Enforcement. The fire code official and her/his delegated subordinates, pursuant to the provisions of Section 836.5 of the Penal Code of the State of California, are hereby authorized to arrest a person without a warrant whenever they have reasonable cause to believe that the person has committed a violation of any of the provisions of this Code in their presence. Upon making such an arrest, the fire code official or her/his delegated subordinate shall prepare a citation and release the person arrested pursuant to Section 853.6 of the Penal Code of the State of California, the provisions of which are hereby adopted by reference as part of this Section.

Section 111.4 is amended – Failure to comply.

Section 111.4 of Chapter 1 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

111.4 Failure to comply. It is unlawful for any person, firm or corporation to violate or fail to comply with any lawful order of the fire code official; fail to comply with an order by the Board of Appeals; or, fail to comply with an order of the court of competent jurisdiction within the time fixed therein. Every such violation shall be deemed a misdemeanor and shall be punishable by a fine of not more than $500.00 plus court assigned fees or by imprisonment not exceeding 1 year in the county jail, or both such fine and imprisonment.

Section 202 is amended – Definition of All Weather Surface.

Definition of All Weather Surface in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Alcohol-Blended Fuels to read as follows:

ALL WEATHER SURFACE. An all weather surface shall be a minimum of 6" of compacted Class II base rock for grades up to and including 5%, oil and screened for grades up to and including 15%, and asphaltic concrete for grades exceeding 15%. No grade shall be allowed to exceed 16% in State Responsibility Area (SRA) or 20% in Local Responsibility Area (LRA).

Section 202 is amended – Definition of Bridge.

Definition of Bridge in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Bonfire to read as follows:

BRIDGE. A bridge shall be defined as a structure designed to carry a roadway over a depression or obstacle.

Section 202 is amended – Definition of De Novo.

Definition of De Novo in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Deluge System to read as follows:

DE NOVO. adj. Latin for "anew," which means starting over, as in a trial de novo. For example, a decision in a small claims case may be appealed to a local trial court, which may try the case again, de novo.

Section 202 is amended – Definition of Fire Chief.

Definition of Fire Chief in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

FIRE CHIEF. The Chief of The Scotts Valley Fire Protection District.

Section 202 is amended – Definition of Local Responsibility Area (LRA).

Definition of Local Responsibility Area (LRA) in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Listed to read as follows:

LOCAL RESPONSIBILITY AREA (LRA). Shall mean lands on which neither the state nor the federal government has any legal responsibility for providing fire protection. Local responsibility areas include incorporated cities and cultivated agriculture lands. Local responsibility area fire protection is typically provided by city fire departments, fire protection districts, special districts, counties, and by CAL FIRE under contract to local government.

Section 202 is amended – Definition of Stage.

Definition of Stage in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Spraying Space to read as follows:

STAGE. A space within a building utilized for entertainment or presentations, which includes overhead hanging curtains, drops, scenery or stage effects other than lighting and sound. Stage area shall be measured to include the entire performance area and adjacent backstage and support areas not separated from the performance area by fire-resistance rated construction. Stage height shall be measured from the lowest point on the stage floor to the highest point of the roof or floor deck above the stage.

Section 202 is amended – Definition of State Responsibility Area (SRA).

Definition of State Responsibility Area (SRA) in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Standpipe, Types of to read as follows:

STATE RESPONSIBILITY AREA (SRA). Shall mean lands that are classified by the Board of Forestry pursuant to Public Resources Code Section 4125-4127; and the California Code of Regulations, Title 14, Division 1.5, Chapter 7, Article 1, Sections 1220-1220.5 where the financial responsibility of preventing and suppressing forest fires is primarily the responsibility of the State of California.

Section 202 is amended – Definition of Turnaround.

Definition of Turnaround in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Tube Trailer to read as follows:

TURNAROUND. A roadway, unobstructed by parking, which allows for a safe opposite change of direction for emergency equipment. Design of such area may be found in Santa Cruz County Fire Prevention Officers Standards.

Section 202 is amended – Definition of Turnout.

Definition of Turnout in Section 202 of Chapter 2 of the Fire Code of the Scotts Valley Fire Protection District is added after Turnaround to read as follows:

TURNOUT. A widening in a roadway to allow vehicles to pass. Design of such area may be found in Santa Cruz County Fire Prevention Officers Standards.

Section 304.1.2 is amended – Vegetation.

Section 304.1.2 of Chapter 3 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

304.1.2 – Vegetation. Weeds, grass, vines or other growth that is capable of being ignited and endangering property, shall be cut down and removed by the owner or occupant of the premises. Vegetation clearance requirements in urban-wildland interface areas shall be maintained around and adjacent to buildings and structures. A firebreak shall be made by removing and clearing away, for a distance of not less than 30 feet on each side of the building or structure or to the property line, whichever is nearer, all flammable vegetation or other combustible growth. This does not apply to single specimens of trees or other vegetation that is well-pruned and maintained so as to effectively manage fuels and not form a means of rapidly transmitting fire from other nearby vegetation to any building or structure.

When required by state law, or local ordinance, rule or regulation, an additional fire protection zone or firebreak may be made by removing all brush, flammable vegetation, or combustible growth that is located within 100 feet from the building or structure or to the property line. This section does not prevent an insurance company that insures a building or structure from requiring the owner of the building or structure to maintain a firebreak of more than 100 feet around the building or structure. Grass and other vegetation located more than 30 feet from the building or structure and less than 18 inches in height above the ground may be maintained where necessary to stabilize the soil and prevent erosion. This does not apply to single specimens of trees or other vegetation that is well-pruned and maintained so as to effectively manage fuels and not form a means of rapidly transmitting fire from other nearby vegetation to a dwelling or structure.

Section 307.2 - Open Burning And Recreational Fires.
Section 307.2 of Chapter 3 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

307.2 Permit required.
~~A~~ When required by the fire chief, a permit shall be obtained in accordance with Section 105.6 prior to kindling a fire for recognized silvicultural or range or wildlife management practices, prevention or control of disease or pests, or a bonfire. Application for such permit shall only be presented by and permits issued to the owner of the land upon which the fire is to be kindled.

The open burn season for Santa Cruz County unless otherwise declared shall be December 1st through April 30th of the calendar year. The dates may only be changed by the Monterey Bay Area Unified Air Pollution Control District.

Exceptions:
1. During the “declared open burn season” (as declared by the Monterey Bay Area Unified Air Pollution Control District) pile burning is allowed, at the discretion of the fire chief, when the “Guidelines for Pile Burning” (published by the California Department of Forestry and Fire Protection or Monterey Bay Area Unified Air Pollution Control District) are strictly adhered to.

Section 308.1.4 is deleted – Open-Flame cooking devices.
Section 308.1.4 of Chapter 3 of the Fire Code of the Scotts Valley Fire Protection District is hereby deleted:

Section 311.5 is amended – Placards.
Section 311.5 of Chapter 3 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

311.5 – Placards. When required by the fire code official, ~~Any~~ any building or structure determined to be unsafe pursuant to Section 110 of this code relating to structural or interior hazards shall be marked as required by Sections 311.5 through 311.5.5.

Section 501.3 is amended – Construction Documents.
Section 501.3 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

501.3 – Construction Documents. Construction documents for proposed fire apparatus access, location of fire lanes, security gates across fire apparatus access roads and construction documents and hydraulic calculations for fire hydrant systems shall be submitted to the fire department for review and approval prior to construction. When grading work is needed for the access road(s) within the jurisdiction of Santa Cruz County, application for a grading permit shall be made with the Santa Cruz County Planning Department pursuant to the Santa Cruz County Grading Ordinance. Such Permits shall be reviewed by the Santa Cruz County Environmental Coordinator as required.

Section 503.2.1 is amended – Dimensions.
Section 503.2.1 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

503.2.1 – Dimensions. Fire Apparatus access roads shall have an unobstructed width of not less than 20 feet (6096 mm), exclusive of shoulders, except for approved security gates in accordance with Section 503.6, and an unobstructed vertical clearance of not less than 15 feet (4572 mm).

Exceptions:

1. Within the State Responsibility Area (SRA) of Santa Cruz County, all driveways serving two or fewer habitable structures shall have an unobstructed width of not less than 12 feet (3658 mm) and an unobstructed vertical clearance of not less than 15 feet (4572 mm).
2. Within the Local Responsibility Area (LRA) of Santa Cruz County, access roads shall be a minimum of 18 feet (5486 mm) wide for all access roads or driveways serving more than two habitable structures, and 12 feet (3658 mm) for an access road or driveway serving two or fewer habitable structures. Where it is environmentally inadvisable to meet these criteria (due to excessive grading, tree removal or other environmental impacts), a 12-foot wide all-weather surface access road with 12-foot wide by 35-foot long turnouts located approximately every 500 feet may be provided with the approval of the fire code official.
3. Vertical clearance may be reduced; provided such reduction does not impair access by fire apparatus and approved signs are installed and maintained indicating the established vertical clearance when approved by the fire code official.

Section 503.2.1.1 is added – Vegetation clearance along access roads.

Section 503.2.1.1 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.1.1 – Vegetation Clearance along access roads. Areas within 10 feet (3048 mm) horizontal and 15 feet (4572 mm) vertical on each side of portions of highways, public and private streets, roads and driveways which are ordinarily used for vehicular traffic shall be cleared of flammable vegetation and other combustible growth. Design of such area may be found in Santa Cruz County Fire Prevention Officers Standards.

Exception: Single specimens of trees, ornamental shrubbery or cultivated ground cover such as green grass, ivy, succulents or similar plants used as ground covers, are exempt provided that they do not form a means of readily transmitting fire.

Section 503.2.3 is amended – Surface.

Section 503.2.3 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

503.2.3 - Surface. An all weather surface shall be a minimum of 6" of compacted Class II base rock for grades up to and including 5%, oil and screened for grades up to and including 15%, and asphaltic concrete for grades exceeding 15%. No grade shall be allowed to exceed 16% in State Responsibility Area (SRA) or 20% in Local Responsibility Area (LRA).

Section 503.2.4 is amended – Turning radius.

Section 503.2.4 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

503.2.4 – Turning radius. In the State Responsibility Area (SRA) no roadway shall have a horizontal inside radius of curvature of less than 50 feet and additional surface width of 4 feet shall be added to curves of 50-100 feet radius; 2 feet to those from 100-200 feet. In the Local Responsibility Area (LRA) the minimum centerline radius shall be 35 feet.

Section 503.2.5.1 is added – New dead end access roads.

Section 503.2.5 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.5.1 – Dead end access roads. New dead-end roads are prohibited, without secondary access, serving more than one parcel in new minor land divisions or subdivisions which exceed the following distances from an adequate through road unless approved by the applicable fire protection agency, the Department of Public Works, and by the Planning Commission; in no case shall a new dead-end road exceed ½ mile in length.

Urban & Suburban General Plan and LCP Land Use Plan designation	500’
Rural General Plan and LCP Land Use Plan designation	1000’
Mountain General Plan and LCP Land Use Plan designation	1500’

Section 503.2.6.1 is added – Width.

Section 503.2.6.1 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.6.1 - Width. All bridges shall be a minimum of 20 feet of clear width. The fire code official may allow the width to be reduced for access to U-1, U-2 or R-3 occupancies in accordance with Objective 6.5 – Fire Hazards of the Santa Cruz County General Plan.

Section 503.2.6.2 is added – Certification.

Section 503.2.6.2 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.6.2 - Certification. Every private bridge hereafter constructed shall be engineered by a licensed civil or structural engineer and approved by the fire code official. Certification shall be provided by the licensed engineer in writing that the bridge complies with the design standard required by this section to the fire code official.

Section 503.2.6.3 is added – Recertification.

Section 503.2.6.3 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.6.3 - Recertification. Every private bridge shall be recertified every ten years or whenever deemed necessary by the fire code official. Such recertification shall be in accordance with the requirements of 503.2.6.2.

Section 503.2.6.4 is added – Existing Private Bridges.

Section 503.2.6.4 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.6.4 - Existing Private Bridges. An existing private bridge not conforming to these regulations may be required to conform when in the opinion of the fire code official, such repairs are necessary for public safety.

Section 503.2.6.5 is added – Fees.

Section 503.2.6.5 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.2.6.5 - Fees. All fees charged for the purpose of certification or recertification shall be at the owner’s expense.

Section 503.2.7 is amended – Grade.

Section 503.2.7 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

503.2.7 – Grade. The grade for all roads, streets, private lanes and driveways shall not exceed 16% in State Responsibility Area (SRA) and 20% in Local Responsibility Area (LRA).

Section 503.7 is added – Gate.

Section 503.7 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

503.7 – Gates. All Gates providing access from a road to a driveway, or within any access road, shall be located at least 30 feet from the roadway and shall open to allow a vehicle to stop without obstructing traffic on the road. Gate entrances shall be at least 2 (two) feet wider than the access road being secured, but in no case shall the width be less than 14 (fourteen) feet unobstructed horizontal clearance and unobstructed vertical clearance of 15 (fifteen) feet. When gates are to be locked, the installation of a key box or other acceptable means for immediate access may be required as in Section 503.6.

Section 505.2 is amended – Street and Road Signs.

Section 505.2 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

505.2 - Street and Road Signs. Streets and roads shall be identified with approved signs. Temporary signs shall be installed at each street intersection when construction of new roadways allows passage by vehicles. Signs shall be of an approved size, weather resistant and be maintained until replaced by permanent signs. Posting of any road names and numbers not authorized by the Office of Street Naming and Numbering of the County of Santa Cruz, and the fire code official is prohibited.

507.3 is amended – Fire Flow.

Section 507.3 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

Fire flow requirements for buildings or portions of buildings and facilities shall be determined by an approved method ~~or~~ , *Appendix B*, or Appendix BB (for school buildings as scoped in BB101.1)

Parcels not within the boundaries of a public or private water purveyor shall have a minimum water supply capable of supplying a flow of 500 gallons per minute for 20 minutes (10,000 gallons) for all new dwellings, residential additions in excess of 500 square feet, and other structures classified as a residential accessory uses such as garages, storage buildings, barns, etc..

Privately owned water that is not supplied by a licensed water purveyor shall:

(1) serve no more than two dwellings and no more than 10,000 square feet of habitable dwelling space, and;

(2) be provided pursuant to a recorded covenant that runs with the land if the water supply originates from another parcel. If a water purveyor supplies the water, the applicant must submit with the building plan written verification from the licensed purveyor that the water supply meets the flow requirement.

Exceptions:

1. A 2% reduction will be allowed for flow supplied by approved stationary water tanks, to account for the nominal standardized capacity of such tanks.

Section 507.5.7 is added – Painting.

Section 507.5.7 of Chapter 5 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

507.5.7 – Painting. When required by the fire code official, fire hydrants shall be painted in accordance with NFPA 291 and Santa Cruz County Fire Prevention Officers Standards.

Section 605.13 is added – Alternate Power Sources.

Section 605.13 of Chapter 6 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

Section 605.13 - Alternate Power Sources. All permanent installations of electrical generators, wind generators, solar photovoltaic cells, or other power sources shall be approved by the building code official. In addition to all applicable provisions of Title 24 CCR for any such installation, a sign reading:

"WARNING – This premise is provided with an Alternate Power Source.
Disconnection of commercial power may not disable the electrical power source"

shall be permanently affixed. Sign shall be red in color with a minimum of ½" tall contrasting lettering and shall be permanently affixed on each electrical panel subject to back-feed from alternate power sources. Any and all power disabling switches shall be clearly labeled.

IFC Sections 903.1 through 903.2.7.1 are Deleted – Automatic Sprinkler Systems

Sections 903.1 through 903.2.7.1 of Chapter 9 of the Fire Code of the Scotts Valley Fire Protection District are deleted and replaced to read as follows:

903.1 General. Automatic sprinkler systems shall comply with this section.

903.1.1 Alternative Protection. Alternative automatic fire-extinguishing systems complying with Section 904 shall be permitted in lieu of automatic sprinkler protection where recognized by the applicable standard and approved by the fire code official.

903.2 Where required. Approved automatic sprinkler systems in new buildings and structures shall be provided in the locations described in this section.

903.2.1 New Structures. An automatic fire sprinkler system shall be provided in all new occupancies as defined in Chapter 3 of the California Building Code, regardless of type of construction and/or floor area, unless otherwise pre-empted by the California Health and Safety Code. Any occupancy not specifically mentioned shall be included in the group that it most nearly resembles based on the proposed life and fire hazard;

EXCEPTIONS:

1. Private garages, carports, sheds not more than 1,000 square feet (93 m^2) of total floor area shall not require fire sprinklers where they are detached and separate from other structures and provided with exterior wall and opening protection as per the California Building Code.

2. Sheds exceeding 1,000 square feet, (93 m^2) but not exceeding 3,000 square feet (278 m^2) shall not require fire sprinklers at the discretion of the fire chief when the applicant demonstrates that the applicant's proposal does not increase the fire hazard or fire load.

3. Agricultural buildings as defined in Appendix Chapter C, of the California Building Code not exceeding 2,000 square feet (186 $m^{2)}$, not exceeding 25 feet (7620 mm) in height, having a clear unobstructed side yard exceeding 60 feet (18,280 mm) in all directions, and located within an Agricultural zoned district, as defined in the Santa Cruz County Planning Code, or as exempted by the fire chief, shall not require fire sprinklers.

Additionally, agricultural buildings exceeding 2,000 square feet (186 m^2) but not exceeding 5,000 square feet, not exceeding 25 feet (7620 mm) in height, having a clear unobstructed side yard exceeding 60 feet (18,280 mm) in all directions, and located within an Agricultural zoned district, as defined in the Santa Cruz County Planning Code, shall not require fire sprinklers at the discretion of the fire chief when the applicant demonstrates the applicant's proposal does not increase the fire hazard or fire load.

4. Group B and Group M Occupancies not more than 500 square feet (46.5 m^2) shall not require fire sprinklers where they are detached and separate from other structures and provided with exterior wall and opening protection as per the California Building Code, Table 508.3.3.

5. Greenhouses of non-combustible construction shall not require fire sprinklers.

6. For public school state-funded construction projects see CFC Section 903.2.19.

903.2.1.4 Group R. An automatic sprinkler system installed in accordance with Section 903.3 shall be provided throughout all buildings with a Group R fire area.

Exception:

1. Existing Group R-3 occupancies converted to Group R-3.1 occupancies not housing bedridden clients, not housing nonambulatory clients above the first floor, and not housing clients above the second floor.
2. Existing Group R-3 occupancies converted to Group R-3.1 occupancies housing only one bedridden client and complying with section 425.8.3.3 of the California Building Code.
3. Pursuant to Health and Safety Code Section 13113 occupancies housing ambulatory children only, none of whom have mental health disorders or intellectual disabilities, and the buildings or portions thereof in which such children are housed are not more than two stories in height, and buildings or portions thereof housing such children have an automatic fire alarm system activated by approved smoke detectors.
4. Pursuant to Health and Safety Code Section 13143.6 occupancies licensed for protective social care which house ambulatory clients only, none of whom is a child (under the age of 18 years), or who is elderly (65 years of age or over).
   When not used in accordance with Section 504.2 or 506.3 of the California Building Code an automatic sprinkler system installed in accordance with Section 903.3.1.2 shall be allowed in Group R-2.1 occupancies.

903.2.1.5 Group R-3 congregate residences. An automatic sprinkler system installed in accordance with Section 903.3.1.3 shall be permitted in Group R-3 congregate living facilities with 16 or fewer residents.

903.2.1.6 Care facilities. An automatic sprinkler system installed in accordance with Section 903.3.1.3 shall be permitted in care facilities with 5 or fewer individuals in a single-family dwelling.

903.2.2 Existing Buildings and Structures except for One and Two Family Dwellings. An automatic sprinkler system shall be installed in existing buildings and structures, except One and Two Family Dwellings, after the effective date of this code, when a building permit is issued to allow additions to be made, as follows:

1. For existing buildings less than 6,000 square feet in gross floor area when an addition to the building causes the structure to exceed 6,000 square feet, the entire structure shall be provided with an automatic sprinkler system.
2. For existing buildings larger than 6,000 square feet in gross floor area when an addition is equal to or greater than 10% of the existing square footage or when extensive renovation or remodeling is done to more than 50% of the gross floor area, the entire structure shall be provided with an automatic sprinkler system.

For the purposes of this section, extensive renovation or remodeling shall be defined as any change, addition or modification in construction or occupancy or structural repair or change in primary function to an existing structure made by, on behalf of or for the use of a public accommodation or commercial facility that affects or could affect the usability of the building or facility or part thereof. Alterations include, but are not limited to, remodeling, renovation, rehabilitation, reconstruction, historic restoration, changes or rearrangement of the structural parts or elements, and changes or rearrangement in the plan configuration of walls and full-height partitions.

All new work performed in alterations and/or repairs to existing structures shall comply with the current provisions of this Chapter. When alterations and/or repairs result in the removal, alteration, modification, replacement and/or repair of fifty percent or more of the external walls of a building, or result in the removal, modification, replacement and/or repair of fifty percent or more of the existing internal structural and/or non-structural framework, independently or in combination thereof, within a five year period, the entire building shall be made to conform to the current provisions of this chapter. The determination under this section of the requirement for upgrading any existing structure to full conformance with current provisions of this Chapter shall be at the sole discretion of the Fire Code Official.

Exceptions to Section 903.2.2 (1 and 2)

(a) Group A-2 occupancies exceeding 5,000 square feet shall have an automatic sprinkler system installed.

(b) Group A-5 occupancies exceeding 1,000 square feet in the following areas: concession stands, retail areas, press boxes and other accessory use areas shall have an automatic sprinkler system installed.

(c) Assembly occupancies on roofs. Where an occupied roof has an assembly occupancy with an occupant load exceeding 100 for Group A-2 and 300 for other Group A occupancies, all floors between the occupied roof and the level of exit discharge shall be equipped with an automatic sprinkler system in accordance with Section 903.3.1.1 or 903.3.1.2.

Exception: Open Parking garages of Type I or Type II construction.

(d) Multiple fire areas of Group A-1, A-2, A-3 or A-4 occupancies that share exit or exit access components and the combined occupant load of these fire areas is 300 or more.

(e) Group F-1 occupancies exceeding 2,500 square feet used for the manufacture of upholstered furniture or mattresses shall have an automatic sprinkler system installed.

(f) Woodworking operations exceeding 2,500 square feet in area that generate finely divided combustible waste or use finely divided combustible materials. *[SFM] A fire wall of less than 4-hour fire-resistance rating without openings, or any fire wall with openings, shall not be used to establish separate fire areas.*

(g) Group H occupancies shall be provided with an automatic sprinkler system.

(h) Group I fire areas shall be provided with an automatic sprinkler system.

Exceptions:

(1) Those areas exempted by Section 407.6 of the California Building Code.

(2) Group I-2 occupancies, or any alterations thereto, located in Type IA construction in existence on or before March 4, 1972 as required in California Health and Safety Code Section 13113(d).

(i) Group I-2 occupancies. An existing, unsprinklered GroupI-2, nurses' stations open to fire-resistive exit access corridors shall be protected by an automatic sprinkler system located directly above the nurses' station. It shall be permitted to connect the automatic sprinkler system to the domestic water service.

(j) Group I-3/ Every building, or portion thereof, where inmates or persons are in custody or restrained shall be protected by an automatic sprinkler system conforming to NFPA 13. The main sprinkler control valve or valves and all other control valves in the system shall be locked in the open position and electrically supervised so that at least an audible and visual alarm will sound at a constantly attended location when valves are closed. The sprinkler branch piping serving cells may be embedded in the concrete construction.

(k) Group M occupancy used for the display and sale of upholstered furniture or mattresses exceeds 5,000 square feet.

(l) Group S-1 occupancies used for the storage of commercial motor vehicles where the fire area exceeds 5,000 square feet.

(m) Group S-1 occupancies exceeding 2,500 square feet used for the storage of upholstered furniture or mattresses shall have an automatic sprinkler system installed.

(n) Group S-1 fire areas exceeding 5,000 square feet used for the repair of commercial motor vehicles.

(o) Structures where the area for the storage of tires exceeds 20,000 cubic feet shall be equipped throughout with an automatic fire sprinkler system in accordance with Section 903.3.1.1.

(p) Group U occupancies exceeding 1,000 square feet shall have an automatic sprinkler system installed. Group U occupancies not exceeding 1,000 square feet are exempt where they are detached and separate from other structures and provided with exterior wall and opening protection as per the California Building Code.

(q) Sheds exceeding 1,000 square feet but not exceeding 3,000 square feet shall not require fire sprinklers at the discretion of the fire chief when the applicant demonstrates that the applicant's proposal does not increase the fire hazard or fire load.

(r) Agricultural buildings as defined in Appendix Chapter C, of the California Building Code not exceeding 2,000 square feet, not exceeding 25 feet in height, having a clear unobstructed side yard exceeding 60 feet in all directions, and located within an Agricultural zoned district, as defined in the Santa Cruz County Planning Code, or as exempted by the fire chief, shall not require fire sprinklers.

Additionally, agricultural buildings exceeding 2,000 square feet but not exceeding 5,000 square feet, not exceeding 25 feet in height, having a clear unobstructed side yard exceeding 60 feet in all directions, and located within an Agricultural zoned district, as defined in the Santa Cruz County Planning Code, shall not require fire sprinklers at the discretion of the fire chief when the applicant demonstrates the applicant's proposal does not increase the fire hazard or fire load.

(s) Greenhouses of non-combustible construction shall not require fire sprinklers.

3 Any alteration and/or repair within a building that contains an automatic fire sprinkler system requires that the automatic fire sprinkler system be extended/modified to the area of proposed work, thus, creating fire sprinkler protection throughout the entire building.

4. Any change in use or occupancy creating a more hazardous fire/life safety condition, as determined by the Fire Chief, requires that the entire structure be provided with an automatic sprinkler system.

5. Any combination of addition, alteration, repair and/or change of use shall comply with Sections 903.2.11 through 903.6.

Exceptions to Section 903.2.2:

(a) Seismic or Accessibility improvements.
(b) Any exemption otherwise allowable under the Fire Code, if in the discretion of the Fire Chief, the safety of the public is not compromised.
(c) Exterior improvements and work not requiring permits as provided in the Building Code.
(d) Work requiring only a mechanical, electrical, plumbing and/or demolition permit.

903.2.3 Existing One and Two Family Dwellings. An automatic sprinkler system shall be installed in existing one and two family dwellings, after the effective date of this code, when a building permit is issued to allow additions to be made, as follows:

1. Any addition is made which increases the total existing square footage by 50% or more.
2. The proposed total floor area exceeds the available fire flow as specified in Section 507.1 or APPENDIX B.
3. Any addition to a one or two family dwelling that contains an automatic fire sprinkler system requires that the automatic fire sprinkler system be extended/modified to the area of proposed work, thus, creating fire sprinkler protection throughout the entire dwelling.

Exceptions to Section 903.2.3:

(a) Additions of 500 square feet or less when the proposed total floor area does not exceed the available fire flow are exempt from fire sprinklers unless the dwelling is already protected by a fire sprinkler system.

Section 903.3.1.3 is amended – NFPA 13D Sprinkler Systems.

Section 903.3.1.3 of Chapter 9 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

903.3.1.3 NFPA 13D sprinkler systems. Automatic sprinkler systems installed in one and two-family dwellings, Group R-3 and R-4 congregate living facilities and townhouses, non-habitable structures classified as accessory to a residential use and not intended for commercial usage or mercantile, shall be permitted to be installed throughout in accordance with NFPA 13D and installation guidelines as promulgated by the Santa Cruz County Fire Chiefs Association.

Section 903.3.7 is amended – Fire Department Connections.
Section 903.3.7 of Chapter 9 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

903.3.7 Fire Department Connections. Fire Department connections for automatic sprinkler systems shall be installed in accordance with Section 912. Buildings equipped with a fire sprinkler system in accordance with this chapter shall have a fire department connection located within 100 feet (183m). The location of the fire department connections shall be approved by the fire code official.

EXCEPTION: Single and two family dwellings protected by a fire sprinkler system in accordance with Section 903.3.1.3.

Section 5303.5.3 is amended – Securing compressed gas containers, cylinders and tanks.
Section 5303.5.3 of Chapter 53 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

5303.5.3 Securing compressed gas containers, cylinders and tanks. Compressed gas containers, cylinders and tanks shall be secured to prevent falling caused by contact, vibration or seismic activity. Securing of compressed gas containers, cylinders and tanks shall be by one of the following methods:

1. Securing containers, cylinders and tanks to a fixed object with ~~one~~ two or more non-combustible restraints. The object used to anchor the restraint to shall be capable of withstanding the anticipated load(s) imposed. Anchor(s) shall be attached to a structural framing member or similar.
2. Securing containers, cylinders and tanks on a cart or other mobile device designed for the movement of compressed gas containers, cylinders or tanks.
3. Nesting of compressed gas containers, cylinders and tanks at container filling or servicing facilities or in seller's warehouses not accessible to the public. Nesting shall be allowed provided the nested containers, cylinders or tanks, if dislodged, do not obstruct the required means of egress.
4. Securing of compressed gas containers, cylinders and tanks to or within a rack, framework, cabinet or similar assembly designed for such use.
   Exception: Compressed gas containers, cylinders and tanks in the process of examination, filling, transport or servicing.

Chapter 56 – Explosives and Fireworks is amended
Chapter 56 of the Fire Code of the Scotts Valley Fire Protection District is amended to read as follows:

5601.1.3 – Fireworks. Fireworks. The possession, manufacture, storage, sale, handling and use of fireworks are prohibited within the Scotts Valley Fire Protection District.

Exceptions:

1. The use of fireworks for fireworks displays, pyrotechnics before a proximate audience and pyrotechnic special effects in motion pictures, television, theatrical or group entertainment productions as allowed in Title 19, Division 1, Chapter 6 Fireworks reprinted in Section 5608 and Health and Safety Code Division 11.

5601.2 – Permit required. Permits shall be required as set forth in 105.6 and regulated in accordance with this Chapter. Permits for explosives as contained within this chapter, with the exception of display fireworks, shall be obtained by the Law Enforcement Agency of Jurisdiction.

5601.2.2 Sale and retail display. Persons shall not construct a retail display nor offer for sale explosives, explosive materials or fireworks.

Chapter 90 is added – Suppression and Control of fire in Wildfire Risk Areas.
Chapter 90 of the Fire Code of the Scotts Valley Fire Protection District is added to read as follows:

9001— SCOPE. The unrestricted use of grass-, grain-, brush- or forest-covered land in wildfire risk areas is a potential menace to life and property from fire and resulting erosion. Safeguards to prevent the occurrence of fires and to provide adequate fire-protection facilities to control the spread of fire which might be caused by recreational, residential, commercial, industrial or other activities shall be in accordance with Chapter 90.

9002 — RESTRICTED ENTRY. The fire code official shall determine and publicly announce when wildfire risk areas shall be closed to entry and when such areas shall again be opened to entry. Entry on and occupation of wildfire risk areas, except public roadways, inhabited areas or established trails and camp sites which have not been closed during such time when the wildfire risk area is closed to entry, is prohibited.

EXCEPTIONS:
1. Residents and owners of private property within wildfire risk areas and their invitees and guests going to or being upon their lands.
2. Entry, in the course of duty, by peace or police officers, and other duly authorized public officers, members of a fire department and members of the United States Forest Service.

9003 — TRESPASSING ON POSTED PROPERTY.
9003.1 General. When the fire code official determines that a specific area within a wildfire risk area presents an exceptional and continuing fire danger because of the density of natural growth, difficulty of terrain, proximity to structures or accessibility to the public, such areas shall be closed until changed conditions warrant termination of closure. Such areas shall be posted as hereinafter provided.

9003.2 Signs. Approved signs prohibiting entry by unauthorized persons and referring to §9002 shall be placed on every closed area.

9003.3 Trespassing. Entering and remaining within areas closed and posted is prohibited.

EXCEPTION: Owners and occupiers of private or public property within closed and posted areas, their guests or invitees, and local, state and federal public officers and their authorized agents acting in the course of duty.

9004 — USE OF FIRE ROADS AND FIREBREAKS. Motorcycles, motor scooters and motor vehicles shall not be driven or parked upon, and trespassing is prohibited upon, fire roads or firebreaks beyond the point where travel is restricted by a cable, gate or sign, without the permission of the property owners. Vehicles shall not be parked in a manner which obstructs the entrance to a fire road or firebreak.

EXCEPTION: Public officers acting within their scope of duty.

Radio and television aerials, guy wires thereto, and other obstructions shall not be installed or maintained on fire roads or firebreaks unless located 16 feet (4877 mm) or more above such fire road or firebreak.

9005 — USE OF MOTORCYCLES, MOTOR SCOOTERS AND MOTOR VEHICLES. Motorcycles, motor scooters and motor vehicles shall not be operated within wildfire risk areas, without a permit by the fire code official, except upon clearly established public or private roads. Permission from the property owner shall be presented when requesting a permit.

9006 — LIABILITY FOR DAMAGE. The expenses of fighting fires which result from a violation of this chapter shall be a charge against the person whose violation caused the fire. Damages caused by such fires shall constitute a debt of such person and are collectable by the fire code official in the same manner as in the case of an obligation under a contract, expressed or implied.

PART 3

The geographic limits referred to in certain sections of the Fire Code of the Scotts Valley Fire Protection District are hereby established as follows:

Establishment of limits of districts in which storage of flammable or combustible liquids in outside aboveground tanks is prohibited. The limits referred to in Sections 5704.2.9.6.1 and 5706.2.4.4 of the Fire Code of the Scotts Valley Fire Protection District in which the storage of Class I flammable liquids or Class II combustible liquids in aboveground tanks outside of buildings is restricted are hereby established as the incorporated area of the political boundary of the Scotts Valley Fire Protection District.

Exceptions: Such use is allowed in the following zoning districts:

1. The storage of Class I flammable liquids or Class II combustible liquids in aboveground tanks outside of buildings is allowed in A or A-1 Zones;
2. The storage of Class I flammable liquids or Class II combustible liquids in aboveground tanks outside of buildings is allowed in M-1, M-2 or M-3 Zones;
3. The storage of Class I flammable liquids or Class II combustible liquids in aboveground tanks outside of buildings is allowed in NR Zones.

Establishment of limits of districts in which storage of flammable cryogenic fluids in stationary containers is to be prohibited. The limits referred to in Section 5806.2 of the Fire Code of the Scotts Valley Fire Protection District in which storage of flammable cryogenic fluids in stationary containers is prohibited are hereby established as the political boundary of the Scotts Valley Fire Protection District.

Exceptions:
1. The storage of flammable cryogenic fluids in stationary containers is allowed in an M-2 Zone with a Conditional Use Permit issued by the Planning Department.
2. The storage of flammable cryogenic fluids in stationary containers is allowed in an M-3 Zone.

Establishment of limits for storage of Liquefied Petroleum Gas. The limits referred to in Section 6104.2 of the Fire Code of the Scotts Valley Fire Protection District are hereby limited to a maximum of 2,000 gallons water capacity within the political boundary of the Scotts Valley Fire Protection District.

PART 4

Ordinance No. 2013-1 of the Scotts Valley Fire Protection District entitled “2013 Fire Code”, and all other ordinances or parts of ordinances in conflict herewith are hereby repealed.

PART 5

That if any section, subsection, sentence, clause or phrase of this ordinance is, for any reason, held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance. The Board of Directors of the Scotts Valley Fire Protection District hereby declares that it would have passed this ordinance, and each section, subsection, clause or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses and phrases be declared unconstitutional.

PART 6

That nothing in this ordinance or in the Fire Code hereby adopted shall be construed to affect any suit or proceeding impending in any court, or any rights acquired, or liability incurred, or any cause or causes of action acquired or existing, under any act or ordinance hereby repealed as cited in Part 4 of this ordinance; nor shall any just or legal right or remedy of any character be lost, impaired or affected by this ordinance.

PART 7

That the fire chief of the Scotts Valley Fire Protection District is hereby ordered and directed to cause a notice of this ordinance to be published in a newspaper in general circulation in accordance with Section 6066 of the California Government Code.

PART 8

That this ordinance and the rules, regulations, provisions, requirements, orders and matters established and adopted hereby shall take effect and be in full force and effect on January 1, 2017 pursuant to Health and Safety Code Section 18941.5. This Ordinance shall remain in full force and effect until a subsequent superseding ordinance becomes effective.

PASSED AND ADOPTED this 12th day of October, 2016, by the Board of Directors of the Scotts Valley Fire Protection District by the following vote:

AYES: ______________________________

NOES: ______________________________

ABSENT: ______________________________

ABSTAIN: ______________________________

____
Joshua Warren
Board President

Attest:

____
Daniel J. Grebil
Board Secretary

APPROVED AS TO FORM:

____
Phillip Passafuime
District Counsel

DISTRIBUTION: Board of Supervisors
City Council

SCOTTS VALLEY FIRE PROTECTION DISTRICT
ORDINANCE 2016-1

RATIFIED _______

DENIED _______

MODIFIED _______

this __________ day of _____________, 2016, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES: _______ SUPERVISORS
NOES: _______ SUPERVISORS
ABSENT: _______ SUPERVISORS
ABSTAIN: _______ SUPERVISORS

____
Chairperson of the Board of Supervisors

Attest:

____
Clerk of the Board

DISTRIBUTION: County Administrative Office
County Counsel
Planning Department
General Services Department/O.E.S.
State of California Housing & Community Development
Office of the California State Fire Marshal

SCOTTS VALLEY FIRE PROTECTION DISTRICT
ORDINANCE NO. 2016-1

RATIFIED ______

DENIED ______

MODIFIED ______

this __________ day of______________, 2016, by the Scotts Valley City Council by the following vote:

AYES: ______ COUNCIL MEMBERS:

NOES: ______ COUNCIL MEMBERS:

ABSENT: ______ COUNCIL MEMBERS:

ABSTAIN: ______ COUNCIL MEMBERS:

____
Donna Lind, Mayor, City of Scotts Valley

Attest:

____
Tracy A. Ferrara, City Clerk

DISTRIBUTION: City Manager
City Attorney
City Clerk
State of California Housing & Community Development
Office of the California State Fire Marshal

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Jenny Haruyama, City Manager

SUBJECT: **UDPATE OF CITY DEBT MANAGEMENT POLICY**

SUMMARY OF ISSUE

In September 2016, the Governor signed SB 1029 (California Debt and Investment Advisory Commission: Accountability Reports) into law. The intent of this bill was to facilitate improved financial transparency and accessibility to information about public debt.

SB 1029 requires state and local agencies to adopt comprehensive debt management policies, reflecting local, state, and federal laws and regulations. It was recommended that public agency debt management policies reflect recommendations set forth by the Government Finance Officers Association (GFOA), a professional organization of over 18,000 public officials united to enhance and promote the professional management of governmental financial resources. Additionally, the legislation requires all state and local debt issuance be published in a single, transparent online database that allows the citizens of California to analyze, interpret, and understand how debt authorized by the public is utilized to finance facilities and services at the state and local level.

The City recently engaged its municipal advisor, NHA Advisors to facilitate the refinancing of several Successor Agency bond obligations, which requires that the City adopt a Debt Management Policy. On October 19, 2016, the City adopted a debt management policy. While the adopted debt management policy was consistent with GFOA recommendations, it was not compliant with state law. An updated, SB 1029 compliant debt management policy is attached for Council consideration. Key revisions included language regarding use of proceeds, relationship to the City's capital budget program, and internal controls.

The proposed Debt Management Policy is consistent with the requirements of SB 1029 and GFOA recommendations, and reflects objectives that establish parameters for the issuance and administration of City debt. The objectives are:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve and maintain highest reasonable credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with state and federal laws and regulations

The recommended Debt Management Policy also reaffirms the City's conservative practice that aggregate debt service payments funded from General Fund sources shall be no greater than 10% of current General Fund revenues. As of FY 2016/17, the City's debt service is 5.15% of General Fund revenues.

FISCAL IMPACT

There is no fiscal impact associated with the adoption of the updated Debt Management Policy.

STAFF RECOMMENDATION

It is recommended that Council adopt the revised City Debt Management Policy.

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CITY OF SCOTTS VALLEY COUNCIL POLICY MANUAL

TITLE: DEBT MANAGEMENT POLICY	**POLICY NUMBER:** 1-16
EFFECTIVE DATE: 10/19/2016	**PAGES: 6**
REVISED DATES: 11/2/2016	
APPROVED BY:	

POLICY

This Debt Management Policy introduces debt management objectives for the City of Scotts Valley and establishes a structure to govern the issuance and administration of City debt. Prudent management of the City's debt program is necessary to achieve cost-effective access to capital markets.

SCOPE

These policies establish the policies of the City of Scotts Valley, the Successor Agency of the Scotts Valley Redevelopment Agency (the "Successor Agency") and the Scotts Valley Public Financing Authority ("Public Financing Authority"; together with the City of Scotts Valley and the Successor Agency, the "City") with respect to the issuance of debt.

DEBT MANAGEMENT OBJECTIVES

This Policy sets forth certain equally important objectives for the City and establishes overall parameters for responsibly issuing and administering the City's debt. Additionally, this Policy is intended to comply with Section 8855 of the California Government Code.

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve and maintain highest reasonable credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with state and federal laws and regulations

RELATIONSHIP TO CAPITAL IMPROVEMENT PROGRAM OR BUDGET, PLANNING GOALS AND OBJECTIVES

The City is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the City's annual operations and capital budgets and the City's five-year capital improvement plan. This Policy is intended to ensure that debt levels and their related annual costs will advance the City's planning goals and objectives.

GOVERNING AUTHORITY AND RESPONSIBILITY

A. **Authority** – The City's debt program for all City funds shall be operated in conformance with applicable federal, state, and City legal requirements.

B. **Delegation of Authority** – The City Council assigns duties to the City Finance Division for managing and coordinating all activities related to the structure, issuance and administration of all long-term and short-term debt obligations. No debt obligations shall be presented to the City Council for their authorization without a joint assessment by, and mutual approval of, the City Manager and City Administrative Services Director. Departments planning debt-financed capital programs or equipment acquisitions shall work in close coordination with the Finance Division and the City Manager's Office to provide information and otherwise to facilitate the issuance and on-going administration of debt.

C. **Point of Contact** – The Administrative Services Director shall be responsible for maintaining good communication with rating agencies, investors, and other debt related service providers about the City's financial condition and will comply with the City's disclosure policies and procedures.

D. **Policy Review and Approval** – The City Manager has reviewed these policies. Any amendments to these policies shall be approved by the City Manager without Council approval, and shall be communicated to the Council as an information item. The City Finance Division shall conduct an annual review of this policy and bring forward to the City Manager any amendments deemed necessary and appropriate.

E. **Professional Assistance** – Upon consultation with the City Manager, the Administrative Services Director shall have the authority to periodically select service providers as necessary to meet legal requirements and minimize City debt costs. Such services, depending on the type of financing, may include financial advisory, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The Administrative Services Director is authorized, but not required, to select such service providers through sole source selection or through a competitive process, to achieve appropriate balance between service and cost. Upon consultation with the City Manager and City Attorney, the Administrative Services Director shall be responsible for selecting bond counsel.

F. **Method of Sale** - Except to the extent a competitive process is required by law, the Administrative Services Director shall be responsible for determining the proper manner in which to offer any securities to investors. Competitive bid, negotiated sale, and private placement are acceptable methods of sale.

G. **Compliance with California Debt and Investment Advisory Commission (CDIAC) Filing Requirements** - The City Finance Division shall file all notices with the California Debt and Investment Advisory Commission in compliance with applicable law.

H. **Disclosure Policies and Procedures** - The City Finance Division shall be responsible for ensuring compliance with the City's disclosure policies and procedures.

I. **Annual Debt Report** – The City Finance Division shall prepare an annual report for submission to the City Council. This report will contain a summary of the City's current credit rating(s), outstanding and newly issued debt, a breakdown of anticipated Capital Improvement Program or other debt issues, refunding opportunities and an outline of any proposed changes to this Debt Management Policy. This report may be in the form of a scheduled within the annual Budget, Comprehensive Annual Finance Report, or other interim financial report or as a separate "FYI" report to the City Council.

TYPES AND PURPOSE OF DEBT; USE OF PROCEEDS

The Finance Division may utilize several types of municipal debt obligations to finance long-term capital projects. Long-term debt is only issued to finance the acquisition and/or construction of capital improvements unless otherwise decreed by court order or adjudicated settlement. Long-term debt financing shall never be used to fund operating or maintenance costs.

Short-term debt may be used by the City when permitted by law.

<u>Types of Debt</u>

- **Land-Secured Bonds** - Proceeds from bonds issued by the City with respect to an assessment district or a community facilities district may be used to finance local public improvements, provided that said improvements benefit the parcels of land to be assessed or subject to the special tax. Local streets, street lights, landscaping, sidewalks and sanitary sewers are some examples of local improvements commonly financed by land-secured bonds.

- **General Obligation Bonds** - General Obligation Bonds may only be issued with two-thirds approval of a popular vote as stated in the California State Constitution (Article XVI, Section 18). General Obligation Bonds are used to finance the acquisition and construction or improvement of public facilities and real property. Libraries, parks and public safety facilities are all types of facilities that could be financed with General Obligation Bonds.

- **Pension Obligation Bonds** - Pension Obligation Bonds may be issued to finance all or part of the unfunded pension liabilities of the City. Typically, these bonds are issued at a lower interest rate than was being paid to the Pension System Administrator, and in some cases, could provide an economic benefit to the City.

- **Enterprise Revenue Bonds** - Enterprise Revenue Bonds finance facilities for a revenue producing enterprise, and are payable from revenue sources within that enterprise. The Scotts Valley Wastewaster Treatment Plant is an example of a revenue producing enterprise within the City.

- **Lease Financings** - Lease financings may be “long-term debt” or “short-term debt”. Lease financings will usually take the form of Lease Revenue Bonds issued by the City of Scotts Valley Public Financing Authority (PFA) or Certificates of Participation (COPs). The Lease Revenue Bonds and COPs will securitize lease payments to be made by the City for use and occupancy of a leased asset, which may be (but does not have to be) the financed improvement. In the alternative, the City may finance a capital asset by leasing it directly from a vendor or leasing company (these will be short-term financings when short-lived assets are financed). Internally, costs of particular projects can be allocated to the budgets of one or more departments, but a lease financing will typically be payable from any available moneys of the City. COPs and Lease Revenue Bonds are not "debt" because payment is tied to an annual appropriation by the government body for use and occupancy of the leased asset. As a result, COPs and Lease Revenue Bonds are viewed by investors as a weaker credit and often carry ratings that are a notch or two below the City’s general obligation rating.

- **Tax Allocation Bonds** - The Successor Agency may issue Tax Allocation Bonds payable from tax increment. Under existing law, the Tax Allocation Bonds can only be issued to refund outstanding enforceable obligations of the Successor Agency. The tax increment pledged for the repayment of Tax Allocation Bonds come from the increase of assessed value over and above a pre-established base year value. Careful consideration must be taken by the Successor Agency when issuing these bonds, to ensure that the revenue source is not already pledged to some other encumbrance.

- **Refunding Obligations** - Pursuant to the Government Code and various other financing statutes applicable in particular situations, the City Council is authorized to provide for the issuance of bonds for the purpose of refunding any long-term obligation of the City. Absent any substantial non-economic factors, a refunding should produce significant debt service savings.

- **Conduit Financing Bonds** - Conduit financing is a financing mechanism for private companies, non-profits and public authorities that funds projects through the issuance of tax-exempt municipal bonds. These are essentially revenue bonds and are also known as conduit, private activity or pass-through bonds. Conduit financing supports projects as varied as hospitals, universities, public works, low/moderate income housing and industrial development.

- **Other Long-Term Obligations** - There may be special circumstances when other forms of debt are appropriate and may be evaluated on a case-by-case basis. Such other forms include, but are not limited to non-enterprise revenue bonds, bond anticipation notes, grant anticipation notes and judgment or settlement obligation bonds.

- **Short-Term Debt** - Short-term debt most commonly includes tax and revenue anticipation notes, commercial paper, lines of credit and equipment lease financings.

<u>Purpose of Debt</u>

- **Long-term Debt** – Long-term debt may be used to finance the purchase or improvement of land, infrastructure, facilities or equipment when it is appropriate to spread these costs over more than one budget year. Long-term debt may also be used to fund capitalized interest, costs of issuance, required reserves, and any other financing related costs which may be legally capitalized. Long-term debt may not be used to fund City operating costs.

- **Short-term Debt** - Short-term borrowing, such as commercial paper and lines of credit, will be studied as an interim source of funding in anticipation of long term borrowing. Short-term debt may be issued for the same purpose as long-term debt, including capitalized interest and other financing related costs. Short-term debt borrowing may be considered to address justifiable cash flow requirements to meet short-term operating needs to provide necessary public services.

- **Refunding** – Periodic reviews of existing debt will be undertaken to identify refunding opportunities. Refunding will be considered (within state law and federal tax law constraints) if and when there is a net benefit of the refunding. Non-economic refundings may be considered to achieve City goals relating to changes in covenants, call provisions, operational flexibility, tax status, or the debt service profile. The City may purchase its bonds in the open market for the purpose of retiring the obligation when the purchase is cost effective.

DEBT CAPACITY

There is no statutory restriction on the amount of Lease Revenue Bonds or COPs that can be outstanding at any given time. However, it is the practice of the City that aggregate debt service payments payable from General Fund sources shall be no greater than 10% of current General Fund revenues. Payments on bonds that are tied to a specified revenue stream other than General Fund sources (e.g. enterprise revenue bonds, tax allocation bonds and land-secured bonds) are not subject to this 10% limit. Each proposed financing will be individually assessed by the Finance Division and subject to the approval policies contained herein.

DEBT STRUCTURE FEATURES

- **Debt Repayment** – The City will structure its debt issues so that the term of the debt is consistent with the economic or useful life of the capital project to be financed.

- **Credit Quality** – The City seeks to obtain and maintain the highest possible credit ratings when required for issuing long-term and short-term debt, but will balance the requirements of the rating agencies with the City's operational needs.

- **Fixed-rate Debt** – Fixed-rate debt shall be the desired method of pricing.

- **Variable-rate Debt** – The City may choose to issue debt that pays a rate of interest that varies according to a pre-determined formula or index. There may be situations in which the City will benefit from variable rate debt. However, it must be noted that variable-rate debt influences future City Council decisions due because of the uncertain nature of future interest costs.

- **Derivatives** – Derivative products may have application to certain City borrowing programs. In certain circumstances these products can reduce borrowing cost and assist in managing interest rate risk. However, these products carry with them certain risks not faced in standard debt instruments. The Administrative Services Director shall evaluate the use of derivative products on a case-by-case basis to determine whether the potential benefits are sufficient to offset any potential costs.

DEBT ADMINISTRATION AND DISCLOSURE

The City Finance Division shall maintain written directives and procedures detailing required actions to certify compliance with local, state and federal regulations. For example, the City will adopt written policies and procedures related to initial and continuing disclosure related to publicly-sold debt. The City is also committed to disseminating material information related to publicly-sold debt in compliance with applicable law and contracts.

All investments of bond proceeds shall adhere to the City's Investment Policy, approved annually by the City Council, federal tax requirements, and with the requirements contained in the bond documents. Investments shall not allow security types or credit standards less than those of the City's Investment Policy.

INTERNAL CONTROL PROCEDURES REGARDING USE OF DEBT PROCEEDS

Whenever reasonably possible, proceeds of debt used to finance capital improvements will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The Finance Division will execute each such requisition only after obtaining the signature of the City Manager.

APPROVED AS TO FORM:

____

Kirsten Powell, City Attorney

City of Scotts Valley/ Scotts Valley Public Financing Authority (SVPFA)/ Successor Agency of the Scotts Valley Redevelopment Agency (SA)
CITY COUNCIL/SVPFA/SA BOARD STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Jenny Haruyama, City Manager

SUBJECT: **CITY DISCLOSURE POLICIES AND PROCEDURES**

SUMMARY OF ISSUE

To ensure compliance with all applicable federal and state securities laws, the Securities and Exchange Commission (SEC) and the Government Finance Officers Association (GFOA) recommend that issuers of municipal bonds adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure requirements. Staff recommends that the City Council, the Scotts Valley Public Financing Authority Board of Directors and the Board of the Successor Agency of the Scotts Valley Redevelopment Agency jointly adopt the attached disclosure policies and procedures.

BACKGROUND

In connection with a public offering of securities, the City is required to meet certain initial disclosure and continuing disclosure requirements.

Initial Disclosure. Under the Securities and Exchange Act of 1934, the Securities and Exchange Commission (SEC), which is the federal agency with regulatory authority over municipal securities, promulgated Rule 15c2-12 (Rule). The Rule regulates the behavior of underwriters of municipal securities in a public offering, and obligates underwriters to review a preliminary and final Official Statement for the securities (the Official Statement is sometimes referred to as a “prospectus” or “offering document”).

Under the federal Securities Act of 1933 and the federal Securities Exchange Act of 1934, the official statement must include all facts that would be material to an investor. The United States Supreme Court has defined “material information” as information that is substantially likely to have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell securities.

Continuing Disclosure. The Rule also obligates underwriters to ensure that the issuer of the bonds undertakes to provide certain information on a continuing basis.

Application of Federal Securities Laws. When the City, the Successor Agency of the Scotts Valley Redevelopment Agency (SA) and the Scotts Valley Public Financing Authority (SVPFA) issues bonds, certificates of participation, or other debt, they work with the underwriter of the offering and other members of the financing team to prepare preliminary and final Official Statements and enter into a continuing disclosure undertaking. In the continuing disclosure undertaking, they promise to provide certain annual financial information and notices of enumerated events to the public.

DISCUSSION

To ensure compliance with all applicable federal and state securities laws, the Securities and Exchange Commission (SEC) and the Government Finance Officers Association (GFOA) recommend that issuers of municipal bonds adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure requirements. The Disclosure Policies and Procedures recommended for adoption designate the City's chief financial officer as the "Disclosure Coordinator" responsible, in consultation with the City Manager or his/her designee and the City Attorney, for implementing the specified policies and procedures. These include the review of Official Statements by City staff and outside professionals, the approval of each Official Statement by the City Council/SA Board and/or Authority Board, establishing a system to ensure timely and accurate continuing disclosure filings and notices, and arranging training for staff and elected officials.

Adoption of and adherence to a disclosure policy signals to rating agencies and the capital markets that a government is well managed and likely to fully meet its disclosure obligations. Robust disclosure practices enhance an issuer's acceptance in the marketplace, foster liquidity for the securities, and demonstrate a solid disclosure track record that will be viewed favorably by investors, credit rating agencies and the public. Having disclosure policies and practices in place is also beneficial in the event the SEC reviews disclosures made by a governmental issuer.

According to the GFOA, debt policies should be approved by the issuer's governing body to provide credibility and transparency, and to ensure that there is a common understanding among elected officials and staff regarding the issuer's approach to initial and continuing disclosure.

FISCAL IMPACT

There is no fiscal impact associated with the adoption of the recommended Disclosure Policies and Procedures.

STAFF RECOMMENDATION

It is recommended that City Council, the SA Board and the SVPFA Board adopt the attached City Disclosure Policies and Procedures.

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RESOLUTION NO. 1925 / JPA-41 / SA-35

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY, THE SCOTTS VALLEY PUBLIC FINANCING AUTHORITY AND THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY APPROVING THE ADOPTION OF DISCLOSURE POLCIES AND PROCEDURES

WHEREAS, the Securities and Exchange Commission (the "SEC") and the Government Finance Officers Association (GFOA) recommend that issuers of municipal bonds adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure undertakings; and

WHEREAS, in response to the SEC and GFOA's recommendations and in order to better monitor compliance with its disclosure undertakings, the City of Scotts Valley (the "City"), the Scotts Valley Public Financing Authority (the "Authority") and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") find it desirable to adopt and maintain disclosure policies and procedures; and

WHEREAS, there has been presented to this meeting a proposed form of disclosure policies and procedures (the "Procedures");

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley, the Board of Directors of the Scotts Valley Public Financing Authority and the Board of the Successor Agency of the Scotts Valley Redevelopment Agency, as follows:

Section 1. The City Council, the Board of Directors of the Authority and the Board of the Successor Agency hereby approve and adopt the Disclosure Policies and Procedures, including Exhibit A thereto, presented to the meeting at which this resolution is adopted,

Section 2. This resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 2nd day of November, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: ________________________________
Donna R. Lind, Mayor/Chair

APPROVED:

____
Tracy A. Ferrara, City Clerk/Secretary

CITY OF SCOTTS VALLEY COUNCIL POLICY MANUAL

TITLE: CITY DISCLOSURE POLICIES AND PROCEDURES	**POLICY NUMBER:** 02-16
EFFECTIVE DATE: 11/2/2016	**PAGES: 4**
REVISED DATES:	

APPROVED BY:

ARTICLE I
GENERAL

These Disclosure Policies and Procedures (the "**Disclosure Procedures**") of the City of Scotts Valley and all of its subordinate entities (collectively, the "**City**") are intended to ensure that the City is in compliance with all applicable federal and state securities laws.

ARTICLE II
DISCLOSURE COORDINATOR

The chief financial officer of the City shall be the disclosure coordinator of the City (the "**Disclosure Coordinator**").

ARTICLE III
REVIEW AND APPROVAL OF OFFICIAL STATEMENTS

The Disclosure Coordinator of the City shall review any Official Statement prepared in connection with any debt issuance by the City in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.

In connection with its review of the Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the Official Statement will include all "material" information (as defined for purposes of federal securities law).

As part of the review process, the Disclosure Coordinator shall submit all Official Statements to the City Council for approval. The cover letter used by the Disclosure Coordinator to submit the Official Statements shall be in substantially the form of **Exhibit A**.

The approval of an Official Statement by the City Council shall be docketed as a new business matter and shall not be approved as a consent item. The City Council shall undertake such review as deemed necessary by the City Council, following consultation with the Disclosure Coordinator, to fulfill the City Council's responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the City's disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

ARTICLE IV
CONTINUING DISCLOSURE FILINGS

Under the continuing disclosure undertakings that the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("**EMMA**") system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and the City's audited financial statements.

The City is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which:

(i) The City will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and

(ii) The City will file notices of enumerated events on a timely basis.

ARTICLE V
PUBLIC STATEMENTS REGARDING FINANCIAL INFORMATION

Whenever the City makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

ARTICLE VI
TRAINING

The Disclosure Coordinator shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities.

The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the City's disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the City's disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council. Such training sessions may be conducted using a recorded presentation.

APPROVED AS TO FORM:

____

Kirsten Powell, City Attorney

EXHIBIT A

Form of Staff Report

To: Members of the City Council

From:

Date: __________________

This Staff Report relates to the proposed issuance of ______ (the “Obligations”) by the City. The City Council is asked to approve issuance of the Obligations and all related documents. The near-final versions of these documents are attached.

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

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

Set forth below is a summary of the financing, including cross-references to specific sections of the Preliminary Official Statement.

Section 1. Purpose of Financing.
Section 2. Documents for Approval; Security for the Obligations.
Section 3. Risks Relating to Repayment and Tax-Exempt Status of the Obligations.
Section 4. Requested Approvals.

City of Scotts Valley/
Scotts Valley Public Financing Authority
CITY COUNCIL/SCOTTS VALLEY
PUBLIC FINANCING AUTHORITY STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Jenny Haruyama, City Manager

SUBJECT: **APPROVAL OF THE ISSUANCE OF REFUNDING BONDS TO REFUND CERTAIN OUTSTANDING OBLIGATIONS OF SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

SUMMARY OF ISSUE

The Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was authorized to act under the Community Redevelopment Law of the State of California (the "Redevelopment Law"), and a redevelopment plan was adopted for the Scotts Valley Redevelopment Project (the "Project Area"). The Former Agency was dissolved pursuant to Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code (the "Dissolution Act"), and the City of Scotts Valley (the "City") elected to serve as the successor entity to the Former Agency (the "Successor Agency").

The Successor Agency considers the approval of the issuance of refunding bonds in order to refinance three obligations of the Former Agency (collectively, the "Prior Obligations"):

- A reimbursement obligation (the "2003 Reimbursement Obligation") of the Former Agency related to the City's $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 Certificates of Participation").

- The Former Agency's $6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds").

- A reimbursement obligation (the "2009 Reimbursement Obligation") of the Former Agency related to (i) $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Lease Revenue Bonds") and (ii) $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the "2009B Lease Revenue Bonds").

In addition, the Successor Agency also considers (i) approving the execution and delivery of an indenture of trust and an escrow deposit and trust agreement, (ii) delegating to the Executive Director the decision of whether to sell the refunding bonds in a public offering to an underwriter or on a private placement basis to one or more financial institutions, (iii) requesting Oversight Board approval of the issuance of the refunding bonds and certain determinations by the Oversight Board, and (iv) providing for other related matters.

DISCUSSION

The Successor Agency directs the Successor Agency to undertake the refunding of the Prior Obligations. All of the Prior Obligations are secured by tax increment revenues from the Project Area. The 2003 Certificates of Participation and the 2009 Lease Revenue Bonds are also payable from lease payments made by the City from its General Fund.

Because of market conditions for municipal bonds, the Successor Agency can refund the Prior Obligations and reduce its debt service payments. This will increase the amount of property tax revenues that are available to be distributed to affected taxing entities. This cash flow benefit from the proposed refunding will be distributed to taxing entities by a formula specified in the State law. The Dissolution Act requires an independent financial advisor to assist the Successor Agency with developing financing proposals and to make its work product available to the California Department of Finance at its request. A savings analysis (the "Savings Analysis") prepared by NHA Advisors, LLC, the Successor Agency's municipal advisor, is attached as Attachment 3.

In addition, because the proposed refunding bonds will be payable solely by the Successor Agency from tax increment revenues, the City will no longer have a payment obligation related to the 2003 Certificates of Participation or the 2009 Lease Revenue Bonds.

Note that in order to refund the Prior Obligations, the City and the Public Financing Authority also need to adopt resolutions approving the refunding and authorizing execution of documents, if necessary(Attachments 1 & 2). Below is a summary of the Prior Obligations:

Table 1
Debt Issue Secured by Tax Increment

	2003 COPs	2006 TABs	2009A LRBs	2009B LRBs	Total
Original par value	$3,455,000	$6,810,000	$5,260,000	$3,500,000	$19,025,000
Current par value*	$1,000,000	$3,545,000	$5,260,000	$3,500,000	$13,305,000
Tax Exempt Status	Tax Exempt	Tax Exempt	Tax Exempt	Taxable	-
Secured revenue	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	-
Senior or subordinate tax increment pledge	Senior	Senior	Subordinate	Subordinate	-
General Fund lease obligation?	Yes	No	Yes	Yes	
Final maturity	10/1/2027	8/1/2029	10/1/2039	10/1/2030	-
Next call date and premium	Any date at par	Any date at par	Any date after 10/1/19 at par	Any date after 10/1/19 at 102	-
Debt service reserve fund	Cash funded	Surety	Cash funded	Cash funded	-
Average interest rate on existing debt	4.52%	4.97%	5.72%	7.55%	-

** Following the October 1, 2016 debt service payments*

Under the Dissolution Act, the Successor Agency's Oversight Board and the California Department of Finance must approve the issuance of the refunding bonds. Assuming Oversight Board approval, the Oversight Board resolution, the Successor Agency resolution and related bond documents (e.g., Savings Analysis and indenture of trust) will be transmitted to the California Department of Finance for review, which could take up to 65 days.

The legal documents that need to be approved at this time consist of a bond indenture (Attachment 4, which provides for the issuance of a tax-exempt series of refunding bonds), a supplemental indenture (Attachment 5, which provides for the issuance of a taxable series of refunding bonds), and an escrow deposit and trust agreement (Attachment 6) for managing refunding bond proceeds prior to the actual redemption of the Prior Obligations.

The resolution authorizes the City Manager, as executive director of the Successor Agency, to determine whether the refunding bonds should be sold in a public offering to an underwriter or on a private placement basis to one or more financial institutions based upon which method will result in the lowest long-term cost financing (taking into account all of the initial and ongoing costs associated with the issuance and maintenance of the refunding bonds). If the Executive Director determines that the refunding bonds should be sold in a public offering, additional Successor Agency action will be required in January, 2017 to approve the draft preliminary official statement, the disclosure document for potential bond investors.

FISCAL IMPACT

The Savings Analysis (Attachment 3) contains a thorough summary of the fiscal impact of the proposed refunding, assuming the residual property tax revenues resulting from the refunding of the Prior Obligations are not needed for other enforceable obligations of the Successor Agency. While the overall savings are considerable, estimated at approximately $175,000 per year for the first 13 years after issuance of the refunding bonds, the City of Scotts Valley's General Fund will only receive approximately 9.2% of those savings, or approximately $16,000 per year. The present value of all cash flow savings to City, net of all expenses, is estimated at $200,000. Most of the rest of the savings will go to the State of California, either directly or indirectly. Note that the allocation of property tax revenues from the Project Area as a result of a refunding of the Prior Obligations does not match the allocation of the 1% of assessed valuation "Prop 13" property taxes under the 2011 State legislation dissolving redevelopment agencies. The allocations of RPTTF savings shown in Attachment 3 follow the allocations prescribed by the 2011 legislation. Any savings will applied to the Successor Agency's enforceable obligations, as approved on the ROPS or, if not needed for ROPS-approved obligations, for disbursement to taxing entities as Redevelopment Property Tax Trust Fund (RPTTF) residuals through the semi-annual RPTTF distribution process.

Table 2 below summarizes the various City real estate assets that are presently encumbered by four different debt issues of the City. Note that the 1997 COP's and the 2013 COP's are not secured by tax increment, and are not being refunded by the proposed refunding bonds. The 1997 COP's are non-callable, and the 2013 COP's cannot be called until 2023. Consequently, some property will need to remain encumbered because these two debt issues cannot be paid off at this time.

Refunding the 2009 Lease Revenue Bonds will release the lien on the library. Refunding the 2003 COP's should enable the release of the lien on one of three assets encumbered by the 1997 COP's, 2003 COP's and 2013 COP's: City Hall, the corporation yard and the wastewater treatment plant. Note that the estimated value of these properties, as shown in the City's annual financial report, will be substantially greater than the outstanding debt secured by those properties after the refunding of the 2003 COP's and the 2009 Lease Revenue Bonds.

Table 2
Summary of Liened Assets for City's Lease Secured Debt

Debt	1997 COPs	2003 COPs	2009 LRBs	2013 COPs
Outstanding Par Value	$1,250,588	$1,000,000	$8,760,000	$4,340,000
City Hall	Yes	Yes	No	Yes
Corporation Yard	Yes	Yes	No	Yes
Wastewater Treatment Plant	Yes	Yes	No	Yes
City Library	No	No	Yes	No
Total debt secured by City Hall, Corporation Yard and Wastewater Treatment Plant	$6,590,588			
Total debt secured by Library	$8,760,000			
Total debt secured by City assets before proposed refunding	$15,350,588			
2015 CAFR Net Asset Value of Land and Buildings for General Government and Business Type Activities	$11,946,000			
Total debt secured by City assets after proposed refinancing	$5,590,588			

Assuming approval by the Successor Agency, the Oversight Board and the State Department of Finance, the refunding bonds are expected to be sold and closed in February, 2017. This means that the first cash distributions of residual property tax revenues from the Project Area to taxing entities, including the City of Scotts Valley's General Fund, that show an increase as a result of the proposed refunding would take place at the end of calendar year 2017.

STAFF RECOMMENDATION

It is recommended that the City Council and Scotts Valley Public Financing Authority Board adopt the following resolutions respectively:

City Council Resolution No. 1926:

A Resolution of the City Council of the City of Scotts Valley Approving the Issuance of Refunding Bonds in order to Refund Certain Outstanding Obligations of the Dissolved Redevelopment Agency of the City Of Scotts Valley, Approving Documents Relating Thereto, and Providing for Other Matters Properly Relating Thereto (Attachment 1)

Public Financing Authority Resolution JPA-42:

A Resolution of the Board Of Directors of the Scotts Valley Public Financing Authority Approving the Execution and Delivery of Documents and Other Related Actions in Connection with a Proposed Refunding of Certain Outstanding Obligations of the Dissolved Redevelopment Agency of the City of Scotts Valley (Attachment 2)

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RESOLUTION NO. 1926

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING THE ISSUANCE OF REFUNDING BONDS IN ORDER TO REFUND CERTAIN OUTSTANDING OBLIGATIONS OF THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF SCOTTS VALLEY, APPROVING DOCUMENTS RELATING THERETO, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law");

WHEREAS, a redevelopment plan for the Scotts Valley Redevelopment Project was adopted in compliance with all requirements of the Redevelopment Law, (as such plan was amended pursuant to the Redevelopment Law, the "Redevelopment Plan");

WHEREAS. Assembly Bill x1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act");

WHEREAS, pursuant to Section 34172(a) of the Dissolution Act, the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Dissolution Act, the City of Scotts Valley (the "City") has elected to serve as the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency incurred the obligations listed on Exhibit A for the purpose of financing and refinancing redevelopment activities (the "Prior Obligations");

WHEREAS, the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, the Successor Agency has proposed the issuance of refunding bonds to refund the Prior Obligations (the "Refunding Bonds"); and

WHEREAS, this City Council wishes to approve the issuance of the Refunding Bonds by the Successor Agency and to authorize execution and delivery of any documents that may required to be executed by the City in connection with the proposed refunding of the Prior Obligations.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley as follows:

1. Recitals. The City Council finds and determines that the above referenced recitals are true and correct and material to this Resolution

2. Approval of Issuance of the Refunding Bonds. The City Council hereby authorizes and approves the issuance of the Refunding Bonds under the Redevelopment Law, as amended and supplemented by the Dissolution Act.

3. Official Actions. The Mayor, Vice Mayor and City Manager (“Authorized Officers”), and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Refunding Bonds, including executing any agreements, certificates or notices determined to be necessary by an Authorized Officer, including agreements with outside attorneys and advisors. Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

4. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 2nd day of November, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____
Donna R. Lind, Mayor

____
Tracy A. Ferrara, City Clerk

EXHIBIT A

PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”), of the Redevelopment Agency of the City of Scotts Valley related to $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

RESOLUTION NO. JPA-42

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SCOTTS VALLEY PUBLIC FINANCING AUTHORITY APPROVING THE EXECUTION AND DELIVERY OF DOCUMENTS AND OTHER RELATED ACTIONS IN CONNECTION WITH A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF SCOTTS VALLEY

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law");

WHEREAS, a redevelopment plan for the Scotts Valley Redevelopment Project was adopted in compliance with all requirements of the Redevelopment Law, (as such plan was amended pursuant to the Redevelopment Law, the "Redevelopment Plan");

WHEREAS. Assembly Bill x1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act");

WHEREAS, pursuant to Section 34172(a) of the Dissolution Act, the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Dissolution Act, the City of Scotts Valley (the "City") has elected to serve as the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency incurred the obligations listed on Exhibit A for the purpose of financing and refinancing redevelopment activities (the "Prior Obligations");

WHEREAS, the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, the Successor Agency has proposed the issuance of refunding bonds to refund the Prior Obligations (the "Refunding Bonds"); and

WHEREAS, this Board of Directors of the Scotts Valley Public Financing Authority (the "Authority") wishes to authorize the execution and delivery of any documents that may required to be executed by the Authority in connection with the proposed refunding of the Prior Obligations.

NOW, THEREFORE, the Board of Directors of the Scotts Valley Public Financing Authority, hereby resolves as follows:

1. Recitals. The Board of Directors finds and determines that the above referenced recitals are true and correct and material to this Resolution

2. Approval of Issuance of the Refunding Bonds. The Board of Directors hereby authorizes and approves the issuance of the Refunding Bonds under the Redevelopment Law, as amended and supplemented by the Dissolution Act.

3. Official Actions. The Chairman, the Executive Director and the Treasurer ("Authorized Officers"), and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Refunding Bonds, including executing any agreements, certificates or notices determined to be necessary by an Authorized Officer. Whenever in this Resolution any officer of the Authority is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

4. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 2nd day of November, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____
Donna R. Lind, Chair

____
Tracy A. Ferrara, Secretary

EXHIBIT A

PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”), of the Redevelopment Agency of the City of Scotts Valley related to $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

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MEMORANDUM

To: Oversight Board
State Department of Finance

Date: October 28, 2016

From: Mark Northcross and Rob Schmidt
Municipal Advisor to the Successor Agency of the Scotts Valley Redevelopment Agency

RE: Refunding of Outstanding Tax Allocation Bonds and Other Obligations of the Successor Agency of the Redevelopment Agency of the City of Scotts Valley

Introduction

Dissolution Act; Successor Agency - On June 29, 2011, Assembly Bill No. 26 (1st Extraordinary Session) ("AB 26") was enacted together with a companion bill, Assembly Bill No. 27 (2nd Extraordinary Session) ("AB 27"). The provisions of AB 26 provided for the dissolution of all redevelopment agencies. The provisions of AB 27 permitted redevelopment agencies to avoid dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, California Redevelopment Association, et al., v. Matosantos, et al., 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB 26 and AB 27. The California Supreme Court largely upheld AB 26, invalidated AB 27, and held that AB 26 may be severed from AB 27 and enforced independently. As a result of AB 26 and the Matosantos decision, all redevelopment agencies in the State were dissolved as of February 1, 2012, including the Redevelopment Agency of the City of Scotts Valley (the "Redevelopment Agency"), and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The City of Scotts Valley (the "City") acts as successor agency to the Redevelopment Agency (the "Successor Agency").

The primary provisions enacted by AB 26 relating to the dissolution and wind down of former redevelopment agency affairs are codified in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "Dissolution Act").

Refunding Bonds under the Dissolution Act - Section 34177.5 of the Health & Safety Code, which was added to the Dissolution Act by AB 1484, authorizes the Successor Agency to issue bonds for the purpose of refunding outstanding tax allocation bonds of the Redevelopment Agency or the Successor Agency to provide savings to the Successor Agency provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds does not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds may be greater than the outstanding principal amount of the bonds to be refunded.

Requirement for Independent Financial Advisor - Section 34177.5(h) requires the Successor Agency to make diligent efforts to ensure that the lowest long-term cost financing is obtained, and requires the successor agency to make use of an independent financial advisor in developing financing proposals and to make the work products of the financial advisor available to the Department of Finance at its request.

This report is written by NHA Advisors LLC, which has been engaged as the independent registered municipal advisor to the Successor Agency, to analyze the possible refunding of the Successor Agency's Prior Obligations (defined below).

Prior Obligations

The Redevelopment Agency previously pledged tax increment to the following obligations (collectively, the "Prior Obligations"):

- A reimbursement obligation (the "2003 Reimbursement Obligation") related to the City's $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 Certificates of Participation").

- $6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds").

- A reimbursement obligation (the "2009 Reimbursement Obligation") related to (i) $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Lease Revenue Bonds") and (ii) $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the "2009B Lease Revenue Bonds").

More information about the Prior Obligations is shown in Table 1 below:

Table 1
Debt Issue Secured by Tax Increment

	2003 COPs	2006 TABs	2009A LRBs	2009B LRBs	Total
Original par value	$3,455,000	$6,810,000	$5,260,000	$3,500,000	$19,025,000
Current par value*	$1,000,000	$3,360,000	$5,260,000	$3,500,000	$13,120,000
Tax Exempt Status	Tax Exempt	Tax Exempt	Tax Exempt	Taxable	-
Secured revenue	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	-
Senior or subordinate tax increment pledge	Senior	Senior	Subordinate	Subordinate	-
General Fund lease obligation?	Yes	No	Yes	Yes	
Final maturity	10/1/2027	8/1/2029	10/1/2039	10/1/2030	-
Next call date and premium	Any date at par	Any date at par	Any date after 10/1/19 at par	Any date after 10/1/19 at 102%	-
Debt service reserve fund	Cash funded	Surety	Cash funded	Cash funded	-
Average interest rate on existing debt	4.52%	4.98%	5.72%	7.55%	-

As shown in Table 1, the Successor Agency has secured a total of $13.12 million in outstanding Prior Obligations with tax increment. All of these Prior Obligations may now be refinanced with significant cash flow savings. Three of the four obligations were also secured with a General Fund lease structure in addition to the pledge of tax increment.

Overview of the Refunding Opportunity

We have analyzed the potential refunding of the Prior Obligations with the issuance of refunding bonds ("2017 Refunding Bonds"). Table 2 below shows a summary of the potential savings from a refunding of the Prior Obligations:

Table 2
Summary of Potential Benefits from Refundings

	Successor Agency 2017 Refunding Bonds
Total cash flow savings	$2,800,000
Average annual cash flow savings	$121,000
Total present value savings	$2,280,000
Gross Successor Agency refunding bond proceeds	$12,770,000
Current outstanding principal	$13,120,000
Assumed closing date	February 15, 2017
Interest rate on Prior Obligations	5.94%
All-in true interest cost on refinancing	3.40%

The average annual cash flow savings estimated from a public offering of the combined refunding is approximately $121,000 per year through the final maturity in 2039. The present value savings is estimated to be approximately $2.28 million, equal to more than 17% of the amount of principal being refunded. Note that the estimated refunding par amount is less than the outstanding principal amount being refunded because of the elimination of the debt service reserve fund through use of a surety bond. The all-in true interest cost of the combined 2017 Refunding Bonds is estimated to be approximately 3.4% under current market conditions, assuming bond insurance can be obtained. Based on our credit review of the Successor Agency financials, we believe bond insurance is very likely.

Benefits to Taxing Entities from the Proposed Refunding

The Successor Agency's fiscal consultant, Fraser & Associates, obtained information from the County of Santa Cruz on the allocation of the 1% Proposition 13 ad valorem tax rate by taxing entities within the former project area. Table 3 shows the expected allocation of savings from the proposed 2017 Refunding Bonds by taxing entity, assuming the savings are not required to pay other enforceable obligations of the Successor Agency. Note that the allocation percentages for the allocation of refunding savings are significantly different from each taxing entity's base allocation of the "Prop 13" 1% of assessed valuation property tax. This difference is due to two factors: (1) how that taxing entity's pass-through with the Redevelopment Agency works, and (2) how that taxing entity was treated under ERAF.

The analysis assumes a bond closing on February 15, 2017. Accordingly, the first ROPS distribution that would reflect the savings would be the FY 2017-18 B ROPS. Consequently, this would mean that taxing entities would see cash flow benefit from the refunding in their December 2017 distributions.

It is important to note that some of the cash flow benefit from the proposed refunding would go directly, or indirectly, to the State. The ERAF percentages and the percentages for all the taxing entities in education will ultimately go to the State.

Table 3
Estimated Annual Residual Allocation of Refunding Savings by Taxing Entity

Taxiing Entity	Share of Residual Allocation	Estimated Average Annual Residual Allocation from Proposed 2017 Refunding Bonds
Santa Cruz County Library	0.0030%	$4
Santa Cruz County General Fund	0.0225%	27
Happy Valley School District	0.0000%	0
Scotts Valley School District	69.3773%	83,947
Scotts Valley High School District	0.0000%	0
Cabrillo Community College District	8.9294%	10,805
Santa Cruz County School Services	3.8217%	4,624
City of Scotts Valley	9.2024%	11,135
Santa Cruz County Flood Control Zone 4	0.0003%	0
Santa Cruz County Flood Control District	0.0003%	0
Scotts Valley Fire Protection District	0.0252%	30
San Lorenzo Valley County Water District	0.0238%	29
Scotts Valley Water District	4.6476%	5,624
ERAF	3.9463%	4,775
Total	**100.00%**	**$121,000**

Sources and Use and Debt Service Schedule for the Proposed Refunding

Table 4 below shows the estimated sources and uses for the proposed 2017 Refunding Bonds issued to refund the Prior Obligations. Note in Table 4 that the bonds are currently estimated to have the lowest yield if they are sold as premium bonds. Consequently, a premium of approximately $1.53 million is shown as a source. It is also important to note that the combined debt service reserve funds for the Prior Obligations are approximately $865,000, which also constitute a major source of funds. As noted earlier, there is no debt service reserve fund for the proposed 2017 Refunding Bonds, since a surety bond is anticipated instead. Consequently, all $865,000 in reserve fund proceeds from the Prior Obligations can be used to downsize the 2017 Refunding Bonds.

Table 4
Sources and Uses for Proposed 2017 Refunding Bonds

Sources	
Bond Proceeds	$12,770,000
Bond Premium	1,533,249
Debt Service Reserve Funds	865,889
Total Sources	**$15,169,138**
Uses	
Refunding Escrow	$14,683,440
Costs of Issuance	265,000
Underwriter's Discount	89,390
Bond Insurance Premium	95,425
Surety Bond Premium	31,746
Surplus Proceeds	4,137
Total Uses	**$15,169,138**

Table 5 shows comparative cash flows and estimated savings for the proposed refunding.

Table 5
Proposed Successor Agency Refunding Cash Flows

Calendar Year Ending 12/31	Combined Prior Debt Service	Prior Receipts	Combined Prior Obligations Debt Service	Estimated 2017 Refunding Bonds Debt Service	Estimated Cash Flow Savings
2017	$994,341	$6	$994,335	$832,815	$161,520
2018	1,278,868	10	1,278,858	1,075,013	203,845
2019	1,267,986	10	1,267,976	1,065,691	202,285
2020	1,292,824	10	1,292,814	1,084,717	208,097
2021	1,104,486	10	1,104,476	926,759	177,717
2022	1,142,386	10	1,142,376	955,834	186,542
2023	1,161,586	10	1,161,576	973,062	188,514
2024	1,177,443	10	1,177,433	989,100	188,333
2025	1,201,508	10	1,201,498	1,005,900	195,598
2026	1,221,895	10	1,221,885	1,024,900	196,985
2027	1,093,355	98,573	994,782	916,400	78,382
2028	1,087,828		1,087,828	911,650	176,178
2029	1,084,588		1,084,588	910,650	173,938
2030	757,753	457,767	299,986	633,150	(333,164)
2031	765,028		765,028	642,900	122,128
2032	764,453		764,453	641,150	123,303
2033	767,258		767,258	643,400	123,858
2034	763,138		763,138	639,400	123,738
2035	762,345		762,345	639,400	122,945
2036	764,570		764,570	643,400	121,170
2037	764,190		764,190	641,400	122,790
2038	766,780		766,780	643,600	123,180
2039	767,050	309,559	457,491	644,800	(187,309)
Total	**$22,751,655**	**$865,994**	**$21,885,661**	**$19,085,091**	**$2,800,570**

Table 5 shows that positive net cash flow savings can be achieved for every tax cycle by the proposed refunding structure with the exception of two years due to the release of the prior cash funded debt service reserve funds and replacement with a surety bond policy.

Proposed Legal Structure

The proposed Indenture of Trust and authorizing resolutions for the 2017 Refunding Bonds are attached to the email in which this memo was included. This indenture contains the following key features: (1) no parity bonds are allowed for any purpose other than refunding for savings unless the legislation dissolving redevelopment agencies is amended to allow parity bonds, and (2) pledged Tax Revenues are defined to include all moneys deposited in the Redevelopment Property Tax Trust Fund less amounts required for pass-through payments (if not subordinated) and County administrative payments. The 2017 Refunding Bonds will be fixed rate bonds, sold through a negotiated sale. The Successor Agency's finance team will monitor market conditions over the next three months, and will consider a private placement of the debt if it would deliver greater savings than a public offering.

Process and Timing

The Successor Agency is scheduled to approve the refunding at its meeting on November 2, 2017. The Oversight Board is expected to approve the refunding at its tentatively scheduled meeting on November 3, 2017. The application of the Oversight Board is expected to be submitted to the State Department of Finance by November 4, 2017. We anticipate Department of Finance approval by January 9th, 2017. Sale of the refunding bonds would then take place by February 1, 2017, with a closing on February 15, 2017.

INDENTURE OF TRUST

Dated as of ____ 1, 2017

by and between the

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

and

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

Relating to

$___________
Successor Agency of the Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds, Series A

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into and dated as of ____ 1, 2017, by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), 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, as trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS*,* the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law");

WHEREAS*,* the redevelopment plan for the Scotts Valley Redevelopment Project (the "Project Area") was originally approved and adopted by the City Council of the City of Scotts Valley on November 27, 1990 pursuant to Ordinance No. 142 and was subsequently amended as detailed on Exhibit C attached hereto and incorporated herein (as such plan was further amended pursuant to the Redevelopment Law or may be amended pursuant to the Dissolution Act, as defined below, the "Redevelopment Plan");

WHEREAS, to finance redevelopment activities with respect to the Project Area, the Former Agency issued certain outstanding bonds and other indebtedness (collectively, the "Outstanding Prior Obligations"), as listed on Exhibit D attached hereto and incorporated herein;

WHEREAS, Assembly Bill X1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act"), and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency;

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1);

WHEREAS, the Successor Agency has determined that it will achieve debt service savings within such parameters by the issuance pursuant to the Law (as defined below) and the Refunding Law of the following bonds:

(a) $__________ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Bonds"), which will be issued pursuant to this Indenture;

(b) $________ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”; together with the 2017A Bonds, the “2017 Bonds”), which will be issued pursuant to a First Supplement to Indenture of Trust, dated as of ____ 1, 2017 (the “First Supplement”);

WHEREAS, the 2017A Bonds and the 2017B Bonds will be secured by a pledge of and payable from Tax Revenues (as defined below) on a parity basis with each other;

WHEREAS, as a result of the proposed refinancing, there will be no obligations outstanding other than the 2017A Bonds and the 2017B Bonds that are secured by a pledge of Tax Revenues;

WHEREAS*,* in order to provide for the authentication and delivery of the 2017A Bonds, to establish and declare the terms and conditions upon which the 2017A Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS*,* all acts and proceedings required by law necessary to make the 2017A Bonds when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a legal, valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH*,* that in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds issued and Outstanding under this Indenture at any time, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Successor Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DETERMINATIONS; DEFINITIONS

Section 1.01. Findings and Determinations**.** The Successor Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2017A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the 2017A Bonds in the manner and form provided in this Indenture.

Section 1.02. Definitions**.** Unless the context otherwise requires, the terms defined in this Section 1.02 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and any Parity Debt that does not constitute Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture) and any Parity Debt that does not constitute Bonds payable by their terms in such Bond Year.

"Bond" or "Bonds" means the 2017A Bonds, the 2017B Bonds and any Parity Debt that is issued as bonds pursuant to a Supplemental Indenture.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Insurance Policy" means the policy of municipal bond insurance policy issued by the Bond Insurer which insures the payment when due of principal of and interest on the Insured Bonds.

"Bond Insurer" means ______, its successors and assigns, as issuer of the Bond Insurance Policy and the Reserve Policy.

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

"Bond Year" means, any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on August 1, 2017.

"Business Day" means a day of the year on which banks in San Francisco, California, or the city where the Principal Corporate Trust Office is located, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means the City of Scotts Valley, a general law city duly organized and existing under the Constitution and the laws of the State.

"Closing Date" means, with respect to the 2017 Bonds, the date on which the 2017 Bonds are delivered by the Successor Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate relating to the 2017A Bonds and 2017B Bonds executed by the Successor Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the City and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of Santa Cruz.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.03.

"Defeasance Obligations" means (i) cash and (ii) Federal Securities.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

"Depository System Participant" means any participant in the Depository's book-entry system.

"Dissolution Act" means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended from time to time.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

"Former Agency" means the Redevelopment Agency of the City of Scotts Valley, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Indenture" means this Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

(a) is in fact independent and not under domination of the Successor Agency;

(b) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

(a) is judged by the Successor Agency to have experience in matters relating to the collection of property tax revenues deposited into the Redevelopment Property Tax Trust Fund or otherwise with respect to the financing of redevelopment projects;

(b) is in fact independent and not under domination of the Successor Agency;

(c) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(a).

"Interest Payment Date" means August 1, 2017, and February 1 and August 1 in each year thereafter so long as any of the Bonds remain Outstanding hereunder.

"Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the Dissolution Act.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year as certified in writing by the Successor Agency to the Trustee.

"Moody's" means Moody's Investors Service and its successors.

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.11(a).

"Notice of Insufficiency" means the notice described in Health & Safety Code Section 34183(b).

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto.

"Outstanding Prior Obligations" has the meaning given that term in the Recitals of this Indenture.

"Oversight Board" means the Oversight Board of the Successor Agency of the Scotts Valley Redevelopment Agency, duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means the 2017B Bonds and any loan, bonds (including any bonds issued pursuant to a Supplemental Indenture), notes, advances or indebtedness payable from Tax Revenues on a parity with the 2017 Bonds as authorized by the provisions of Section 5.02.

"Parity Debt Instrument" means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt, including, without limitation, a Supplemental Indenture authorized by Section 7.01(e).

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Pass-Through Agreements" means [to come].

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) obligations of the Federal Financing Bank; (iii) debentures of the Federal Housing Administration; (iv) participation certificates of the General Services Administration; (v) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", and, if rated by Moody's, rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bondowners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, which are rated in one of the two highest rating categories by Moody's or S&P or which are collateralized so as to be rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, “Prime-1” by Moody's and “A-1” or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody's and “A-1” or “A” or better by S&P;

(k) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated “A” or better by Moody's and S&P, or (B) a bank rated “A” or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds; and

(m) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to deposit and withdraw from such investment directly in its own name.

"Principal Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(b).

"Principal Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Successor Agency.

"Project Area" has the meaning given that term in the Recitals of this Indenture.

"Policy Costs" shall have the meaning given that term in Section 4.04(a) hereof.

"Recognized Obligation Payment Schedule" means the schedule by that name prepared before each fiscal period in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

"Redevelopment Obligation Retirement Fund" means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Redevelopment Plan" has the meaning given that term in the Recitals of this Indenture.

"Redevelopment Property Tax Trust Fund" means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the Santa Cruz County Auditor–Controller.

"Refunding Law" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy No. _______ issued by the Bond Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2017 Bonds as provided in the Reserve Account Agreement.

"Reserve Requirement" means, as of the date of any calculation, the least of (i) 10% of the original principal amount of the 2017 Bonds, (ii) an amount equal to Maximum Annual Debt Service on the 2017 Bonds payable by the Successor Agency between the date of such calculation and the final maturity of the 2017 Bonds, or (iii) 125% of average annual debt service on the 2017 Bonds payable hereunder.

"S&P" means Standard & Poor's Ratings Services and its successors.

"Securities Depositories" means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Written Request of the Successor Agency delivered to the Trustee.

"Semiannual Period" means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

"State" means the State of California.

"Subordinate Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to (i) the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds, (ii) the Successor Agency's obligation to pay Policy Costs to the Bond Insurer and (iii) the Successor Agency's obligation to reimburse the provider of a letter of credit, surety bond or similar instrument for the debt service reserve account for any Parity Debt .

"Successor Agency" means the Successor Agency of the Scotts Valley Redevelopment Agency, a public entity duly organized and existing under the Law.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Revenues" means, for each Fiscal Year, all moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, *excluding* amounts payable pursuant to the Pass-Through Agreements and Sections 33676, 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds.

"Term Bonds" means any Bonds subject to mandatory sinking fund redemption as set forth in the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

"2017 Bonds" means, collectively, the 2017A Bonds and the 2017B Bonds.

"2017A Bond" or "2017A Bonds" means the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A.

"2017A Refunding Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"2017A Costs of Issuance Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"2017B Bond" or "2017B Bonds" means the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the Chair, Secretary, Executive Director or Treasurer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

Section 1.03. Rules of Construction**.** All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS

Section 2.01. Authorization of 2017A Bonds. The 2017A Bonds in the aggregate principal amount of ___________ Dollars ($___________) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law and the Refunding Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and the interest on all Bonds that may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

The 2017A Bonds shall be designated the "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A".

Section 2.02. Terms of 2017A Bonds. The 2017A Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple thereof. The 2017A Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

Maturity Date	Amount	Rate

Interest on the 2017A Bonds (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017A Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2017A Bond shall be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each 2017A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2017A Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any 2017A Bond, interest thereon is in default, such 2017A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Redemption of Bonds**.**

(a) Optional Redemption. The 2017A Bonds maturing on or before August 1, _____ are not subject to optional redemption prior to maturity. The 2017A Bonds maturing on and after August 1, _____, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, _____, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Successor Agency shall be required to give the Trustee written notice of its intention to redeem Bonds under this subsection (a) with a designation of the principal amount and maturities to be redeemed at least sixty (60) days prior to the date fixed for such redemption (or such later date as is acceptable to the Trustee in the sole determination of the Trustee.

(b) Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Successor Agency has the right to provide a conditional notice of an optional redemption of Bonds and to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

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

(c) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(d) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Bonds so called for redemption shall have been duly deposited with the Trustee, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(e) Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each $5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to this Section 2.03 shall be cancelled and destroyed.

Section 2.04. Form of Bonds**.** The Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.05. Execution of Bonds**.** The Bonds shall be executed on behalf of the Successor Agency by the signature of the Executive Director and the signature of the Agency Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Successor Agency although on the date of such Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore set forth, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate shall be conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary Bonds are issued pursuant to Section 2.09 hereof, the temporary Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, may be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.06. Transfer of Bonds**.** Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee shall collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Section 2.07. Exchange of Bonds**.** Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.07. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Successor Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.07, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Section 2.08. Registration of Bonds**.** The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection by the Successor Agency, upon reasonable prior notice to the Trustee; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds**.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Successor Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Successor Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Successor Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, interest rates and like maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen**.** If any Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Successor Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Successor Agency). The Successor Agency may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Successor Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

Section 2.11. Book-Entry System*.*

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, neither the Successor Agency nor the Trustee shall have any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository System Participant holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, neither the Successor Agency nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bondowner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Successor Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bondowner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Successor Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bondowner shall receive a Bond evidencing the obligation of the Successor Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Successor Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondowners. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, upon written request of the Depository or the Trustee, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Successor Agency determines to terminate the Depository as such, then the Successor Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Successor Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Successor Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2017A BONDS

Section 3.01. Issuance of 2017A Bonds**.** Upon the execution and delivery of this Indenture, the Successor Agency shall execute and deliver to the Trustee 2017A Bonds in the aggregate principal amount of _______ Dollars ($__________) and the Trustee shall authenticate and deliver the 2017A Bonds upon the Written Request of the Successor Agency.

Section 3.02. Application of Proceeds of Sale and Certain Other Amounts**.** On the Closing Date, the original purchaser of the 2017A Bonds will wire the amount of $______ to the Trustee, which is equal to;

(a) the purchase price of the 2017A Bonds ($______), which is equal to the original principal amount of the 2017A Bonds, *plus* a net original issue premium in the amount of $______ and *less* an underwriter's discount in the amount of $_____,

(b) *less* a portion of the premium for the Bond Insurance Policy ($_______), which will be paid directly by the original purchaser of the 2017A Bonds to the Bond Insurer and

(c) less a portion of the premium for the Reserve Policy ($_______), which will be paid directly by the original purchaser of the 2017A Bonds to the Bond Insurer.

The proceeds of the sale of the 2017A Bonds received by the Trustee shall be applied by the Trustee as follows:

(y) The Trustee shall deposit the amount of $_______ in the 2017A Costs of Issuance Account.

(z) The Trustee shall deposit the remaining amount of proceeds of the 2017A Bonds ($_________) in the 2017A Refunding Account (established by Section 3.03 hereof).

In addition, the Trustee shall credit the Reserve Policy to the Reserve Account in satisfaction of the Reserve Requirement upon delivery of the 2017 Bonds.

Section 3.03. 2017A Bond Proceeds Fund; 2017A Costs of Issuance Account**.** There is hereby established a separate fund to be known as the "Bond Proceeds Fund", which shall be held by the Trustee in trust, and within such Fund there shall be established a separate "2017A Refunding Account" and a separate "2017A Costs of Issuance Account."

(a) Use of Moneys in the 2017A Refunding Account. On the Closing Date, the Trustee shall transfer the moneys in the 2017A Refunding Account, in the total sum of $______, to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") for the purpose of providing for the defeasance and redemption of the 2003 Reimbursement Obligation, the 2006 Bonds and the portion of the 2009 Reimbursement Obligation related to the 2009A Lease Revenue Bonds (as defined in Exhibit D), in accordance with the Escrow Deposit and Trust Agreement, dated as of ____ 1, 2017, by and between the Successor Agency and the Escrow Bank and the 2017A Refunding Account shall be closed.

(b) Use of Moneys in the 2017A Costs of Issuance Account. The moneys in the 2017A Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance related to the 2017A Bonds upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the 2017A Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund to be used to pay debt service on the 2017A Bonds and the Trustee shall close the 2017A Costs of Issuance Account.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS

Section 4.01. Security of Bonds; Equal Security. The Successor Agency may not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds and any Parity Debt.

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in Section 6.06, the 2017A Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017A Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 4.02. Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues. The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and, so long as any of the Bonds are Outstanding or any amounts are due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy, the Successor Agency shall continue to hold and maintain such fund as a separate fund in its treasury (which shall be a separate account from other accounts of the Successor Agency and the City of Scotts Valley into which no other moneys shall be deposited). The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency.

All Tax Revenues received by the Successor Agency with respect to a Bond Year in excess of the amount required to pay debt service on the Bonds and any Parity Debt, and except as may be provided to the contrary in any Parity Debt Instrument, shall be released from the pledge and lien hereunder and shall be applied in accordance with the Law, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to Section 5.14. Prior to the payment in full of the principal of and interest and premium, if any, on the Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in this Indenture and in any Supplemental Indenture.

Section 4.03. Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. Within five (5) Business Days of its receipt of moneys in the Recognized Obligation Retirement Fund, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on the next Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

(b) Principal Account. Within five (5) Business Days of its receipt of moneys in the Recognized Obligation Retirement Fund, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture, on the next Interest Payment Date. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next Interest Payment Date on all of the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture, as it shall become due and payable.

(c) Reserve Account. There is hereby established in the Debt Service Fund a separate account known as the "Reserve Account" solely as security for payments on the 2017 Bonds payable by the Successor Agency pursuant to this Section 4.03, which shall be held by the Trustee in trust for the benefit of the Owners of the Bonds. The Reserve Requirement for the 2017 Bonds shall be satisfied by the delivery of the Reserve Policy by the Bond Insurer to the Trustee on the Closing Date. The Trustee shall draw on the Reserve Policy in accordance with its terms and conditions and the terms of this Indenture.

The amounts available under the Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Bonds then Outstanding.

The Trustee shall comply with all documentation relating to the Reserve Policy as shall be required to maintain the Reserve Policy in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (c), including the reimbursement of all amounts due and owing to the Bond Insurer in respect of the Reserve Policy.

The Successor Agency shall have no obligation to replace the Reserve Policy or to fund the Reserve Account with cash if, at any time that the 2017 Bonds are Outstanding, amounts are not available under the Reserve Policy or if the rating of the claims-paying ability of the Bond Insurer is downgraded.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to Section 2.03(a), the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to Section 2.03(a) for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account.

Section 4.04. Reserve Policy. The Reserve Requirement will be satisfied in the form of the issuance of the Reserve Policy. Under the terms and conditions of the Reserve Policy, the Trustee shall deliver to the Bond Insurer a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in Section 4.03(c). The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Account and applied for the purposes thereof.

SECTION 4.05. Provisions Relating to Bond Insurance Policy. So long as the Bond Insurance Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Exhibit E relating to the Bond Insurer and the Bond Insurance Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

SECTION 4.06. Provisions Relating to Reserve Policy. So long as the Reserve Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Exhibit F relating to the Bond Insurer and the Reserve Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.01. Punctual Payment**.** The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of this Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and the Bonds. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Section 5.02. Issuance of Parity Debt; Subordinate Debt; Senior Debt**.** In addition to the 2017 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency for refunding purposes only. The Successor Agency may issue and deliver any such Parity Debt subject to the following specific conditions that are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under this Section:

(a) The additional Parity Debt must have been issued in compliance with the refunding provisions of the Dissolution Act, including, but not limited to, the requirement that the total interest cost to maturity on the Parity Debt plus the principal amount of the Parity Debt may not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded.

(b) The Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Any Subordinate Debt that is issued as bonds or incurred in the form of a loan may be payable on different dates than the 2017 Bonds; provided, however, the Successor Agency shall not use Tax Revenues deposited into the Redevelopment Obligation Retirement Fund to pay the enforceable obligations of the Successor Agency for a specific period of time to pay debt service on any Subordinate Debt until such time as the Successor Agency has set aside sufficient Tax Revenues to pay debt service on the 2017 Bonds and any Parity Debt for such period of time.

In addition, from and after the Closing Date, the Successor Agency may not issue or incur any bonds, notes, loans, advances or other indebtedness that are secured by a pledge of moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, on a basis senior or superior to the Bonds.

Section 5.03. Extension of Payment**.** The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Payment of Claims**.** The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Section 5.05. Books and Accounts; Financial Statements**.** The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the County. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner. The Trustee shall have no duty to review such audits.

Section 5.06. Protection of Security and Rights of Owners**.** The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date, the Bonds shall be incontestable by the Successor Agency.

Section 5.07. Payments of Taxes and Other Charges**.** Except as otherwise provided herein, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, or upon the revenues therefrom when the same shall become due. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Area or any part thereof.

Section 5.08. Compliance with the Law; Recognized Obligation Payment Schedules; Notice of Insufficiency**.** The Successor Agency shall comply with all of the requirements of the Law. Commencing February 1, 2017, in order to ensure that amounts are available for the Trustee to make timely payments on all Policy Costs and the principal of, and interest on, the Bonds and any Parity Debt coming due with respect the applicable Semiannual Period, not later than February 1 of each year, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Santa Cruz County Auditor-Controller that shall include (i) all amounts necessary to pay debt service on all Bonds and other Parity Debt on the immediately succeeding August 1 and February 1, to be paid to the Successor Agency from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on the immediately succeeding June 1 and January 2, (ii) any amount required to be deposited in the Reserve Account, in order to maintain in the Reserve Account the amount of the Reserve Requirement and (iii) all Policy Costs due in the applicable Semiannual Period. Such actions shall further include, without limitation, placing on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and the State Department of Finance, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due hereunder for the next payment due in the following Semiannual Period. The Recognized Obligation Debt Service Schedule shall not be amended except by Supplemental Indenture entered into pursuant to Article VII.

The Successor Agency covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the Santa Cruz County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming June 1 or January 2, as applicable, is insufficient to pay debt service on the Bonds, to pay debt service on any Parity Debt and to deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement. [update based on pass-through subordination]

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2017 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency agrees to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of (i) prior to February 1 of such Bond Year, an amount equal to debt service due on such February 1 and (ii) prior to the next succeeding August 1, an amount equal to debt service due on such August 1.

Section 5.09. <u>Reserved</u>**.**

Section 5.10. <u>Dissolution Act Invalid;</u> <u>Maintenance of Tax Revenues</u>**.** In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Redevelopment Law or the equivalent to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Santa Cruz County and, in the case of amounts payable by the State, appropriate officials of the State and shall apply any such Tax Revenues received by the Successor Agency in the manner set forth in this Indenture. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and neither provisions of the Redevelopment Law nor the equivalent replace the invalid provisions, then the Successor Agency shall use good faith efforts to insure the allocation and payment to it of the Tax Revenues and, if and to the extent the Tax Revenues are thereafter insufficient for the Successor Agency to satisfy its obligations under this Indenture, an Event of Default shall be deemed to have occurred and the remedies upon an Event of Default contained herein shall apply.

Section 5.11. <u>No Arbitrage</u>**.** The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2017A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2017A Bonds would have caused the 2017A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 5.12. Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2017A Bonds are not so used as to cause the 2017A Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Section 5.13. Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2017A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.14. Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Section 5.15. Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2017A Bonds from the gross income of the Owners of the 2017A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2017A Bonds.

Section 5.16. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate related to the 2017A Bonds. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default hereunder. However, any Participating Underwriter or any holder or beneficial owner of the 2017A Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 5.16.

Section 5.17. Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

Section 6.01. Duties, Immunities and Liabilities of Trustee**.**

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trusteeor any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Successor Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency that then maintains a rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least $75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 6.02. Merger or Consolidation**.** Any bank or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.03. Liability of Trustee**.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of this Indenture or of the security for the Bonds or the tax status of interest thereon nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or intentional misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made by a responsible employee or officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or intentional misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Successor Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Successor Agency's certificates to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to this Indenture or otherwise.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

Before taking any action under Article VIII or this Article at the request of the Owners the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather and/or occurrences beyond the control of the Trustee.

Section 6.04. Right to Rely on Documents and Opinions**.** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of negligence or intentional misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Section 6.05. Preservation and Inspection of Documents**.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable notice to the inspection of the Successor

Agency and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

Section 6.06. Compensation and Indemnification**.** The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture in accordance with the letter proposal from the Trustee approved by the Successor Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Successor Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, expense and liabilities which it may incur arising out of or in connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency and the rights of the Trustee under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.07. Deposit and Investment of Moneys in Funds**.** Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to this Section.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested.

The Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency.

For purposes of this Section 6.07, the term “Fair Market Value” shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Section 6.08. Accounting Records and Financial Statements**.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions of the Trustee relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.09. Appointment of Co-Trustee or Agent**.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.09 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them; provided, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Successor Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 6.10. Other Transactions with Successor Agency**.** The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Successor Agency.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.01. Amendment With And Without Consent of Owners. This Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption and, but without the consent of the Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Recognized Obligation Debt Service Payment Schedule set forth in Exhibit B to take into account the redemption of any Bond prior to its maturity; or

(e) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by Section 5.02.

Except as set forth in the preceding paragraph, this Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

The Successor Agency shall deliver or cause to be delivered a draft of any Supplemental Indenture to S&P, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

Section 7.02. Effect of Supplemental Indenture**.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment**.** After the effective date of any amendment or modification hereof pursuant to this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Section 7.04. Amendment by Mutual Consent**.** The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.05. Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bondowners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds or any Parity Debt Instrument contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 30 day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

For purposes of determining whether any event of default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made under the Bond Insurance Policy or the Reserve Policy.

If an Event of Default has occurred under this Section and is continuing, the Trustee may, or if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bondowners in law or at equity.

Upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration**.** All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of any amounts owed to the Bond Insurer hereunder.

Section 8.03. Power of Trustee to Control Proceedings**.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 8.04. Limitation on Owner's Right to Sue**.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.05. Non-Waiver**.** Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Successor Agency, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.06. Actions by Trustee as Attorney-in-Fact**.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Section 8.07. Remedies Not Exclusive**.** No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits Limited to Parties; Third-Party Beneficiary**.** Nothing in this Indenture, expressed or implied, except as set forth in Section 4.04(h), is intended to give to any person other than the Successor Agency, the Trustee, the Bond Insurer and the Owners, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners. The Bond Insurer shall be deemed to be a third-party beneficiary of this Indenture, with all rights of a third-party beneficiary. The Bond Insurer may enforce the provisions of this Indenture as if it were a party hereto.

Section 9.02. Successor is Deemed Included in All References to Predecessor**.** Whenever in this Indenture or any Supplemental Indenture either the Successor Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Defeasance of Bonds**.** If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and redemption premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, redemption premium (if any) and interest, or;

(iii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, redemption premium (if any) and interest) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Successor Agency under Section 6.06 hereof, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to Section 6.06 shall be paid over to the Successor Agency for deposit in the Redevelopment Retirement Obligation Fund.

In connection with the defeasance of Bonds under this Section 9.03, the Successor Agency shall enter into an escrow agreement with the Trustee or other fiduciary which shall provide that:

(a) Any substitution of securities shall require the delivery of Verification Report and an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

(b) If applicable, the Successor Agency will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds (if any), and (ii) as a condition to any such redemption the Successor Agency has delivered to the Trustee a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

Section 9.04. Execution of Documents and Proof of Ownership by Owners**.** Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any demand, request, direction, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Successor Agency or the Trustee and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Successor Agency unless the Successor Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

Section 9.05. Disqualified Bonds**.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Successor Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

Section 9.06. Waiver of Personal Liability**.** No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.07. Destruction of Cancelled Bonds**.** Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such bonds and upon request of the Successor Agency provide the Successor Agency a certificate of destruction. The Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Section 9.08. Notices**.** Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or upon receipt when mailed by first class, registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Successor Agency:	Successor Agency of the Scotts Valley Redevelopment Agency 1 Civic Center Dr. Scotts Valley, CA 95066
Attention: Executive Director	
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. [to come] Attention: Global Corporate Trust Services Reference: Successor Agency to the Redevelopment Agency of the City of Scotts Valley

For notice provisions relating to the Bond Insurer, see Exhibit E.

Section 9.09. Partial Invalidity**.** If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Successor Agency hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof, be assumed by and vest in the Chief Financial Officer of the Successor Agency in trust for the benefit of the Owners. The Successor Agency covenants for the direct benefit of the Owners that its Chief Financial Officer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bonds, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof.

Section 9.10. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest and premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium (if any) and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Successor Agency for the payment of the principal of and interest and premium (if any) on of such Bonds.

Section 9.11. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, has caused this Indenture to be signed in its name by the Executive Director of the City and attested by the Agency Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

By: ________________________________
Executive Director

ATTEST:

____
Agency Secretary

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

By: ________________________________
Authorized Officer

EXHIBIT A

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SANTA CRUZ
CITY OF SCOTTS VALLEY

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY
2017 TAX ALLOCATION REFUNDING BOND, SERIES A

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
	[February/August] 1, ______	____, 2017	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: DOLLARS

The SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Successor Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Registered Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on February 1 and August 1 in each year, commencing ____ 1, 2017 (each an "Interest Payment Date"), calculated on the basis of 360-day year comprised of twelve 30-day months. Principal and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), or at such other place as designated by the Trustee (the "Corporate Trust Office"). Interest hereon (including the final interest payment upon maturity or earlier redemption hereof) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of $1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A" (the "Bonds"), of an aggregate principal amount of ____________ Dollars ($__________), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, and other provisions) and all issued pursuant to the provisions of (i) Part 1 of Division 24 of the Health and Safety Code of the State, as amended and supplemented, including by the provisions of Assembly Bill X1 26, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 (the "Law"), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and (iii) an Indenture of Trust, dated as of ____ 1, 2017, entered into by and between the Successor Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds.

The Successor Agency is concurrently issuing its "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B" (the "2017B Bonds"), in an aggregate principal amount of $________. The Successor Agency may issue additional bonds and other obligations on a parity with the 2017B Bonds and the Bonds, but only subject to the terms of the Indenture.

Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all indentures supplemental thereto and to the Law (as defined in the Indenture) and the Refunding Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency for the purpose of providing funds to refinance certain redevelopment activities undertaken with respect of the Scotts Valley Redevelopment Project (the "Project Area"), to acquire a debt service fund insurance policy for the Bonds and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Dissolution Act (as defined in the Indenture) the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment of the principal of, and for the security and payment of interest and redemption premium, if any, on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest and redemption premium, if any, on the Bonds.

The Bonds maturing on or before August 1, ____, are not subject to optional redemption prior to maturity. The Bonds maturing on and after August 1, ____, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, ____, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be given by first class mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books maintained by the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

The notice of optional redemption may be conditional upon receipt of sufficient funds to redeem the Bonds. The Successor Agency has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of $5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any 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 Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Successor Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of 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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Successor Agency or 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 DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt of the City of Scotts Valley, the County of Santa Cruz, the State of California, or any of its political subdivisions, and neither said City, said County, said State, nor any of its political subdivisions (other than the Successor Agency to the extent described in the Indenture) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law, the Refunding Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Law, the Refunding Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency of the Scotts Valley Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Executive Director and attested by the facsimile signature of the Agency Secretary, all as of the Dated Date set forth above.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

By:__________________________________
Executive Director

ATTEST:

____
Agency Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: _______________

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

By:________________________________
Authorized Signatory

STATEMENT OF INSURANCE

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT ______Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act __________ (State)
COMM PROP --	as community property	

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

____

____

____
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) ____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: __________________________

Signatures Guaranteed:

____

Note: Signature(s) must be guaranteed by an eligible guarantor.

____

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

RECOGNIZED OBLIGATION DEBT SERVICE PAYMENT SCHEDULE FOR 2017A BONDS

Period Ending	Principal	Interest	Total Debt Service Payment

EXHIBIT C

REDEVELOPMENT PLAN

Project Area	Ord. #	Date of Adoption
Scotts Valley Redevelopment Project		
	88	6/19/80
Original Plan	142	11/27/90
Amendment No. 1	142.1	10/19/94
	142.2	5/3/95
Amendment No. 2	142.3	2/20/02
	142.4	4/6/05
	142.5	6/20/07
Amendment No. 3	142.6	12/15/10

EXHIBIT D

OUTSTANDING PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”) of the Redevelopment Agency of the City of Scotts Valley related to $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

EXHIBIT E

PROVISIONS RELATING TO THE BOND INSURANCE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

EXHIBIT F

PROVISIONS RELATING TO THE RESERVE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

FIRST SUPPLEMENT TO INDENTURE OF TRUST

Dated as of ____ 1, 2017

by and between the

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

and

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

Relating to

$_______
Successor Agency of the Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds, Taxable Series B

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FIRST SUPPLEMENT TO INDENTURE OF TRUST

This FIRST SUPPLEMENT TO INDENTURE OF TRUST (this "First Supplement"), dated as of ____ 1, 2017, is by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Successor Agency"), 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, as trustee under the hereinafter defined 2017A Bonds Indenture (the "Trustee");

W I T N E S S E T H:

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law");

WHEREAS, the redevelopment plan for the Scotts Valley Redevelopment Project (the "Project Area") was originally approved and adopted by the City Council of the City of Scotts Valley on November 27, 1990 pursuant to Ordinance No. 142 and was subsequently amended as detailed on Exhibit C attached to the 2017A Bonds Indenture;

WHEREAS, to finance redevelopment activities with respect to the Project Area, the Former Agency issued certain outstanding bonds and agreed to certain reimbursement obligations related to outstanding certificates of participation (collectively, the "Outstanding Prior Obligations"), as listed on Exhibit D attached to the 2017A Bonds Indenture (the "Outstanding Prior Obligations");

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act"), and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency;

WHEREAS, the Council of the City of Scotts Valley elected to serve as the Successor Agency of the Scotts Valley Redevelopment Agency.

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1);

WHEREAS, the Successor Agency has determined that, with respect to the 2003 Reimbursement Obligation, the 2006 Bonds, the 2005B Bonds and the 2009 Reimbursement Obligation, it will achieve debt service savings within such parameters by the issuance pursuant to the Law (as defined below) and the Refunding Law of the following bonds:

(a) $_______ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Bonds")

(b) $_______ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the "2017B Bonds"; together with the 2017A Bonds, the "2015 Bonds"), which will be issued pursuant to this First Supplement;

WHEREAS, the 2017A Bonds and the 2017B Bonds will be secured by a pledge of and payable from Tax Revenues (as defined below) on a parity basis with each other;

WHEREAS, as a result of the proposed refinancing, there will be no obligations outstanding that are secured by a pledge of Tax Revenues;

WHEREAS, the Successor Agency has certified that all acts and proceedings required by law necessary to make the 2017B Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute this First Supplement 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 First Supplement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

SECTION 1. Supplement to 2017A Bonds Indenture. In accordance with the provisions of Section 7.01(f) of the 2017A Bonds Indenture, the 2017A Bonds Indenture is hereby amended by adding a supplement thereto consisting of a new article to be designated as Article X. Such Article X shall read in its entirety as follows:

ARTICLE X

2017B BONDS

Section 10.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of this Article but not for any other purposes of this Indenture, have the respective meanings specified in this Section 10.01. All terms defined in Section 1.01 and not otherwise defined in this Section 10.01 shall, when used in this Article X, have the respective meanings given to such terms in Section 1.01.

"Article X" means this Article X which has been incorporated in and made a part of this Indenture pursuant to the First Supplement, together with all amendments of and supplements to this Article X entered into pursuant to the provisions of Section 7.01.

"Bond Year" means any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2017.

"Closing Date" means the date on which the 2017B Bonds are delivered by the Successor Agency to the original purchaser thereof.

"First Supplement" means this First Supplement to Indenture of Trust, dated as of ____ 1, 2017, by and between the Successor Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the 2017A Bonds Indenture.

"Interest Payment Date" means _____ 1, 2017, and each February 1 and August 1 thereafter so long as any of the Bonds remain unpaid.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"2017A Bonds Indenture" means the Indenture of Trust, dated as of ____ 1, 2017, by and between the Successor Agency and the Trustee, as the same may be amended from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the First Supplement.

"2017B Bonds" means the Bonds which are authorized and issued under Section 10.02.

"2017B Refunding Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"2017B Costs of Issuance Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

Section 10.02. Authorization of 2017B Bonds. The 2017B Bonds in the aggregate principal amount of ________ Dollars ($_______) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law and the Refunding Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and the interest on all Bonds that may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

The 2017B Bonds shall be designated the "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B".

Section 10.03. Terms of 2017B Bonds. The 2017B Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple thereof. The 2017B Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

Maturity Date	Amount	Rate

(T): Term Bond

Interest on the 2017B Bonds (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017B Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2017B Bond shall be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each 2017B Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2017B Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any 2017B Bond, interest thereon is in default, such 2017B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 10.04. <u>Redemption</u>.

(a) The 2017B Bonds are not subject to optional redemption prior to their stated maturity.

(b) <u>Mandatory Term Bond Redemption</u>. The 2017B Bonds that are Term Bonds maturing [February/August] 1, _____, shall be subject to mandatory redemption in whole, or in part by lot, on [February/August] 1 in each year, commencing [February/August] 1, ____, as set forth below, from payments made by the Successor Agency to the Principal Account pursuant to Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on [February/August] 1 in the respective years as set forth in the following table; provided however, that in lieu of redemption thereof such Term Bonds may be purchased by the Successor Agency as set forth in the following paragraph.

Mandatory Term Bond Redemption Date	Mandatory Term Bond Redemption Amount

In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Principal Account may also be used and withdrawn by the Trustee, at any time, upon the Written Request of the Successor Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Successor Agency in any six-month period ending on the scheduled redemption date in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed pursuant to the previous paragraph on the succeeding Interest Payment in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by the date that is 30 days prior to the redemption date. In no event shall the Successor Agency purchase any Term Bonds in lieu of redemption without canceling such Term Bonds.

Section 10.05. <u>Form of 2017B Bonds</u>. The Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 10.06. <u>Application of Proceeds of Sale of 2017B Bonds</u>. On the Closing Date, the original purchaser of the 2017B Bonds will wire the amount of $_______ to the Trustee, which is equal to;

(a) the purchase price of the 2017B Bonds ($______), which is equal to the original principal amount of the 2017B Bonds *less* an underwriter's discount in the amount of $_____,

(b) less a portion of the premium for the Bond Insurance Policy ($_______), which will be paid directly by the original purchaser of the 2017B Bonds to the Bond Insurer and

(c) *less* a portion of the premium for the Reserve Policy ($______), which will be paid directly by the original purchaser of the 2017B Bonds to the Bond Insurer.

The proceeds of the sale of the 2017B Bonds received by the Trustee shall be applied by the Trustee as follows:

(y) The Trustee shall deposit the amount of $_____ in the 2017B Costs of Issuance Account of the Bond Proceeds Fund established pursuant to Section 10.07 hereof.

(b) The Trustee shall deposit the remaining amount of proceeds of the 2017B Bonds ($21,179,632.02) in the 2017B Refunding Account of the Bond Proceeds Fund established pursuant to Section 10.08 hereof.

In addition, the Trustee shall credit the Reserve Policy to the Reserve Account in satisfaction of the Reserve Requirement.

Section 10.07. <u>2017B Costs of Issuance Account</u>. There is hereby established a separate account within the Bond Proceeds Fund to be known as the "2017B Costs of Issuance Account", which shall be held by the Trustee in trust.

The moneys in the 2017B Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance related to the 2017B Bonds upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the 2017B Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund and the Trustee shall close the 2017B Costs of Issuance Account.

Section 10.08. <u>2017B Refunding Account</u>. There is hereby established a separate account within the Bond Proceeds Fund to be known as the "2017B Refunding Account", which shall be held by the Trustee in trust.

On the Closing Date, the Trustee shall transfer the moneys in the 2017B Bond Proceeds to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), for the purpose of providing for application to the payment and redemption of the 2009 Reimbursement Obligation related to the 2009B Lease Revenue Bonds (as defined in Exhibit D of the 2017A Bonds Indenture) in accordance with the Escrow Deposit and Trust Agreement, dated as of ____ 1, 2017, by and between the Successor Agency and the Escrow Bank.

Section 10.09 <u>Security for 2017B Bonds</u>. The 2017B Bonds shall be Parity Debt within the meaning of such term in Section 1.02 and shall be secured in the manner and to the extent set forth in Article IV.

As provided in Section 4.01, pursuant to Section 34177.5(g), except as provided in Section 6.06, the 2017B Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017B Bonds.

Section 10.10 <u>Continuing Disclosure</u>. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the 2017B Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 10.09.

Section 10.11 <u>Benefits Limited to Parties</u>. Nothing in this Article X, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee and the Owners of the 2017B Bonds, any right, remedy, claim under or by reason of this Article X. Any covenants, stipulations, promises or agreements in this Article X contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee and the Owners of the 2017B Bonds.

Section 10.12. Federal Tax Covenants. The provisions of Section 5.11 and the further provisions of this Indenture relating to the Code shall not apply to the 2017B Bonds, in that the Successor Agency hereby determines, pursuant to Section 5903 of the California Government Code, that the interest payable on the 2017B Bonds will be subject to federal income taxation under the law in existence on the Closing Date.

Section 10.13. Effect of this Article X. Except as in this Article X expressly provided or except to the extent inconsistent with any provision of this Article X, the 2017B Bonds shall be deemed to be Bonds and Parity Debt under and within the meaning of Section 1.02, and every term and condition contained in the other provisions of this Indenture shall apply to the 2017B Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Article X.

Section 10.14. Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the 2017B Bonds and the rights and benefits provided in this Indenture.

* * * *

SECTION 2. Attachment of Exhibit G. The 2017A Bonds Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit G setting forth the form of the 2017B Bonds, which shall read substantially as set forth in Appendix A which is attached hereto and by this reference incorporated herein.

SECTION 3. Attachment of Exhibit H. The 2017A Bonds Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit H setting forth the Recognized Obligation Debt Service Payment Schedule the 2017B Bonds, which shall read substantially as set forth in Appendix G which is attached hereto and by this reference incorporated herein.

SECTION 4. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this First Supplement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this First Supplement. The Successor Agency hereby declares that it would have entered into this First Supplement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the 2017B Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplement may be held illegal, invalid or unenforceable.

SECTION 5. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6. Governing Law. This First Supplement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY has caused this First Supplement to be signed in its name by the Executive Director and attested by the Agency Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this First Supplement to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

By: ______________________________
Executive Director

(S E A L)

ATTEST:

By: ______________________________
Agency Secretary

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

By: ______________________________
Authorized Officer

APPENDIX A

EXHIBIT G TO INDENTURE

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SANTA CRUZ
CITY OF SCOTTS VALLEY

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY
2017 TAX ALLOCATION REFUNDING BOND, TAXABLE SERIES B

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
	[February/August] 1, ______	_____, 2017	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: DOLLARS

The SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Successor Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Registered Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on February 1 and August 1 in each year, commencing _____ 1, 2017 (each an "Interest Payment Date"), calculated on the basis of 360-day year comprised of twelve 30-day months. Principal and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), in San Francisco, California, or at such other place as designated by the Trustee (the "Corporate Trust Office"). Interest hereon (including the final interest payment upon maturity or earlier redemption hereof) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of $1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B" (the "Bonds"), of an aggregate principal amount of Twenty-One Million Five Hundred Sixty Thousand Dollars ($_______), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, and other provisions) and all issued pursuant to the provisions of (i) Part 1 of Division 24 of the Health and Safety Code of the State, as amended and supplemented, including by the provisions of Assembly Bill X1 26, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 (the "Law"), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and (iii) an Indenture of Trust, dated as of ____ 1, 2017, entered into by and between the Successor Agency and the Trustee (the "2017A Bonds Indenture"), as supplemented by a First Supplement to Indenture of Trust, dated as of ____ 1, 2017 authorizing the issuance of the Bonds (the "First Supplement; together with the 2017A Bonds Indenture, the "Indenture").

The Successor Agency is concurrently issuing its "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A" (the "2017A Bonds"), in an aggregate principal amount of $_____. The Successor Agency may issue additional bonds and other obligations on a parity with the 2017A Bonds and the Bonds, but only subject to the terms of the Indenture.

Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all indentures supplemental thereto and to the Law (as defined in the Indenture) and the Refunding Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency for the purpose of providing funds to refinance certain redevelopment activities undertaken with respect to a redevelopment Project Area (the "Project Area"), to acquire a debt service reserve fund insurance policy for the Bonds and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Dissolution Act (as defined in the Indenture) the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment of the principal of, and for the security and payment of interest and redemption premium, if any, on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest and redemption premium, if any, on the Bonds.

The Bonds are not subject to optional redemption prior to their stated maturity.

The Bonds that are Term Bonds maturing [February/August] 1, ____, are subject to mandatory redemption in whole, or in part by lot, on [February/August] 1 in each year, commencing [February/August] 1, ____, as set forth below, from payments made by the Successor Agency to the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on [February/August] 1 in the respective years as set forth in the following table; provided however, that in lieu of redemption thereof such Term Bonds may be purchased by the Successor Agency as set forth in the Indenture.

Mandatory Term Bond Redemption Date	**Mandatory Term Bond Redemption Amount**

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of $5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any 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 Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Successor Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of 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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Successor Agency or 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 DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt of the County of Santa Cruz, the City of Scotts Valley, the State of California, or any of its political subdivisions, and neither said City, said County, said State, nor any of its political subdivisions (other than the Successor Agency, to the extent described in the Indenture) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law, the Refunding Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Law, the Refunding Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency of the Scotts Valley Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Executive Director and attested by the facsimile signature of the City Clerk, all as of the Dated Date set forth above.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

By:________________________________
Executive Director

ATTEST:

____
Agency Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: _______________

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

By:_________________________________
Authorized Signatory

STATEMENT OF INSURANCE

[TO COME[

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT ______Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act __________ (State)
COMM PROP --	as community property	

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

____

____

____
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) ____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: __________________________

Signatures Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX B

EXHIBIT H TO INDENTURE

RECOGNIZED OBLIGATION DEBT SERVICE PAYMENT SCHEDULE FOR 2017B BONDS

Period Ending	Principal	Interest	Total Debt Service Payment

ESCROW DEPOSIT AND TRUST AGREEMENT

THIS ESCROW DEPOSIT AND TRUST AGREEMENT (the "Agreement") is dated as of ___ 1, 2017 in connection with the issuance of the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Refunding Bonds") and the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the "2017B Refunding Bonds" and together with the 2017A Refunding Bonds, the "Refunding Bonds") and is entered into by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY (herein the "Successor Agency"), a public entity, duly organized and existing under and by virtue of the Constitution and laws of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent (the "Escrow Agent"), a national banking association having a corporate trust office in California.

W I T N E S S E T H:

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law"); and

WHEREAS, the Former Agency previously issued the 2006 Bonds and incurred the 2003 Reimbursement Obligation and the 2009 Reimbursement Obligation (as those terms are defined in Exhibit A), a portion of which 2009 Reimbursement Obligation relates to lease payments the interest components of which are exempt from federal income taxation (collectively, the "Prior Tax-Exempt Obligations"); and

WHEREAS, there is no written agreement documenting the 2003 Reimbursement Obligation but it is an enforceable obligation of the Successor Agency; and

WHEREAS, the 2006 Bonds and the 2009 Reimbursement Obligation were issued and incurred, respectively, pursuant to the 2006 Indenture and the 2009 Reimbursement Agreement, as those terms are defined in Exhibit A (collectively, the "Prior Tax-Exempt Agreements"); and

WHEREAS, another portion of the 2009 Reimbursement Obligation relates to lease payments the interest components of which are subject to federal income taxation (the "Prior Taxable Obligation"; together with the Prior Tax-Exempt Obligations, the "Prior Obligations) pursuant to the 2009 Reimbursement Agreement (the "Prior Taxable Agreement"; together with the Prior Tax-Exempt Agreements, the "Prior Agreements"); and

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency to all of the authority, rights, powers, duties and obligations of the Former Agency; and

WHEREAS, the Successor Agency, by its Resolution No. _____ adopted on November 2, 2016 (the "Resolution of Issuance") has authorized the issuance of the Refunding Bonds, and determined to use the proceeds of the Refunding Bonds to retire, in advance of their stated maturities, the Prior Obligations, all as described in the Resolution of Issuance; and

WHEREAS, the Successor Agency wishes to enter into this Agreement to provide for the proceeds of sale of the Refunding Bonds, together with other funds held with respect to the Prior Obligations, to be deposited in an irrevocable special escrow fund created and maintained with the Escrow Agent for the purpose of providing for the payment in full of the principal, interest and redemption premium, if any, on the outstanding Prior Obligations; and

WHEREAS, the Escrow Agent has full powers to act with respect to said escrow fund and to perform the duties and obligations to be undertaken pursuant to this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth and for other valuable consideration, the Successor Agency and the Escrow Agent agree as follows:

Section 1. Establishment of Escrow Funds; Deposit of Funds. The Successor Agency hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to redeem and defease the Prior Obligations in accordance with the Prior Agreements. A special fund to be named the "Escrow Fund" is hereby established by the Successor Agency with the Escrow Agent as an irrevocable escrow to be maintained by the Escrow Agent in trust.

The Escrow Agent is hereby further directed to establish a subaccount in the Escrow Fund (the "Prior Tax-Exempt Obligations Escrow Subaccount") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Prior Tax-Exempt Obligations in accordance with the Prior Tax-Exempt Agreements, as applicable.

The Escrow Agent is hereby further directed to establish a subaccount in the Escrow Fund (the "Prior Taxable Obligations Escrow Subaccount") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment and redemption of the Prior Taxable Obligation in accordance with the Prior Taxable Agreement.

The Escrow Agent shall deposit the following amounts in the Prior Tax-Exempt Obligations Escrow Subaccount:

(A) on the date of issuance of the 2017A Refunding Bonds, certain proceeds of the 2017A Refunding Bonds (in the amount of $______) transferred to it by The Bank of New York Mellon Trust Company, N.A., as trustee of the 2017A Refunding Bonds (in such capacity, the "2017A Refunding Bonds Trustee") and

(B) on the date of issuance of the 2017A Refunding Bonds, certain other funds related to the Prior Tax-Exempt Obligations in the amount of $______ (all as set forth in Exhibit B hereto), some of which will be transferred to the Escrow Agent by the Successor Agency and some of which will be transferred to it by The Bank of New York Mellon Trust Company, N.A., in its capacities as trustee for the 2003 Certificates, the 2006 Bonds and the 2009A Lease Revenue Bonds (in such capacities, the "Prior Obligations Trustee"). The Prior Obligations Trustee is hereby directed by the Successor Agency to transfer such amounts held by it as set forth in such Exhibit B to the Escrow Agent for deposit as provided herein.

The Escrow Agent shall deposit the following amounts in the Prior Taxable Obligations Escrow Subaccount:

(A) on the date of issuance of the 2017B Refunding Bonds, certain proceeds of the 2017B Refunding Bonds (in the amount of $______) transferred to it by The Bank of New York Mellon Trust Company, N.A., as trustee of the 2017B Refunding Bonds (in such capacity, the "2017B Refunding Bonds Trustee") and

(B) on the date of issuance of the 2017B Refunding Bonds, certain other funds related to the Prior Taxable Obligation in the amount of $______ (all as set forth in Exhibit C hereto), some of which will be transferred to the Escrow Agent by the Successor Agency and some of which will be transferred to it by The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee for the 2009B Lease Revenue Bonds (referred to as the "Prior Obligations Trustee" in this Agreement). The Prior Obligations Trustee is hereby directed by the Successor Agency to transfer such amounts held by it as set forth in such Exhibit B to the Escrow Agent for deposit as provided herein.

If at any time the Escrow Agent shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required hereunder, the Escrow Agent shall notify the Successor Agency to such fact and the Successor Agency shall promptly cure such deficiency. The Escrow Agent shall not be liable for any such deficiency.

Section 2. Investment of Amounts in Escrow Fund. On the date of issuance of the Refunding Bonds, the Escrow Agent shall invest moneys in the Escrow Fund in the securities described on the attached Exhibit G and shall hold the remaining $___ uninvested.

All investments and cash shall be deposited with and held by the Escrow Agent in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Agent shall have no lien upon or right of set off against the investments and cash at any time on deposit in the Escrow Fund.

Section 3. Application of Amounts in Escrow Fund. The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Prior Obligations Trustee an amount required to pay the principal of and interest and redemption premium on the Prior Obligations, in accordance with the schedule attached as Exhibit D hereto.

Section 4. Notice of Refunding; Notice of Defeasance. On the date of issuance of the Refunding Bonds, the Prior Obligations Trustee shall mail pursuant to the 2003 Indenture and the 2006 Indenture, and with respect to the proposed redemption or prepayment of the 2003 Certificates and the 2006 Bonds on ____, 2017, a notice of redemption or prepayment to the owners of the 2003 Certificates and 2006 Bonds and any other required recipients pursuant to the 2003 Indenture and the 2006 Indenture, substantially in the forms attached hereto as Exhibit E-1 and E-2 hereof.

The Prior Obligations Trustee is further hereby directed to mail redemption notices in substantially the form of Exhibit E-3 for the 2009 Lease Revenue Bonds at the times and to the recipients required by the 2009 Indenture.

On the date of issuance of the Refunding Bonds, the Prior Obligations Trustee is further hereby instructed to file on the Closing Date the defeasance notices attached hereto as Exhibit F-1 through F-3 on the Municipal Securities Rulemaking Board's EMMA System.

Section 5. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money accruing to the Escrow Agent hereunder, and such books shall be available for inspection at reasonable hours and under reasonable conditions with reasonable prior notice by the owners of the Prior Obligations and the Refunding Bonds.

Section 6. Proper Filings. The Successor Agency will, at its expense, execute, acknowledge, deliver or file this Agreement and assignments, transfers, financing statements, continuation statements, and assurances required for the better assuring, conveying, pledging, assigning and confirming unto the Escrow Agent, the moneys hereby pledged, or intended so to be or which the Successor Agency may be or may hereafter become bound to pledge, convey or assign to the Escrow Agent or for carrying out the intention or facilitating the performance of the terms of this Agreement.

Section 7. Discharge. The covenants, liens and pledges entered into, created or imposed pursuant to this Agreement shall be fully discharged, and satisfied when all of the Prior Obligations shall have been paid in full, as to principal, premium and interest. Upon such discharge and satisfaction this Agreement shall cease, terminate and become null and void, and thereupon the Escrow Agent shall, upon the written request of the Successor Agency, forthwith execute proper instruments acknowledging satisfaction and discharge of this Agreement.

Section 8. Termination; Unclaimed Funds. Notwithstanding any other provision of this Agreement any money held by the Prior Obligations Trustee for the payment of the principal of, premium and interest on the Prior Obligations and remaining unclaimed for two (2) years after the principal of all of the Prior Obligations shall have been called for redemption and after the date of redemption shall then be repaid to the Successor Agency upon its written request, and the registered owners of the Prior Obligations shall thereafter be entitled to look only to the Successor Agency for the repayment thereof, and liability of the Escrow Agent with respect to such money shall thereupon cease. In the event of the repayment of any such money to the Successor Agency as aforesaid, the registered owners of the Prior Obligations secured hereby with respect to which such money was deposited shall thereafter be deemed to be unsecured creditors of the Successor Agency, without interest. Notwithstanding the foregoing the Escrow Agent shall, upon the written request of the Successor Agency repay such money to the Successor Agency at any time earlier than two (2) years, if failure to repay such money to the Successor Agency, within such earlier period shall give rise to the operation of any escheat statute under applicable State law. Any unclaimed funds repaid to the Successor Agency with respect to (i) the Prior Tax-Exempt Obligations shall be placed by the Successor Agency in the Redemption Fund for the 2017A Refunding Bonds and used for credit on debt service on the 2017A Refunding Bonds, and (ii) with respect to the Covered Prior Taxable Obligation shall be placed by the Successor Agency in the Redemption Fund for the 2017B Refunding Bonds and used for credit on debt service on the 2017B Refunding Bonds.

Section 9. No Implied Duties; No Rights to Others. Nothing in this Agreement expressed or implied is intended or shall be construed to give to any person other than the Successor Agency, the Escrow Agent, the Prior Obligations Trustee and the registered owners of the Prior Obligations, any legal or equitable right, remedy or claim under or in respect to this

Agreement or any covenants, conditions or provisions therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Successor Agency, the Escrow Agent and the Owners of the Prior Obligations. The Escrow Agent shall perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent.

Section 10. Immunities and Liabilities of Escrow Agent.

(A) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Agreement.

(B) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the Successor Agency) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

(C) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein or in the Resolution of Issuance.

(D) The Escrow Agent may become the owner of, or acquire any interest in, any of the Prior Obligations with the same rights that it would have if it were not the Escrow Agent, and may engage or be interested in any financial or other transaction with the Successor Agency.

(E) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest or premiums, if any, on the Prior Obligations and shall not be liable for any insufficiency of such moneys and securities to affect such payment.

(F) The Escrow Agent shall not be liable for any action or omission of the Successor Agency under this Agreement or the Resolution of Issuance.

(G) Whenever in the administration of this Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established before taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized official of the Successor Agency, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(H) The Escrow Agent may at any time resign by giving written notice to the Successor Agency to such resignation. The Successor Agency shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the Successor Agency does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the Successor Agency may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Successor Agency appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the Successor Agency, shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(I) The Successor Agency agrees to indemnify the Escrow Agent, its agents and its officers or employees for and to hold the Escrow Agent, its agents, officers or employees harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable fees and disbursements of counsel, including in-house counsel, for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent at any time by reason of the performance of its duties as Escrow Agent hereunder and under the Resolution of Issuance, in any transaction arising out of this Agreement or the Bond Resolution or any of the transactions contemplated herein or in the Resolution of Issuance, unless due to the Escrow Agent's or its officers' or employees' or agents' negligence or willful misconduct. Such indemnity shall survive the termination of this Agreement or resignation or removal of the Escrow Agent.

(J) All notices, certificates or other communications hereunder with the Escrow Agent shall be addressed to the Escrow Agent at:

The Bank of New York Mellon Trust Company, N.A.
[to come]
Attention: Global Corporate Trust Services
Reference: Successor Agency of the Scotts Valley Redevelopment Agency 2017 Escrows

Section 11. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise shall be required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12. Fees. The Escrow Agent's fees, expenses and reimbursement for costs incurred, for and in carrying out the provisions of this Agreement have been fixed by separate agreement. The Escrow Agent shall also be entitled to additional fees, expenses and reimbursement for costs incurred in connection with the performance of its duties and exercise of its powers hereunder, including but not limited to legal and accounting services, in connection with any litigation which may at any time be instituted involving this Agreement. The fees incurred by the Escrow Agent shall in no event be deducted from the Escrow Fund.

Section 13. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provisions has never been contained herein.

Section 14. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the Agency and the Escrow Agent shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 15. Business Days. Whenever any act is required by this Agreement to be done on a specified day or date, and such day or date shall be a day other than a business day, then such act may be done on the next succeeding business day.

Section 16. California Law. This Agreement shall be governed exclusively by and interpreted in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the Successor Agency and the Escrow Agent have each caused this Agreement to be executed by the duly authorized officers thereof as of the date first above written.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

By: ______________________________
Executive Director

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent

By: ______________________________
Authorized Officer

ACKNOWLEDGEMENT OF THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS PRIOR OBLIGATIONS TRUSTEE

The Bank of New York Mellon Trust Company, N.A., as Prior Obligations Trustee, hereby acknowledges the provisions of this Agreement and, to the extent such provisions are applicable, The Bank of New York Mellon Trust Company, N.A., in its capacity as Prior Obligations Trustee, agrees to comply therewith.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as *Prior Obligations Trustee*

By:________________________________
Authorized Officer

EXHIBIT A

PRIOR OBLIGATIONS

Prior Tax-Exempt Obligations

Obligation	Redemption Terms
A reimbursement obligation (the "2003 Reimbursement Obligation") of the Redevelopment Agency of the City of Scotts Valley related to $3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 Certificates"), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the "2003 Indenture"), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee. There was no written agreement documenting the 2003 Reimbursement Obligation.	The 2003 Certificates are subject to prepayment in whole on any date or in part on any Certificate Payment Date at a prepayment price equal to 100% of the principal amount to be prepaid, plus accrued interest to the prepayment date, without premium. Pursuant to Section 5.04 of the 2003 Indenture, notice of an optional prepayment may be mailed only when the Trustee has determined that it has sufficient moneys on hand to pay the principal and interest and prepayment premium, if any, to make the proposed prepayment.
$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds"), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2006 Indenture").	The 2006 Bonds are subject to optional redemption in whole or in part on any date at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued to the redemption date. Pursuant to Section 6.4 of the 2006 Indenture, no notice of redemption of an optional redemption may be mailed until such time as there is on deposit moneys sufficient to redeem the 2006 Bonds to be redeemed.
The portion of a reimbursement obligation (the "2009 Reimbursement Obligation"), under a Reimbursement Agreement, dated as of December 1, 2009 (the "2009 Reimbursement Agreement"), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to the $5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Lease Revenue Bonds"), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the "2009 Indenture"), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.	The 2009A Lease Revenue Bonds are subject to redemption as a whole or in part on any date on or after October 1, 2019, at a redemption price equal to 100% of the principal amount of the 2009A Lease Revenue Bonds, plus accrued interest to the redemption date.

Prior Taxable Obligations

The portion of the 2009 Reimbursement Obligation under the 2009 Reimbursement Agreement related to $3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the "2009B Lease Revenue Bonds"), which were issued pursuant to the 2009 Indenture.	The 2009B Lease Revenue Bonds maturing on or after October 1, 2020, are subject to redemption as a whole or in part on any date on or after October 1, 2019, at a redemption price equal to 102% of the principal amount of the 2009B Lease Revenue Bonds, plus accrued interest to the redemption date.

EXHIBIT B

FUNDS TRANSFERRED TO
PRIOR TAX-EXEMPT OBLIGATIONS ESCROW SUBACCOUNT

2003 Certificates

Fund	Amount
Total	

2006 Bonds

Fund	Amount
Total	

2009A Lease Revenue Bonds

Fund	Amount
Total	

EXHIBIT C

FUNDS TRANSFERRED TO
PRIOR TAXABLE OBLIGATIONS ESCROW SUBACCOUNT

2009B Lease Revenue Bonds

Fund	**Amount**
Total	

EXHIBIT D

PAYMENT, PREPAYMENT AND REDEMPTION SCHEDULE OF PRIOR OBLIGATIONS

2003 Certificates (2003 Reimbursement Obligation)

Payment Date	Interest	Principal	Principal Redeemed	Total Payment

2006 Bonds

Payment Date	Interest	Principal	Principal Redeemed	Total Payment

2009A Lease Revenue Bonds (2009 Reimbursement Obligation)

Payment Date	Interest	Principal	Principal Redeemed	Total Payment

2009B Lease Revenue Bonds (2009 Reimbursement Obligation)

Payment Date	Interest	Principal	Principal Redeemed	Total Payment

EXHIBIT E-1

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

$3,455,000 initial principal amount
City of Scotts Valley
Certificates of Participation
Refunding and 2003 Public Improvements Project

EXHIBIT E-2

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

Redevelopment Agency of the City of Scotts Valley
Scotts Valley Redevelopment Project
Tax Allocation Refunding Bonds
Issue of 2006

EXHIBIT E-3

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

$5,260,000
Redevelopment Agency of the City of Scotts Valley
Lease Revenue Bonds
Series 2009A

$3,500,000
Redevelopment Agency of the City of Scotts Valley
Lease Revenue Bonds
Series 2009B (Taxable)

EXHIBIT F-1

FORM OF NOTICE OF DEFEASANCE

$3,455,000 initial principal amount
City of Scotts Valley
Certificates of Participation
Refunding and 2003 Public Improvements Project

EXHIBIT F-2

FORM OF NOTICE OF DEFEASANCE

Redevelopment Agency of the City of Scotts Valley
Scotts Valley Redevelopment Project
Tax Allocation Refunding Bonds
Issue of 2006

EXHIBIT F-3

FORM OF NOTICE OF DEFEASANCE

$5,260,000
Redevelopment Agency of the City of Scotts Valley
Lease Revenue Bonds
Series 2009A

$3,500,000
Redevelopment Agency of the City of Scotts Valley
Lease Revenue Bonds
Series 2009B (Taxable)

EXHIBIT G

ESCROW SECURITIES

Type of Security	Purchase Date	Maturity Date	Par Amount	Rate	Total Cost

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Taylor Bateman, Acting Community Development Director

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **INTRODUCTION OF ORDINANCE NO. 102.14 AMENDING BUILDING REGULATIONS CONTAINED IN TITLE 15 OF THE SCOTTS VALLEY MUNICIPAL CODE AND ADOPTING THE CALIFORNIA CODE OF REGULATIONS TITLE 24, 2016 BUILDING STANDARDS CODES AND OTHER CODES AND STANDARDS TO ESTABLISH MINIMUM REQUIREMENTS TO SAFEGUARD PUBLIC HEALTH, LIFE, SAFETY AND GENERAL WELFARE**

SUMMARY OF ISSUE

Every three (3) years, the building, plumbing, mechanical, electrical and other building codes are updated to include the most current construction and engineering principles and practices. Under the purview of the California Building Standards Commission, the newly revised California Building Standards Codes are published for required local adoption. This process is to assure that the latest construction, engineering and life safety techniques become standard practice throughout the State. The mandatory effective date of the 2016 Building Standards is January 1, 2017.

Amendments to the City's building regulations (Title 15 of the municipal code) are proposed in an effort to recognize the adoption of the State Building Standards Codes and other codes and standards used by the City of Scotts Valley to promote health, life and safety as it relates to building construction. The City is permitted to adopt amendments to these building standards provided the amendments are based on findings that these amendments are necessary due to local climatic, topographic or geological conditions. The proposed amendments are listed in the attached ordinance. Any amendments cannot be less restrictive than the provisions of the CBSC.

The Building Codes proposed for adoption with amendments as applicable include the following:

- 2016 California Building Code
- 2016 California Residential Code
- 2016 California Green Building Standards Code
- 2016 California Plumbing Code
- 2016 California Mechanical Code
- 2016 California Electrical Code
- 2016 California Administrative Code
- 2016 California Referenced Standards Code
- 2016 California Energy Code
- 2015 International Property Maintenance Code

Overall, the proposed ordinance provides for adoption of the mandatory State codes, while maintaining consistency with the intent of our local standards.

FISCAL IMPACT

The cost to purchase new building code books is approximately $1,500.

RECOMMENDATION

It is recommended that the City Council adopt the 2016 California Code of Regulations Title 24 Building Standards Codes and amend Title 15.04 (Building Regulations) of the SVMC as listed below:

1. Introduce for first reading Ordinance No. 102.14 to adopt the 2010 California Code of Regulations Title 24 Building Standards Codes and amend Title 15.04 (Building Regulations) of the Scotts Valley Municipal Code.

ATTACHMENTS **PAGE**

ORDINANCE NO. 102.14

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AMENDING TITLE 15 OF THE SCOTTS VALLEY MUNICIPAL CODE AND ADOPTING THE CALIFORNIA CODE OF REGULATIONS TITLE 24 BUILDING STANDARDS CODES SUBJECT TO THE SPECIFIED DELETIONS, AMENDMENTS, EXCEPTIONS AND ADDITIONS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AS FOLLOWS:

WHEREAS, approximately every three years, new model building code standards are reviewed, modified and approved by the California Building Standard Commission, and thenceforth mandated for local jurisdiction enforcement within 180 days of publication.

WHEREAS, pursuant to Sections 17922, 17958, 17958.5 and 17958.7 of the California Health and Safety Code, the City of Scotts Valley may make changes to the California Building Standards Code or the other regulations thereafter adopted upon making findings based local geologic, topographic and climatic conditions.

WHEREAS, the following local geologic and climatic conditions necessitate modifications to the California Building Standards Code as detailed in Section 15.04.070 of the Scotts Valley Municipal Code:

1. Geological I - The region is located in an area of high seismic activities as indicated by United States Geological Survey and California Division of Mines and Geology. Recent earthquake activities have indicated the lack of adequate design and detailing as a contributing factor to damages that reduced the protection of the life-safety of building occupants.

2. Geological II - The region is located in an area of high seismic activities as indicated by United State Geological Survey and California Division of Mines and Geology. Recent earthquake activities have indicated the lack of flexibility of materials and/or building systems has been a contributing factor to damages that reduced the protection of the life-safety of building occupants and increased the cost of rehabilitation of structures.

3. Climatic I - The region is within a climate zone that requires compliance with energy efficiency standards for building construction. The amendment will add to energy efficiency and safety by utilizing the most current nationally recognized standards.

WHEREAS, the finding of necessity as set forth in Section 18941.5 (a) of the California Building Code and 17958.5 of Title 18 (Health and Safety Code) California Code of Regulations for the code amendments listed in Scotts Valley Municipal Code Section 15.04.070 is hereby made.

NOW THEREFORE, BASED UPON THE FOREGOING AND ALL EVIDENCE SUBMITTED TO IT, BE IT FURTHER ORDAINED BY THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AS FOLLOWS:

Section 1. Section 15.04.060 is hereby amended to read as follows:

"**15.04.060 Adoption of Codes**

For the purpose of establishing proper regulations for building construction and for installation of mechanical, plumbing and electrical systems, the following codes or portions thereof hereinafter set forth are adopted and incorporated in this chapter by reference and made a part hereof as though fully set forth, without further publication or posting thereof:

A. California Code of Regulations (hereinafter referred to as "CCR") T 24, Part 2, Volumes 1 and 2, the 2016 California Building Code, including Appendix C, H, I and J except as modified herein (hereinafter referred to as "CBC").

B. CCR Title 24, Part 2.5, The 2016 California Residential Code, including Appendix H, J and V, except as modified herein (hereinafter referred to as "CRC").

C. CCR Title 24, Part 3, The 2016 California Electrical Code, except as modified herein (hereinafter referred to as "CEC").

D. CCR Title 24, Part 4, The 2016 California Mechanical Code, including Appendices B, C and D, except as modified herein (hereinafter referred to as "CMC").

E. CCR Title 24, Part 5, The 2015 California Plumbing Code, including Appendices A, B, D, I and K except as modified herein (hereinafter referred to as "CPC").

F. CCR Title 24, Part 10, The 2016 California Existing Building Code, Appendix Chapter A1, except as modified herein.

G. CCR Title 24, Part 11, The 2016 California Green Standards Code, except as modified herein (Refer to Scotts Valley Municipal Code Chapter 17.51, Green Building Regulations).

H. CCR Title 24, Part 1, The 2016 California Administrative Code except as modified herein (hereinafter referred to as “CAC”).

I. CCR Title 24, Part 12, The 2016 California Referenced Standards Code except as modified herein (hereinafter referred to as “CRSC”).

J. CCR Title 24, Part 6, The 2016 California Energy Code except as modified herein.

K. The International Property Maintenance Code (hereinafter referred to as ”IPMC”), 2015 edition , as published by the International Code Council.”

Section 2: The title of Section 15.04.070 is hereby amended to read as follows:

“15.04.070 - Amendments to the 2016 California Code of Regulations Title 24.

The following sections of the codes as adopted in Section 15.04.060 are hereby modified as follows:

A. CBC Section 105.2. Buildings 2—Work exempt from permit is modified as follows: Fences not over eight feet as specified in Title 17, Section 17.46.110

B. Add sentence to CBC Section 1.8.8.1, CRC Section 1.8.7.1 and CBC Section 113: Refer to Scotts Valley Municipal Code (hereinafter referred to as "SVMC") Chapter 15.04.120, Board of Appeals.

C. Add sentence to CBC Section 1804: Refer to SVMC Chapter 15.06, Excavation, Grading, Erosion and Sediment Control Regulations.

D. CBC Section 110.1, insert second paragraph to read as follows: A survey of the lot may be required by the building official to verify that the structure is located in accordance with the approved plans.

E. CRC Table R301.2(1) shall be populated with the following criteria as established by the City of Scotts Valley, using criteria published in the CRC where applicable: Ground Snow load = 0, Wind Design/Speed (mph) = 110, Wind Design/Topographic Effects = No, Seismic Design Category = D2, Subject To Damage From/Weathering = Negligible, Subject To Damage From/Frost line depth = 12 inches below undisturbed soil, Subject To Damage From/Termite = Very Heavy, Winter Design Temp = 40 degrees Fahrenheit, Ice Barrier Underlayment Required = No, Flood Hazards = FIRM 3/2/2006 (Panels 219D, 238D, 329D, 331D, 332D, 333D, 334D, 351D), Air Freezing Index = 0, Mean Annual Temp = 55 degrees Fahrenheit.”

Section 3. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction such portion shall be deemed a separate, distinct and independent provision of such Ordinance and shall not affect the validity of the remaining portions thereof.

Section 4. Repeals Conflicting Ordinances. All other ordinances of the City of Scotts Valley or provisions of the Scotts Valley Municipal Code which are in conflict with this Ordinance are hereby repealed to the extent of such conflict.

Section 5. CEQA Compliance. The City Council finds and determines that the enactment of this Ordinance is not a "project" as that term is used in the California Environmental Quality Act ("CEQA"), (Cal. Pub. Res. Code Section 21000 et seq.) or the State CEQA Guidelines (Cal. Code of Regs., Title 14, Section 15000 et seq.). Therefore, no environmental assessment is required or necessary.

Section 6. Effective Date. This Ordinance shall take effect thirty days after the date of its adoption. Prior to the expiration of fifteen days from the date of adoption, this Ordinance shall be published in at least three (3) public places.

This Ordinance is herein introduced on the 2th day of November, 2016, and passed and anticipated to be adopted on the 16th day of November, 2016, at a duly held meeting of the City Council of the City of Scotts Valley by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Donna R. Lind, Mayor

Attest: ______________________________
Tracy A. Ferrara, City Clerk

Approved as to Form:

____
Kirsten Powell, City Attorney