

District Board Members

Blaine Maynor  
Division 1  
Nicole Johnson  
Division 2  
Randy Mendosa  
Division 3  
Eric Loudenslager - President  
Division 4  
Jason Akana - Vice President  
Division 5



District Staff

Chris Emmons  
Fire Chief  
Katie Hill  
Clerk of the Board

**Regular Board Meeting  
September 10, 2024  
5:30 PM  
Location: 631 9<sup>th</sup> Street, Arcata  
Arcata Station Classroom**

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**AGENDA**

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**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ATTENDANCE & DETERMINATION OF QUORUM**

**APPROVAL OF AGENDA**

**PUBLIC COMMENT/ASSOCIATION REPORTS**

Pg. 4

*Any person may address the District Board on any subject pertaining to District business, which is not listed on the agenda. This comment is provided by the Ralph M. Brown Open Meeting Act (Government Code § 54950 et seq.) and may be limited to three (3) minutes for any person addressing the Board. Any request that requires Board action may be set by the Board for a future agenda or referred to staff.*

- 1. Local 4981 Monthly Report Pg. 5
- 2. Arcata Volunteer Fire Association Report Pg. 6

**CLOSED SESSION**

*At any time during the regular session, the Board may adjourn to closed session to consider existing or anticipated litigation, liability claims, real property negotiations, license and permit determinations, threats to security, public employee appointments, personnel matters, evaluations and discipline, labor negotiations, or to discuss with legal counsel matters within the attorney-client privilege.*

- 1. Conference with Real Property Negotiators (Gov. Gode section 54956.8.)  
Property: 631 9<sup>th</sup> Street, Arcata CA 95521  
Agency negotiator: District Counsel, Ryan Plotz

**CONSENT CALENDAR**

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*Consent calendar items are considered routine and are acted upon by the Board with a single action. Members of the audience wishing to provide public input may request that the Board remove the item from the Consent Calendar. Comments may be limited to three (3) minutes.*

- 1. Minutes from August 13, 2024 Regular Meeting Pg. 8
- 2. Minutes from August 22, 2024 Special Meeting Pg. 11
- 3. August 2024 Financial Report Pg. 12
- 4. Accept the GASB 75 Actuarial Report (Measured as of June 30, 2023) for the Fiscal Year End June 30, 2024 Financial Reporting Pg. 28
  - a. Attachment 1 - GASB 75 Actuarial Report FYE June 30, 2023 Pg. 29
- 5. Adopt Resolution 24-315 Directing Transfer of Cash From the Humboldt County Treasurer Account to the CalTrust Liquidity Fund Pg. 75

**DISTRICT BUSINESS**

Pg. 76

- 1. PUBLIC HEARING - Adoption of Resolution 24-316 Finalizing the Annual Budget for Fiscal Year 2024/25** Pg. 77
  - a. Attachment 1 - Draft Fiscal Year 2024/25 Budget Pg. 79
  - b. Attachment 2 - Budget Resolution 24-316 and Exhibit A, Fiscal Year 2024/25 Budget Pg. 83

*\* Notice is hereby given that the Arcata Fire Protection District will convene a public hearing to consider the adoption of FY 2024/25 budget*

- 2. Adopt Resolution 24-317 Approving an Option Agreement with the Arcata Volunteer Firefighter’s Association for the potential Acquisition of the 9<sup>th</sup> Street Station and Finding the Action Exempt from CEQA Pg. 85
  - a. Attachment 1 - Resolution 24-317 with Exhibit A Pg. 86
- 3. Adopt Resolution 24-318 Approving the Form and Authorizing the Execution and Delivery of Certain Financing Documents for the Purpose of Financing the Acquisition of Real Property and Facilities Comprising the District’s Fire Headquarters Facility, and Providing for Other Matters Properly Relating There to Pg. 131
  - a. Attachment 1 - Resolution 24-318 Pg. 134
  - b. Attachment 2 - Loan Agreement Pg. 137
  - c. Attachment 3 - Irrevocable Payment Instructions Pg. 188

**CORRESPONDENCE & COMMUNICATIONS**

Pg. 193

- 1. Public Correspondence
  - a. Thank you poster from Tot Camp - Captain Nate Baxley and Engineer Wes Row Pg. 194
  - b. Thank you from 2024 Summer Algebra Institute Team - Prevention Specialist Alyssa Alvarez, Engineer Arly Allen, Captain Marcus Lillard, Engineer Jesus Barron, Captain Tony Freeman Pg. 195

## 2. Committee Reports

- a. Fire Station Ad-Hoc Committee (*Maynor, Akana*)
- b. AVFA, L4981, AFD Relations Ad-Hoc Committee (*Maynor*)
- c. FY 2024/25 Budget Committee (*Johnson, Loudenslager*)
- d. Chief's Evaluation Committee (*Loudenslager, Mendosa*)

## 3. Fire Chief's Monthly Report

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## 4. Director Matters

### **ADJOURNMENT**

Next Regular Board Meeting is scheduled for October 8, 2024, **Arcata Downtown Station Classroom, 631 9<sup>th</sup> Street in Arcata at 5:30 pm.**

Prepared by: *Katie Hill, Clerk of the Board*

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*The Arcata Fire Protection District ("District"), in compliance with the Americans with Disabilities Act ("ADA"), individuals who require special accommodations to access, attend and/or participate in District board meetings due to a disability, shall make their request by calling (707)825-2000, no later than 48 hours in advance of the scheduled meeting time. In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority of, or all, the Board in advance of a meeting may be viewed at 2149 Central Avenue, McKinleyville, California or at the scheduled meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the Board Secretary, at (707) 825-2000. The meeting agenda is posted at least 72 hours in advance of regular scheduled meetings, at the following locations:*

- *District's Headquarters' Building, 2149 Central Avenue, McKinleyville, CA 95519*
- *Arcata Downtown Station, 631 9<sup>th</sup> Street, Arcata, CA 95521*
- *Mad River Station, 3235 Janes Road, Arcata, CA 95521*
- *The Arcata Fire Protection District website: [www.arcatafire.org](http://www.arcatafire.org)*

# Public Comment & Association Reports



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**To:** The Arcata Fire District Board of Directors

**RE:** Local 4981 monthly report

Good evening. This monthly report will serve as an overview of activities, announcements, and special notifications that directly involve or are of reasonable relevance to Local 4981. You all are encouraged to ask any questions necessary to provide further clarification on any topic.

**Activities:**

-The Executive Board of Local 4981 and Chief Emmons started a standing weekly meeting held on Monday mornings. These meetings are wide ranging in content, from District projects, activities, and direction, to Labor/Management relations. This has been a great opportunity to identify the next steps and logical course of actions for the District to take and how the Local can support the mission.

-After the Executive Board conducted multiple candidate interviews, Local 4981 has decided to endorse Chris Rogers for the 2nd District Assembly seat.

-Breast Cancer Awareness t-shirts are here. They will be worn in the month of October in support of Breast Cancer Awareness. The shirt is priced at \$20, and can be sold to the public. All proceeds will be donated to a cancer charity.

-Nathan Baxley left our organization and accepted a job at HBF as a Battalion Chief.

-Arly Allen was promoted to the rank of Fire Captain from an active promotional list. Arly is a dedicated member always looking for ways to better the District and herself. We look forward to how she can elevate the Fire Captain rank.

-Local President and Chief Emmons had a zoom meeting with Leo Buc, a campaign manager based out of the Ukiah area. We were granted the opportunity for this meeting as a result of the Local's increased efforts to be involved in state level politics. The discussion was centered around strategies for a public education and informational campaign for the resident's of our district.

Respectfully submitted,

Marcus Lillard  
President, Local 4981



**ARCATA VOLUNTEER FIREFIGHTERS  
ASSOCIATION, INC.**

2149 Central Avenue  
McKinleyville, California 95519  
(707) 825-2000

**Date: 9/10/2024 MONTHLY ACTIVITY REPORT**  
**To: Board of Directors, Arcata Fire District**  
**From Arcata Volunteer Firefighters' Association**

**Mission: We exist to provide support, advocacy, and a social network for those  
Volunteering to contribute to the mission of the Arcata Fire District.**

**Volunteering**

- Volunteer hours of support for August were about 30 hours.
  - VLU training for August was the Cal Poly Housing annual fire drill.
    - Responded to the drill with Logistics 8291 and Utility 8209

**Community Outreach and Support**

- **CPR and First Aid Training**
  - Only 6 students in August
- **Grant Activity**
  - Berg funded the \$58K grant for a slide-in pump for the Flatbed.
  - The new hose grant will be resubmitted in November.
  - Submitted \$18K grant request to Coast Central, response expected by October.
  - The Simpson Family Fund has informed us we are eligible to apply for funding during their 2025 cycle.

**Other AVFA Activities**

- Working with Redwood Capital Bank to Modify the existing mortgage on the 9<sup>th</sup> street station.
- Working with District on the Draft Option letter concerning selling them the 9<sup>th</sup> street station.

# Consent Calendar



**MINUTES**

***Regular Board Meeting***

***August 13, 2024***

***5:30 p.m.***

*Location: 631 9<sup>th</sup> Street, Arcata*

*Arcata Fire Station Classroom*

**Board of Directors**

***Eric Loudenslager (Division 4) - President, Jason Akana (Division 5) - Vice President, Nicole Johnson (Division 2) - Director, Blaine Maynor (Division 1) - Director, Randy Mendosa (Division 3) - Director***

**CALL TO ORDER**

The regular session of the Board of Directors for the Arcata Fire District was called to order by President Eric Loudenslager at 5:30 pm.

**PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by President Loudenslager.

**ATTENDANCE AND DETERMINATION OF A QUORUM**

The meeting continued with a quorum and the following were present: President Eric Loudenslager, Vice President Jason Akana, Director Nicole Johnson, Director Blaine Maynor, and Director Randy Mendosa.

Additional District administrative staff included Chief Chris Emmons, Assistant Chief Ross McDonald, Board Clerk Katie Hill, and Fire Prevention Specialist Alyssa Alvarez.

**APPROVAL OF AGENDA**

It was moved to approve the agenda.

**Motion:** Mendosa; Second: Akana

**Roll Call: Ayes;** Akana, Johnson, Maynor, Mendosa, Loudenslager. **Absent:** None  
Motion carries

**SPECIAL PRESENTATION**

President Loudenslager verbally issued the Oath of Office to Chief Chris Emmons.

**PUBLIC COMMENT**

The following members of the public commented:

Joanne McGarry of Arcata

Brian Anderson of Redway

Local 4981 – Captain Tony Freeman summarized the Local 4981 monthly report and spoke about a newly created District policy review group that will be reviewing District policies.

AVFA - President Roy Willis provided AVFA monthly statistics.



## **CLOSED SESSION**

1. Conference with Real Property Negotiators (Gov. Code section 54956.8.)  
Property: *631 9<sup>th</sup> Street, Arcata CA 95521*  
Agency negotiator: *District Counsel, Ryan Plotz*  
Negotiating parties: *Arcata Volunteer Firefighters Association*  
Under negotiation: *Lease agreement for 631 9<sup>th</sup> Street, Arcata Station*

President Loudenslager adjourned to closed session at 5:46 pm.

The meeting was reconvened at 6:19 pm.

Report out of closed session by President Loudenslager; nothing to report.

## **CONSENT CALENDAR**

1. Minutes from July 9, 2024 Regular Meeting
2. July 2024 Financial Report
3. Update to District Policy 208: Travel Request & Expense Reimbursement
  - a. Attachment 1 – Policy 208 with Updates There were no comments from the public or the Board.

It was moved to approve consent calendar items.

**Motion:** Akana; Second: Johnson

**Roll Call: Ayes;** Akana, Johnson, Maynor, Mendosa, Loudenslager. **Absent:** None  
Motion carries

## **DISTRICT BUSINESS**

### **1. Review of the Board's Response to the Civil Grand Jury Report Titled, "Arcata Fire District – Dwindling Resources = Dwindling Services"**

President Loudenslager reviewed his staff note aloud.

There were no comments from the public.

There was a discussion between Board members. It was recommended to provide a cover letter to accompany the Board's response and post both documents on the District's website.

No motion was made.

### **2. Review the Proposed Community and Internal Surveys for the Community Risk Assessment and Standards of Cover Expenditure**

Chief Emmons read his staff note aloud.

Directors asked questions and provided comments and feedback.

There were no comments from the public.

The Board was directed to provide feedback to the Chief or Business Manager by August 20, 2024.

## **CORRESPONDENCE & COMMUNICATIONS**

1. Public Correspondence
  - a. Thank you letter and pictures from Arcata Elementary School – Captain Evan Gibbs and Engineer Tyler Sung
  - b. Thank you card from Redwood Day Camp – Captain Evan Gibbs and Engineer Ja'Shawn Fields
2. Committee Reports
  - a. Fire Station Ad-Hoc Committee (*Maynor, Akana*) – nothing to report
  - b. AVFA, L4981, AFD Relations Ad-Hoc Committee (*Maynor*) – nothing to report
  - c. FY 2024/25 Budget Committee (*Johnson, Loudenslager*) – nothing to report
  - d. Chief's Evaluation Committee (*Loudenslager, Mendosa*) – nothing to report
3. Fire Chief's Monthly Report – Chief Emmons reviewed his staff note, providing additional comments on incidents for a busier than normal month. Directors provided comments and asked questions.
4. Director Matters – there were none.

## **ADJOURNMENT**

Following a motion by Director Akana and a second by Director Mendosa, President Loudenslager adjourned the meeting at 7:06pm.

The next Regular Meeting is scheduled for September 10, 2024, at the Arcata Downtown Station Classroom, 631 9<sup>th</sup> Street in Arcata at 5:30 pm.

Respectfully submitted,

Katie Hill,  
Clerk of the Board



**MINUTES**

***Special Board Meeting***

***August 22, 2024***

***4:00 p.m.***

*Location: 631 9<sup>th</sup> Street, Arcata*

*Arcata Fire Station Classroom*

**Board of Directors**

***Eric Loudenslager (Division 4) - President, Jason Akana (Division 5) - Vice President, Nicole Johnson (Division 2) - Director, Blaine Maynor (Division 1) - Director, Randy Mendosa (Division 3) - Director***

**CALL TO ORDER**

The *special* session of the Board of Directors for the Arcata Fire District was called to order by President Eric Loudenslager at 4:00 pm.

**ATTENDANCE AND DETERMINATION OF A QUORUM**

The meeting continued with a quorum and the following were present: President Eric Loudenslager, Vice President Jason Akana, Director Blaine Maynor, and Director Randy Mendosa. Director Nicole Johnson was absent.

Additional District administrative staff included Chief Chris Emmons, Assistant Chief Ross McDonald, and Board Clerk Katie Hill.

**PUBLIC COMMENT**

There were no members from the public present.

**CLOSED SESSION**

1. Conference with Real Property Negotiators (Gov. Code section 54956.8.)  
 Property: *631 9<sup>th</sup> Street, Arcata CA 95521*  
 Agency negotiator: *District Counsel, Ryan Plotz*  
 Negotiating parties: *Arcata Volunteer Firefighters Association*  
 Under negotiation: *Lease agreement for 631 9<sup>th</sup> Street, Arcata Station*

President Loudenslager adjourned to closed session at 4:00 pm.

The meeting was reconvened at 4:51 pm.

Report out of closed session by President Loudenslager; nothing to report.

**ADJOURNMENT**

Following a motion by Director Akana and a second by Director Mendosa, President Loudenslager adjourned the meeting at 4:52pm.

The next Regular Meeting is scheduled for **September 10, 2024, at the Arcata Downtown Station Classroom, 631 9<sup>th</sup> Street in Arcata at 5:30 pm.**

Respectfully submitted,

Katie Hill  
 Clerk of the Board

3:28 PM

09/04/24

Accrual Basis

**Arcata Fire Protection District**  
**Interest Earned Fiscal Year to Date**  
 July through August 2024

Type	Date	Memo	Split	Amount
<b>USE OF MONEY &amp; PROPERTY</b>				
<b>800190 · Interest Income</b>				
Deposit	07/28/2024	Interest	Contingency Fund	2,178.49
Deposit	07/28/2024	Interest	PERS Contingency Fund	3,087.81
Deposit	07/28/2024	Interest	Vehicle Replacement Fund	4,222.80
Deposit	07/31/2024	Interest	CalTRUST	11,919.03
Deposit	07/31/2024	Interest	CCCU Liquid Assets	150.78
Deposit	07/31/2024	Interest	CCCU Checking	127.16
Deposit	07/31/2024	Interest	RCB - Business Savings	26.23
Deposit	07/31/2024	Interest	RCB - Business Checking	2.74
Deposit	08/30/2024	Interest	CalTRUST	6,316.43
Deposit	08/30/2024	Interest	PERS Contingency Fund	3,758.06
Deposit	08/30/2024	Interest	Contingency Fund	2,689.76
Deposit	08/30/2024	Interest	Vehicle Replacement Fund	4,742.33
Total 800190 · Interest Income				39,221.62
Total USE OF MONEY & PROPERTY				39,221.62
<b>TOTAL</b>				<b>39,221.62</b>

**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

July through August 2024

	Jul - Aug 24	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>TAX REVENUE</b>				
101117 · Property Tax - Current Secured	433,333.34	433,333.30	0.04	100.0%
102500 · Property Tax-Current Unsecured	15,000.00	15,000.00	0.00	100.0%
103500 · Property Tax-Prior Yrs Secured	0.00	9,666.70	-9,666.70	0.0%
105110 · Property Tax-Prior Yrs Unsecured	9,666.66	166.70	9,499.96	5,798.8%
800040 · Supplemental Taxes-Current	2,000.00	2,000.00	0.00	100.0%
105900 · Supplemental Taxes-Prior Yrs	833.34	833.30	0.04	100.0%
113100 · State Timber Tax	0.00	900.00	-900.00	0.0%
800050 · Property Assessments	620,666.66	620,666.70	-0.04	100.0%
<b>Total TAX REVENUE</b>	1,081,500.00	1,082,566.70	-1,066.70	99.9%
<b>USE OF MONEY &amp; PROPERTY</b>				
800190 · Interest Income	39,221.62	32,500.00	6,721.62	120.7%
<b>Total USE OF MONEY &amp; PROPERTY</b>	39,221.62	32,500.00	6,721.62	120.7%
<b>INTERGOVERNMENTAL</b>				
525110 · Homeowners Property Tax Relief	0.00	0.00	0.00	0.0%
800600 · Other Government Agencies				
NCQUAMD	0.00	700.00	-700.00	0.0%
Proposition 172 Disbursement	0.00	8,700.00	-8,700.00	0.0%
<b>Total 800600 · Other Government Agencies</b>	0.00	9,400.00	-9,400.00	0.0%
800950 · Firefighting Reimbursements	19,562.40			
<b>Total INTERGOVERNMENTAL</b>	19,562.40	9,400.00	10,162.40	208.1%
<b>CHARGES FOR SERVICES</b>				
800155 · Prevention Fees	2,379.00	2,000.00	379.00	119.0%
800156 · R1/R2 Inspection Fees	5,364.35	7,500.00	-2,135.65	71.5%
800700 · Other Services	20.21			
800946 · Incident Revenue Recovery Fees	1,878.00	1,666.70	211.30	112.7%
<b>Total CHARGES FOR SERVICES</b>	9,641.56	11,166.70	-1,525.14	86.3%
<b>MISCELLANEOUS REVENUES</b>				
800920 · Sale of Fixed Assets	0.00	10,000.00	-10,000.00	0.0%
800940 · Other Revenue				
Other Revenue Unclassified	0.00	1,000.00	-1,000.00	0.0%
800940 · Other Revenue - Other	6.00			
<b>Total 800940 · Other Revenue</b>	6.00	1,000.00	-994.00	0.6%
800941 · Refunds	3,675.89	0.00	3,675.89	100.0%
800942 · Incident Reports	60.00	200.00	-140.00	30.0%
<b>Total MISCELLANEOUS REVENUES</b>	3,741.89	11,200.00	-7,458.11	33.4%
<b>Total Income</b>	1,153,667.47	1,146,833.40	6,834.07	100.6%
<b>Gross Profit</b>	1,153,667.47	1,146,833.40	6,834.07	100.6%

**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

July through August 2024

	Jul - Aug 24	Budget	\$ Over Budget	% of Budget
<b>Expense</b>				
<b>SALARIES &amp; EMPLOYEE BENEFITS</b>				
<b>5010 · Salaries &amp; Wages</b>				
5010.1 · Full-Time	287,458.39	322,166.66	-34,708.27	89.2%
5010.2 · CTO Payout	97,565.18	64,500.00	33,065.18	151.3%
5010.3 · Settlement Pay/Vacation	13,531.96	30,000.00	-16,468.04	45.1%
5010.4 · Holiday Pay	3,252.48	46,000.00	-42,747.52	7.1%
5010.5 · Deferred Compensation	14,600.00	9,500.00	5,100.00	153.7%
5010.6 · Part-Time (Hourly)	9,389.64	11,833.34	-2,443.70	79.3%
5010.7 · CalFire/OES Pay	5,151.21	0.00	5,151.21	100.0%
5010 · Salaries & Wages - Other	0.00	0.00	0.00	0.0%
<b>Total 5010 · Salaries &amp; Wages</b>	<b>430,948.86</b>	<b>484,000.00</b>	<b>-53,051.14</b>	<b>89.0%</b>
<b>5020 · Retirement</b>				
5020.1 · CalPERS Retirement	85,384.57	91,000.00	-5,615.43	93.8%
5020.2 · Social Securiry	723.88	666.66	57.22	108.6%
5020.3 · Medicare	6,670.17	4,833.34	1,836.83	138.0%
5020.4 · CalPERS UAL Payment	102,976.00	190,000.00	-87,024.00	54.2%
<b>Total 5020 · Retirement</b>	<b>195,754.62</b>	<b>286,500.00</b>	<b>-90,745.38</b>	<b>68.3%</b>
<b>5030 · Group Insurance</b>				
5030.1 · Health (Current Employees)	92,251.70	108,666.66	-16,414.96	84.9%
5030.2 · Health (Retirees)	52,640.96	53,666.66	-1,025.70	98.1%
5030.3 · Retiree Health Admin Fees	504.33	416.66	87.67	121.0%
5030.4 · Dental, Vision & Life	6,939.59	8,500.00	-1,560.41	81.6%
5030.5 · Air Ambulance	0.00	3,000.00	-3,000.00	0.0%
5030.6 · Long Term Disability	1,885.00	1,333.34	551.66	141.4%
<b>Total 5030 · Group Insurance</b>	<b>154,221.58</b>	<b>175,583.32</b>	<b>-21,361.74</b>	<b>87.8%</b>
5033 · Unemployment Insurance	0.00	0.00	0.00	0.0%
<b>5035 · Worker's Compensation</b>				
5035.1 · Primary	0.00	43,000.00	-43,000.00	0.0%
5035.2 · Excess	0.00	30,000.00	-30,000.00	0.0%
5035.3 · Admin Fee	0.00	15,000.00	-15,000.00	0.0%
<b>Total 5035 · Worker's Compensation</b>	<b>0.00</b>	<b>88,000.00</b>	<b>-88,000.00</b>	<b>0.0%</b>
<b>SALARIES &amp; EMPLOYEE BENEFITS - Other</b>	<b>66,550.39</b>			
<b>Total SALARIES &amp; EMPLOYEE BENEFITS</b>	<b>847,475.45</b>	<b>1,034,083.32</b>	<b>-186,607.87</b>	<b>82.0%</b>
<b>SERVICE &amp; SUPPLIES</b>				
<b>5050 · Clothing &amp; Personal Supplies</b>				
5050.1 · Uniforms	2,124.34	20,000.00	-17,875.66	10.6%
5050.2 · Station Boots	0.00	2,000.00	-2,000.00	0.0%
5050.3 · PPE - Structure	426.18	12,000.00	-11,573.82	3.6%
5050.4 · PPE - Wildland	0.00	5,000.00	-5,000.00	0.0%
5050.5 · VLU Team	0.00	1,000.00	-1,000.00	0.0%
5050.6 · Shields & Badges	0.00	2,000.00	-2,000.00	0.0%
<b>Total 5050 · Clothing &amp; Personal Supplies</b>	<b>2,550.52</b>	<b>42,000.00</b>	<b>-39,449.48</b>	<b>6.1%</b>
<b>5060 · Communications</b>				
5060.1 · Phones - Landline & Cellular	3,645.64	2,333.34	1,312.30	156.2%
<b>5060.2 · Alarm Monitoring</b>				
McKinleyville Station	14.74			
5060.2 · Alarm Monitoring - Other	0.00	583.34	-583.34	0.0%
<b>Total 5060.2 · Alarm Monitoring</b>	<b>14.74</b>	<b>583.34</b>	<b>-568.60</b>	<b>2.5%</b>
5060.3 · Communications - Miscellaneous	0.00	500.00	-500.00	0.0%
5060.4 · HCFA Radio System	0.00	1,500.00	-1,500.00	0.0%
5060.5 · Cable TV & Internet	2,312.48	2,250.00	62.48	102.8%
<b>Total 5060 · Communications</b>	<b>5,972.86</b>	<b>7,166.68</b>	<b>-1,193.82</b>	<b>83.3%</b>
<b>5080 · Food</b>				
5080.1 · Food & Rehab Supplies	437.19	1,000.00	-562.81	43.7%
5080.2 · Drinking Water	535.99	1,000.00	-464.01	53.6%
5080 · Food - Other	67.92			
<b>Total 5080 · Food</b>	<b>1,041.10</b>	<b>2,000.00</b>	<b>-958.90</b>	<b>52.1%</b>
<b>5090 · Household Expenses</b>				
<b>5090.1 · Station Supplies</b>				
Arcata Station	250.12			
Mad River Station	268.50			
McKinleyville Station	681.34			

**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

July through August 2024

	Jul - Aug 24	Budget	\$ Over Budget	% of Budget
5090.1 · Station Supplies - Other	0.00	833.30	-833.30	0.0%
<b>Total 5090.1 · Station Supplies</b>	<b>1,199.96</b>	<b>833.30</b>	<b>366.66</b>	<b>144.0%</b>
5090.2 · Garbage Service				
Arcata Station	73.64			
Mad River Station	73.64			
McKinleyville Station	302.75			
5090.2 · Garbage Service - Other	0.00	833.30	-833.30	0.0%
<b>Total 5090.2 · Garbage Service</b>	<b>450.03</b>	<b>833.30</b>	<b>-383.27</b>	<b>54.0%</b>
5090.3 · Station Furniture				
Mad River Station	2,194.23			
McKinleyville Station	433.12			
5090.3 · Station Furniture - Other	0.00	5,000.00	-5,000.00	0.0%
<b>Total 5090.3 · Station Furniture</b>	<b>2,627.35</b>	<b>5,000.00</b>	<b>-2,372.65</b>	<b>52.5%</b>
<b>Total 5090 · Household Expenses</b>	<b>4,277.34</b>	<b>6,666.60</b>	<b>-2,389.26</b>	<b>64.2%</b>
5100 · Liability Insurance				
5100.1 · Liability Insurance	61,214.00	52,000.00	9,214.00	117.7%
<b>Total 5100 · Liability Insurance</b>	<b>61,214.00</b>	<b>52,000.00</b>	<b>9,214.00</b>	<b>117.7%</b>
5120 · Maintenance - Equipment				
5120.1 · Vehicles				
215 · 2016 Chevy 1500	208.08			
214 · 2020 Chevy 1500	803.76			
210 · 2010 F-150	18.43			
212 · 2015 Spark	81.35			
108 · 2007 Ferrara	11,319.57			
113 · 2011 Ferrara (1)	177.35			
112 · 2011 Ferrara (2)	2,436.40			
116 · 2022 Pierce	1,489.02			
5120.1 · Vehicles - Other	0.00	100,000.00	-100,000.00	0.0%
<b>Total 5120.1 · Vehicles</b>	<b>16,533.96</b>	<b>100,000.00</b>	<b>-83,466.04</b>	<b>16.5%</b>
5120.2 · Hose & Ladder Testing	0.00	6,500.00	-6,500.00	0.0%
5120.3 · Hose Repair	0.00	0.00	0.00	0.0%
5120.4 · SCBA	0.00	8,000.00	-8,000.00	0.0%
5120.5 · Hydraulic Rescue Tools	0.00	3,000.00	-3,000.00	0.0%
5120.6 · Power Tools	386.69	2,000.00	-1,613.31	19.3%
5120.7 · AED & LUCAS	0.00	8,100.00	-8,100.00	0.0%
5120.8 · Fire Extinguishers	318.89	1,000.00	-681.11	31.9%
5120.9 · Miscellaneous Equipment	0.00	1,000.00	-1,000.00	0.0%
5120.10 · Small Instrument Repair & Test	0.00	3,000.00	-3,000.00	0.0%
<b>Total 5120 · Maintenance - Equipment</b>	<b>17,239.54</b>	<b>132,600.00</b>	<b>-115,360.46</b>	<b>13.0%</b>
5121 · Maintenance - Electronics				
5121.1 · Computers	3,651.97	1,000.00	2,651.97	365.2%
5121.2 · Radios, Pagers & FireCom	226.84	1,000.00	-773.16	22.7%
5121.3 · Batteries (non-household)	390.00	1,500.00	-1,110.00	26.0%
<b>Total 5121 · Maintenance - Electronics</b>	<b>4,268.81</b>	<b>3,500.00</b>	<b>768.81</b>	<b>122.0%</b>
5130 · Maintenance-Buildings & Grounds				
5130.1 · General Structure				
McKinleyville Station	84.02			
5130.1 · General Structure - Other	825.00	46,000.00	-45,175.00	1.8%
<b>Total 5130.1 · General Structure</b>	<b>909.02</b>	<b>46,000.00</b>	<b>-45,090.98</b>	<b>2.0%</b>
5130.2 · Grounds				
Bayside Property	250.00			
McKinleyville Station	14,312.37			
5130.2 · Grounds - Other	0.00	10,000.00	-10,000.00	0.0%
<b>Total 5130.2 · Grounds</b>	<b>14,562.37</b>	<b>10,000.00</b>	<b>4,562.37</b>	<b>145.6%</b>
5130.3 · Emergency Power	0.00	3,000.00	-3,000.00	0.0%
5130.4 · Pest Control				
Arcata Station	190.00			
Mad River Station	190.00			
McKinleyville Station	170.00			
5130.4 · Pest Control - Other	0.00	500.00	-500.00	0.0%

**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

July through August 2024

	Jul - Aug 24	Budget	\$ Over Budget	% of Budget
Total 5130.4 · Pest Control	550.00	500.00	50.00	110.0%
Total 5130 · Maintenance-Buildings & Grounds	16,021.39	59,500.00	-43,478.61	26.9%
5140 · Medical Supplies				
5140.1 · EMS	677.05	1,000.00	-322.95	67.7%
5140.2 · AED & Lucas	0.00	83.30	-83.30	0.0%
Total 5140 · Medical Supplies	677.05	1,083.30	-406.25	62.5%
5150 · Memberships				
5150.1 · Dues				
CalChiefs	1,008.00			
FDAC	375.00			
5150.1 · Dues - Other	166.50	3,000.00	-2,833.50	5.6%
Total 5150.1 · Dues	1,549.50	3,000.00	-1,450.50	51.7%
Total 5150 · Memberships	1,549.50	3,000.00	-1,450.50	51.7%
5160 · Miscellaneous Expense				
5160.1 · Uncategorized Misc. Expense	0.00	2,500.00	-2,500.00	0.0%
Total 5160 · Miscellaneous Expense	0.00	2,500.00	-2,500.00	0.0%
5170 · Office Expense				
5170.1 · Office Supplies	73.15	666.70	-593.55	11.0%
5170.2 · Postage	155.01	2,000.00	-1,844.99	7.8%
5170.3 · Software				
CAD Interface	2,400.00	2,000.00	400.00	120.0%
eDispatches	0.00	2,000.00	-2,000.00	0.0%
Miscellaneous	0.00	500.00	-500.00	0.0%
Parcel Quest	2,399.00	2,400.00	-1.00	100.0%
Quickbooks	0.00	2,000.00	-2,000.00	0.0%
Records Management	0.00	4,700.00	-4,700.00	0.0%
Scheduling Program	0.00	3,500.00	-3,500.00	0.0%
Total 5170.3 · Software	4,799.00	17,100.00	-12,301.00	28.1%
5170.4 · Subscription Periodicals	0.00	100.00	-100.00	0.0%
5170 · Office Expense - Other	111.91			
Total 5170 · Office Expense	5,139.07	19,866.70	-14,727.63	25.9%
5180 · Professional & Special Services				
5180.1 · Legal	3,052.50	3,333.30	-280.80	91.6%
5180.2 · Human Resources	0.00	10,000.00	-10,000.00	0.0%
5180.3 · Medical Exam & Drug Screening	0.00	20,000.00	-20,000.00	0.0%
5180.4 · Background Checks	0.00	5,000.00	-5,000.00	0.0%
5180.5 · Audit (Financial)	0.00	11,000.00	-11,000.00	0.0%
5180.6 · Accountant & Bookkeeping	0.00	10,000.00	-10,000.00	0.0%
5180.7 · GASB Reporting	1,750.00	7,000.00	-5,250.00	25.0%
5180.8 · IT	2,980.00	5,833.30	-2,853.30	51.1%
5180.9 · Webpage Hosting	5,172.00	866.70	4,305.30	596.7%
5180.10 · Subscriptions	30.00	2,700.00	-2,670.00	1.1%
5180.11 · Miscellaneous	0.00	500.00	-500.00	0.0%
5180.12 · Financial Consulting	0.00	5,000.00	-5,000.00	0.0%
5180.13 · Video Production	165.00	166.70	-1.70	99.0%
Total 5180 · Professional & Special Services	13,149.50	81,400.00	-68,250.50	16.2%
5190 · Publications & Legal Notices				
5190.1 · Publications & Notices	0.00	1,000.00	-1,000.00	0.0%
Total 5190 · Publications & Legal Notices	0.00	1,000.00	-1,000.00	0.0%
5200 · Rent & Leases - Equipment				
5200.1 · Copier	1,411.73	1,383.30	28.43	102.1%
Total 5200 · Rent & Leases - Equipment	1,411.73	1,383.30	28.43	102.1%
5210 · Rent & Leases - Structures				
5210.1 · 631 9th Street	30,000.00	20,000.00	10,000.00	150.0%
Total 5210 · Rent & Leases - Structures	30,000.00	20,000.00	10,000.00	150.0%
5230 · Special District Expense				
5230.1 · Property Tax Admin Fee	0.00	80,000.00	-80,000.00	0.0%
5230.2 · Tax Roll Direct Charge Fee	0.00	14,000.00	-14,000.00	0.0%
5230.3 · LAFCO Annual Fee	0.00	4,000.00	-4,000.00	0.0%
5230.4 · Assessment Adjustments/Refunds	0.00	0.00	0.00	0.0%



**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

July through August 2024

	Jul - Aug 24	Budget	\$ Over Budget	% of Budget
5230.5 · Public Education Supplies	0.00	1,500.00	-1,500.00	0.0%
5230.6 · Certifications	166.28	1,000.00	-833.72	16.6%
5230.7 · Recruitment	0.00	0.00	0.00	0.0%
5230.8 · Bank Fees	70.00	4,200.00	-4,130.00	1.7%
5230.9 · Recognition Awards	80.00	2,000.00	-1,920.00	4.0%
5230.10 · Health & Wellness	0.00	5,300.00	-5,300.00	0.0%
5230.11 · Public Outreach	1,100.47	1,000.00	100.47	110.0%
5230.13 · HCFCFA Air Trailer Annual Fee	0.00	1,000.00	-1,000.00	0.0%
5230.14 · Staff Training	1,359.00	15,000.00	-13,641.00	9.1%
5230.15 · Training Supplies	205.81	1,000.00	-794.19	20.6%
5230.16 · Grant Management	0.00	0.00	0.00	0.0%
<b>Total 5230 · Special District Expense</b>	<b>2,981.56</b>	<b>130,000.00</b>	<b>-127,018.44</b>	<b>2.3%</b>
<b>5250 · Transportation &amp; Travel</b>				
5250.1 · Fuel				
Mad River Station				
Diesel	6,038.68			
<b>Total Mad River Station</b>	<b>6,038.68</b>			
McKinleyville Station	472.48			
5250.1 · Fuel - Other	792.87	12,333.30	-11,540.43	6.4%
<b>Total 5250.1 · Fuel</b>	<b>7,304.03</b>	<b>12,333.30</b>	<b>-5,029.27</b>	<b>59.2%</b>
5250.2 · Lodging	0.00	3,000.00	-3,000.00	0.0%
5250.3 · Per Diem Reimbursement	0.00	7,000.00	-7,000.00	0.0%
5250.4 · Travel Costs	0.00	10,000.00	-10,000.00	0.0%
<b>Total 5250 · Transportation &amp; Travel</b>	<b>7,304.03</b>	<b>32,333.30</b>	<b>-25,029.27</b>	<b>22.6%</b>
<b>5260 · Utilities</b>				
5260.1 · PG & E				
Arcata Station	2,207.53			
Mad River Station	747.54			
McKinleyville Station	2,939.84			
5260.1 · PG & E - Other	0.00	5,950.00	-5,950.00	0.0%
<b>Total 5260.1 · PG &amp; E</b>	<b>5,894.91</b>	<b>5,950.00</b>	<b>-55.09</b>	<b>99.1%</b>
5260.2 · Water & Sewer				
Arcata Station	209.16			
Mad River Station	430.64			
McKinleyville Station	484.32			
5260.2 · Water & Sewer - Other	0.00	1,066.70	-1,066.70	0.0%
<b>Total 5260.2 · Water &amp; Sewer</b>	<b>1,124.12</b>	<b>1,066.70</b>	<b>57.42</b>	<b>105.4%</b>
<b>Total 5260 · Utilities</b>	<b>7,019.03</b>	<b>7,016.70</b>	<b>2.33</b>	<b>100.0%</b>
<b>5370 · Minor Equipment Purchases</b>				
5370.1 · Fire Hose	0.00	6,500.00	-6,500.00	0.0%
5370.2 · Fire Equipment & Fabrication	0.00	4,000.00	-4,000.00	0.0%
5310.3 · Computers & Electronics	872.75	8,000.00	-7,127.25	10.9%
5370.4 · Small Tools	0.00	1,000.00	-1,000.00	0.0%
5370.5 · Power Tools	0.00	1,000.00	-1,000.00	0.0%
<b>Total 5370 · Minor Equipment Purchases</b>	<b>872.75</b>	<b>20,500.00</b>	<b>-19,627.25</b>	<b>4.3%</b>
<b>Total SERVICE &amp; SUPPLIES</b>	<b>182,689.78</b>	<b>625,516.58</b>	<b>-442,826.80</b>	<b>29.2%</b>
<b>OTHER EXPENDITURES</b>				
Capital Expense				
Equipment/Vehicles	0.00	0.00	0.00	0.0%
<b>Total Capital Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
Debt Service				
2021 UAL Refinance - Interest	57,882.50	119,437.00	-61,554.50	48.5%
2021 UAL Refinance - Principal	276,000.00	268,000.00	8,000.00	103.0%
2022 Engine Purchase - Interest	7,365.73	15,000.00	-7,634.27	49.1%
2022 Engine Purchase- Principal	50,380.09	100,183.00	-49,802.91	50.3%
Debt Issue Costs	254.50			
<b>Total Debt Service</b>	<b>391,882.82</b>	<b>502,620.00</b>	<b>-110,737.18</b>	<b>78.0%</b>
Reserve Fund Transfers - Out				
Contingency Fund	0.00	200,000.00	-200,000.00	0.0%
PERS Rate Contingency Fund	0.00	261,816.00	-261,816.00	0.0%
Vehicle Replacement Fund	0.00	200,000.00	-200,000.00	0.0%

**Arcata Fire Protection District  
Profit & Loss Budget vs. Actual**

Accrual Basis

July through August 2024

	<u>Jul - Aug 24</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Total Reserve Fund Transfers - Out	0.00	661,816.00	-661,816.00	0.0%
Total OTHER EXPENDITURES	391,882.82	1,164,436.00	-772,553.18	33.7%
Total Expense	1,422,048.05	2,824,035.90	-1,401,987.85	50.4%
Net Ordinary Income	-268,380.58	-1,677,202.50	1,408,821.92	16.0%
Net Income	<b>-268,380.58</b>	<b>-1,677,202.50</b>	<b>1,408,821.92</b>	<b>16.0%</b>

Arcata Fire Protection District  
Statement of Cash Flows  
August 2024

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	<u>Aug 24</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	140,472.88
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 · ACCOUNTS RECEIVABLE	-2,520.44
Acct. Recv. - County Treasury	-540,750.00
2000 · ACCOUNTS PAYABLE	-46,577.94
US BANK:Hill	2,152.03
US BANK:Emmons	349.27
US BANK:Evenson	677.05
US BANK:Freeman	2,473.00
US BANK:Lillard	312.04
US BANK:R. McDonald	1,685.40
2100 · Payroll Liabilities	-5,375.83
2100 · Payroll Liabilities:457 Deduction	-4,320.20
2100 · Payroll Liabilities:CA Withholding	-4,770.70
2100 · Payroll Liabilities:Federal Withholding	-8,872.46
2100 · Payroll Liabilities:Medicare - Both	-2,625.80
2100 · Payroll Liabilities:Social Security - Both	-248.74
2100 · Payroll Liabilities:Survivor Benefit	-25.11
	<hr/>
Net cash provided by Operating Activities	-467,965.55
	<hr/>
Net cash increase for period	-467,965.55
	<hr/>
Cash at beginning of period	9,820,179.99
	<hr/>
Cash at end of period	<u><u>9,352,214.44</u></u>

**Arcata Fire Protection District**  
**Balance Sheet**  
 As of August 31, 2024

	<b>Aug 31, 24</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
RCB - Business Savings	119,711.77
RCB - Business Checking	248,904.01
CalTRUST	1,088,730.35
CCCU Checking	165,403.08
CCCU Liquid Assets	150.78
CCCU Savings	25.00
Contingency Fund	680,822.60
County Treasury	4,973,623.53
PERS Contingency Fund	943,283.78
Vehicle Replacement Fund	1,131,559.54
<b>Total Checking/Savings</b>	9,352,214.44
<b>Accounts Receivable</b>	
1200 · ACCOUNTS RECEIVABLE	75,726.36
<b>Total Accounts Receivable</b>	75,726.36
<b>Other Current Assets</b>	
Acct. Recv. - County Treasury	-293,426.63
Interest Receivable	15,000.00
Prepaid Expense	21,606.18
<b>Total Other Current Assets</b>	-256,820.45
<b>Total Current Assets</b>	9,171,120.35
<b>Fixed Assets</b>	
Accumulated Depreciation	-2,505,291.00
Buildings & Improvements	2,395,484.62
Equipment	3,597,743.56
Land	224,630.00
<b>Total Fixed Assets</b>	3,712,567.18
<b>Other Assets</b>	
Deferred Outflows - OPEB	1,178,335.00
Deferred Outflows - PENSION	4,376,216.00
<b>Total Other Assets</b>	5,554,551.00
<b>TOTAL ASSETS</b>	<b>18,438,238.53</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
2000 · ACCOUNTS PAYABLE	73,163.68
<b>Total Accounts Payable</b>	73,163.68

**Arcata Fire Protection District**  
**Balance Sheet**  
 As of August 31, 2024

	<b>Aug 31, 24</b>
<b>Credit Cards</b>	
US BANK	10,043.48
<b>Total Credit Cards</b>	10,043.48
<b>Other Current Liabilities</b>	
Suspense	-1,985.38
Accounts Payable 2	21,606.18
Accrued Expenses - OTHER	33,011.08
Accrued Interest Expense	58,542.11
Compensation Time Off (CTO)	32,458.40
WAGES PAYABLE	52,884.91
2100 · Payroll Liabilities	
Survivor Benefit	39.99
2100 · Payroll Liabilities - Other	8,824.52
<b>Total 2100 · Payroll Liabilities</b>	8,864.51
<b>Total Other Current Liabilities</b>	205,381.81
<b>Total Current Liabilities</b>	288,588.97
<b>Long Term Liabilities</b>	
West America Bank - Engine loan	634,618.89
Accrued Employee Benefits	123,790.80
Deferred Inflows - OPEB	3,843,418.00
Deferred Inflows - PENSION	3,947,843.00
Net Pension Liability	2,704,068.00
OPEB Liability	8,414,987.00
Webster Bank	4,493,000.00
<b>Total Long Term Liabilities</b>	24,161,725.69
<b>Total Liabilities</b>	24,450,314.66
<b>Equity</b>	
32000 · *Retained Earnings	1,712,030.79
Investment in Fixed Assets	3,077,948.29
3900 · RETAINED EARNINGS	-10,533,674.63
Net Income	-268,380.58
<b>Total Equity</b>	-6,012,076.13
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>18,438,238.53</b>

## Arcata Fire Protection District Expenses by Vendor Detail

August 2024

Type	Date	Memo	Account	Amount	Balance
<b>707 PEST SOLUTIONS</b>					
Bill	08/02/2024	April and June...	Arcata Station	190.00	190.00
Bill	08/02/2024	April and June...	Mad River Station	190.00	380.00
Bill	08/02/2024	April and June...	McKinleyville Station	170.00	550.00
Total 707 PEST SOLUTIONS				550.00	550.00
<b>ACCESS HUMBOLDT</b>					
Bill	08/02/2024	July 9, 2024 B...	5180.13 · Video Prod...	55.00	55.00
Total ACCESS HUMBOLDT				55.00	55.00
<b>ALBER'S TRACTOR &amp; AG WORK</b>					
Bill	08/06/2024	General field ...	Bayside Property	250.00	250.00
Total ALBER'S TRACTOR & AG WORK				250.00	250.00
<b>ALYSSA M ALVAREZ</b>					
Bill	08/08/2024	Uniform Reimb...	5050.1 · Uniforms	47.95	47.95
Total ALYSSA M ALVAREZ				47.95	47.95
<b>AMAZON</b>					
Credit Card Charge	08/07/2024	Uniform shirt f...	5050.1 · Uniforms	17.23	17.23
Credit Card Charge	08/07/2024	Blood pressur...	5140.1 · EMS	167.83	185.06
Credit Card Credit	08/15/2024	Return of A. A...	5050.1 · Uniforms	-17.23	167.83
Credit Card Charge	08/20/2024	Dishes and lo...	McKinleyville Station	88.95	256.78
Credit Card Charge	08/21/2024	Uniform Shirts...	5050.1 · Uniforms	31.83	288.61
Credit Card Charge	08/26/2024	Dishes and pa...	McKinleyville Station	88.95	377.56
Credit Card Charge	08/27/2024	White board fo...	5170.1 · Office Suppl...	47.51	425.07
Credit Card Credit	08/30/2024	(2) uniform shi...	5050.1 · Uniforms	-31.83	393.24
Total AMAZON				393.24	393.24
<b>ARCATA PROF. FIREFIGHTERS, LOCAL 4981</b>					
Bill	08/14/2024	(3) District shirts	5050.1 · Uniforms	61.00	61.00
Total ARCATA PROF. FIREFIGHTERS, LOCAL 4981				61.00	61.00
<b>ARCATA VOLUNTEER FIREFIGHTERS ASSOC.</b>					
Bill	08/01/2024	September rent	5210.1 · 631 9th Street	10,000.00	10,000.00
Total ARCATA VOLUNTEER FIREFIGHTERS ASSOC.				10,000.00	10,000.00
<b>AT&amp;T- CAL NET 3</b>					
Bill	08/19/2024	Service Period...	5060.1 · Phones - La...	394.23	394.23
Total AT&T- CAL NET 3				394.23	394.23
<b>AT&amp;T MOBILITY (FIRSTNET)</b>					
Credit Card Charge	08/23/2024	Cellular, phon...	5060.1 · Phones - La...	440.01	440.01
Total AT&T MOBILITY (FIRSTNET)				440.01	440.01
<b>CAL PERS</b>					
Liability Check	08/02/2024	Employer Paid...	5020.1 · CalPERS R...	28,065.20	28,065.20
Bill	08/14/2024	GASB 68 Rep...	5180.7 · GASB Repo...	1,750.00	29,815.20
Liability Check	08/16/2024	Employer Con...	5020.1 · CalPERS R...	29,555.61	59,370.81
Liability Check	08/30/2024	Employer Paid...	5010.1 · Full-Time	26,408.89	85,779.70
Total CAL PERS				85,779.70	85,779.70

**Arcata Fire Protection District  
Expenses by Vendor Detail**

August 2024

Type	Date	Memo	Account	Amount	Balance
<b>CALIFORNIA FIRE CHIEFS ASSOCIATION</b>					
Credit Card Charge	08/19/2024	Regular Agen...	CalChiefs	1,008.00	1,008.00
Total CALIFORNIA FIRE CHIEFS ASSOCIATION				1,008.00	1,008.00
<b>CalPERS 457 PLAN</b>					
Liability Check	08/02/2024	Employer Mat...	5010.5 · Deferred Co...	2,900.00	2,900.00
Liability Check	08/16/2024	Employer Mat...	5010.5 · Deferred Co...	2,800.00	5,700.00
Liability Check	08/30/2024	Employer Mat...	5010.5 · Deferred Co...	2,600.00	8,300.00
Total CalPERS 457 PLAN				8,300.00	8,300.00
<b>CENTRAL SANDWICH</b>					
Credit Card Charge	08/14/2024	Sandwiches fo...	5080.1 · Food & Reh...	127.02	127.02
Total CENTRAL SANDWICH				127.02	127.02
<b>CHRIS EMMONS</b>					
Bill	08/03/2024	Rotary Memb...	5150.1 · Dues	166.50	166.50
Total CHRIS EMMONS				166.50	166.50
<b>CITY OF ARCATA</b>					
Bill	08/07/2024	Service Period...	Mad River Station	344.95	344.95
Total CITY OF ARCATA				344.95	344.95
<b>CJS FIRE SUPPORT</b>					
Bill	08/12/2024	Rebuilt and re...	108 · 2007 Ferrara	1,052.90	1,052.90
Total CJS FIRE SUPPORT				1,052.90	1,052.90
<b>COASTAL BUSINESS SYSTEMS, INC</b>					
Bill	08/16/2024	Copier and (2)...	5200.1 · Copier	737.43	737.43
Total COASTAL BUSINESS SYSTEMS, INC				737.43	737.43
<b>CUMMINS SALES AND SERVICE</b>					
Bill	08/08/2024	Air Leaks	108 · 2007 Ferrara	918.37	918.37
Bill	08/12/2024	Faulty Air Tan...	108 · 2007 Ferrara	1,445.17	2,363.54
Total CUMMINS SALES AND SERVICE				2,363.54	2,363.54
<b>DAN'S AUTO ELECTRIC</b>					
Credit Card Charge	08/22/2024	Engine 8219 ...	116 · 2022 Pierce	1,131.97	1,131.97
Bill	08/26/2024	Installation of ...	116 · 2022 Pierce	357.05	1,489.02
Total DAN'S AUTO ELECTRIC				1,489.02	1,489.02
<b>El Dorado Hills Fire District</b>					
Credit Card Charge	08/22/2024	Executive Chi...	5230.14 · Staff Traini...	475.00	475.00
Total El Dorado Hills Fire District				475.00	475.00
<b>EUREKA HUMBOLDT FIRE EXTINGUISHER CO. INC</b>					
Bill	08/22/2024	Annual Mainte...	5120.8 · Fire Extingu...	318.89	318.89
Total EUREKA HUMBOLDT FIRE EXTINGUISHER CO. INC				318.89	318.89
<b>FDAC</b>					
Credit Card Charge	08/13/2024	FDAC Membe...	FDAC	375.00	375.00
Total FDAC				375.00	375.00

**Arcata Fire Protection District**  
**Expenses by Vendor Detail**  
August 2024

Type	Date	Memo	Account	Amount	Balance
<b>FELDFIRE</b>					
Credit Card Charge	08/27/2024	(2) EMS BAGS	5140.1 · EMS	509.22	509.22
Total FELDFIRE				509.22	509.22
<b>FIRE APPARATUS SOLUTIONS</b>					
Bill	08/13/2024	Assembly Dip...	113 · 2011 Ferrara (1)	342.94	342.94
Credit	08/13/2024	Credit for Ass...	113 · 2011 Ferrara (1)	-489.30	-146.36
Total FIRE APPARATUS SOLUTIONS				-146.36	-146.36
<b>Fire Line Equipment</b>					
Credit Card Charge	08/20/2024	Pump panel t...	113 · 2011 Ferrara (1)	44.98	44.98
Total Fire Line Equipment				44.98	44.98
<b>FIRE RISK MANAGEMENT SERVICES</b>					
Bill	08/09/2024	September 20...	5030.4 · Dental, Visi...	3,149.09	3,149.09
Total FIRE RISK MANAGEMENT SERVICES				3,149.09	3,149.09
<b>HARBOR FREIGHT TOOLS</b>					
Credit Card Charge	08/23/2024	Locks for traini...	5230.15 · Training S...	106.79	106.79
Total HARBOR FREIGHT TOOLS				106.79	106.79
<b>HENSELS</b>					
Bill	08/26/2024	Hardware	113 · 2011 Ferrara (1)	0.75	0.75
Bill	08/29/2024	Cobweb brush...	Mad River Station	17.99	18.74
Total HENSELS				18.74	18.74
<b>HOOVEN &amp; CO., INC.</b>					
Bill	08/27/2024	Re-sealing of f...	McKinleyville Station	14,312.37	14,312.37
Total HOOVEN & CO., INC.				14,312.37	14,312.37
<b>INFINITE CONSULTING SERVICES</b>					
Bill	08/19/2024	Network Refre...	5121.1 · Computers	2,439.78	2,439.78
Bill	08/19/2024	Firewall Refresh	5121.1 · Computers	1,212.19	3,651.97
Total INFINITE CONSULTING SERVICES				3,651.97	3,651.97
<b>JOES GREEN BARN</b>					
Credit Card Charge	08/09/2024	Food for crew ...	5080.1 · Food & Reh...	38.01	38.01
Credit Card Charge	08/29/2024	Lunch with ba...	5080.1 · Food & Reh...	45.75	83.76
Total JOES GREEN BARN				83.76	83.76
<b>LES SCHWAB TIRE</b>					
Bill	08/28/2024	Six batteries r...	112 · 2011 Ferrara (2)	2,117.80	2,117.80
Total LES SCHWAB TIRE				2,117.80	2,117.80
<b>LOS BAGELS</b>					
Credit Card Charge	08/16/2024	Bagels for En...	5080.1 · Food & Reh...	30.25	30.25
Total LOS BAGELS				30.25	30.25
<b>LUBE CENTRAL</b>					
Bill	08/21/2024	Oil Change	212 · 2015 Spark	81.35	81.35
Total LUBE CENTRAL				81.35	81.35



**Arcata Fire Protection District  
Expenses by Vendor Detail  
August 2024**

Type	Date	Memo	Account	Amount	Balance
<b>LUZMILA'S</b>					
Credit Card Charge	08/05/2024	Working lunch...	5080.1 · Food & Reh...	74.09	74.09
Total LUZMILA'S				74.09	74.09
<b>MCK. COMM. SERVICES DISTRICT</b>					
Bill	08/14/2024	McK DVC Ser...	McKinleyville Station	25.76	25.76
Bill	08/14/2024	Service Period...	McKinleyville Station	228.22	253.98
Total MCK. COMM. SERVICES DISTRICT				253.98	253.98
<b>MCKINLEYVILLE ACE HARDWARE</b>					
Bill	08/18/2024	Lithium batter...	McKinleyville Station	57.05	57.05
Bill	08/20/2024	Weed Feed F...	Mad River Station	56.01	113.06
Bill	08/23/2024	Locks for traini...	5230.15 · Training S...	84.02	197.08
Total MCKINLEYVILLE ACE HARDWARE				197.08	197.08
<b>MCKINLEYVILLE OFFICE SUPPLY</b>					
Bill	08/27/2024	Faxes for Voy...	5170.1 · Office Suppl...	8.50	8.50
Total MCKINLEYVILLE OFFICE SUPPLY				8.50	8.50
<b>MIDAMERICA</b>					
Bill	08/30/2024	2Q24 Adminis...	5030.3 · Retiree Hea...	378.00	378.00
Total MIDAMERICA				378.00	378.00
<b>MIDAMERICA HRA</b>					
Bill	08/22/2024	September HRA	5030.2 · Health (Reti...	22,579.66	22,579.66
Total MIDAMERICA HRA				22,579.66	22,579.66
<b>NORTH COAST APPLIANCE</b>					
Credit Card Charge	08/05/2024	Washer and D...	Mad River Station	1,998.00	1,998.00
Total NORTH COAST APPLIANCE				1,998.00	1,998.00
<b>OFFICE DEPOT</b>					
Bill	08/08/2024	Ajax, paper to...	Arcata Station	182.00	182.00
Bill	08/08/2024	Febreeze Air ...	Arcata Station	11.52	193.52
Bill	08/13/2024	Towels, AA ba...	Mad River Station	57.70	251.22
Bill	08/14/2024	Fbrz air freshner	Mad River Station	11.52	262.74
Total OFFICE DEPOT				262.74	262.74
<b>PACIFIC GAS AND ELECTRIC</b>					
Bill	08/07/2024	Service Period...	Arcata Station	1,092.82	1,092.82
Bill	08/20/2024	Service Period...	Mad River Station	367.89	1,460.71
Total PACIFIC GAS AND ELECTRIC				1,460.71	1,460.71
<b>PARCEL QUEST</b>					
Bill	08/07/2024	ParcelQuest A...	Parcel Quest	2,399.00	2,399.00
Total PARCEL QUEST				2,399.00	2,399.00
<b>PER</b>					
Credit Card Charge	08/19/2024	PER MEMBE...	5180.10 · Subscriptio...	10.00	10.00
Total PER				10.00	10.00

**Arcata Fire Protection District**  
**Expenses by Vendor Detail**  
 August 2024

Type	Date	Memo	Account	Amount	Balance
<b>PERS / HEALTH</b>					
Bill	08/22/2024	PA Billing Acti...	5030.1 · Health (Curr...	44,460.22	44,460.22
Bill	08/22/2024	PA Billing Em...	5030.2 · Health (Reti...	3,740.82	48,201.04
Bill	08/22/2024	Admin Fee for...	5030.1 · Health (Curr...	106.70	48,307.74
Bill	08/22/2024	Admin Fee for...	5030.3 · Retiree Hea...	62.09	48,369.83
Total PERS / HEALTH				48,369.83	48,369.83
<b>RECOLOGY</b>					
Bill	08/06/2024	Service Period...	Arcata Station	73.64	73.64
Bill	08/06/2024	Service period...	Mad River Station	73.64	147.28
Total RECOLOGY				147.28	147.28
<b>REDWOOD COAST FUELS (RELADYNE)</b>					
Bill	08/19/2024	250 Gallons of...	Diesel	1,240.76	1,240.76
Bill	08/27/2024	415 gallons of ...	Diesel	2,223.30	3,464.06
Bill	08/27/2024	85 gallons of d...	McKinleyville Station	472.48	3,936.54
Total REDWOOD COAST FUELS (RELADYNE)				3,936.54	3,936.54
<b>ROBOTRONICS</b>					
Credit Card Charge	08/09/2024	Parts for Plug...	5121.3 · Batteries (n...	56.00	56.00
Total ROBOTRONICS				56.00	56.00
<b>SAFEWAY</b>					
Credit Card Charge	08/13/2024	Coffee and lun...	5080.1 · Food & Reh...	39.85	39.85
Total SAFEWAY				39.85	39.85
<b>SECURITY LOCK AND ALARM</b>					
Credit Card Charge	08/12/2024	Duplicate key ...	214 · 2020 Chevy 15...	229.43	229.43
Total SECURITY LOCK AND ALARM				229.43	229.43
<b>SHASTA COLLEGE</b>					
Credit Card Charge	08/16/2024	Ethical Leader...	5230.14 · Staff Traini...	175.00	175.00
Total SHASTA COLLEGE				175.00	175.00
<b>SILKE COMMUNICATIONS</b>					
Bill	08/05/2024	Faceplate 3" ...	5121.2 · Radios, Pag...	226.84	226.84
Total SILKE COMMUNICATIONS				226.84	226.84
<b>THE DONUT MILL</b>					
Credit Card Charge	08/14/2024	Donuts for AC...	5080.1 · Food & Reh...	34.00	34.00
Total THE DONUT MILL				34.00	34.00
<b>THE STANDARD</b>					
Bill	08/27/2024	August LTD	5030.6 · Long Term ...	580.00	580.00
Total THE STANDARD				580.00	580.00
<b>TYLER SUNG</b>					
Bill	08/27/2024	EMT Recertifi...	5230.6 · Certifications	89.28	89.28
Total TYLER SUNG				89.28	89.28

**Arcata Fire Protection District**  
**Expenses by Vendor Detail**  
 August 2024

Type	Date	Memo	Account	Amount	Balance
<b>UNITED STATES POSTAL SERVICE</b>					
Credit Card Charge	08/15/2024	Postage for B...	5170.2 · Postage	29.20	29.20
Total UNITED STATES POSTAL SERVICE				29.20	29.20
<b>WESTERN CHAINSAW</b>					
Bill	08/06/2024	Flushed fuel s...	5120.6 · Power Tools	11.00	11.00
Total WESTERN CHAINSAW				11.00	11.00
<b>ZIPS</b>					
Credit Card Charge	08/07/2024	REPLACEME...	113 · 2011 Ferrara (1)	277.98	277.98
Total ZIPS				277.98	277.98
<b>TOTAL</b>				<b>222,513.33</b>	<b>222,513.33</b>

**Date:** September 10, 2024  
**To:** Board of Directors, Arcata Fire District  
**From:** Chris Emmons, Fire Chief  
**Subject:** Accept the GASB 75 Actuarial Report (Measured as of June 30, 2023) for Fiscal Year End June 30, 2024

---

**DISCUSSION:**

GASB 75 information provides a consistent format and content for state and local governmental employers about financial support for OPEB and provides decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The valuation report identifies the GASB 75 compliant methods and assumptions used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Differences in results from the prior fiscal year end report are identified, quantified and explained. The report also summarizes the underlying employee data and plan provisions used to prepare the benefit and liability projections.

The primary purpose of this report is to provide information required by GASB 75 (“Accounting and Financial Reporting for Postemployment Benefits Other Than Pension [OPEB]”) to be reported in the District’s financial statements for the fiscal year ending June 30, 2024. The information included in the report reflects that the District is currently financing its OPEB liability on a pay-as-you-go basis.

The exhibits presented are based on a roll forward of the results of the June 30, 2024, valuation, and on the employee and plan data provided by District staff for the valuation. The only assumption change reflected in this report is an update to the discount rate, in keeping with the change in applicable municipal bond index on which it is based.

**RECOMMENDATION:**

Staff recommends the Board accept the Actuarial Valuation and GASB 75 Report FYE June 30, 2024, as prepared by MacLeod Watts, Inc. If necessary, the item can be pulled from the consent calendar for discussion or questions and, if necessary, can be placed on the October agenda for discussion with Cathy MacLeod.

**FINANCIAL IMPACT:**

- No Fiscal Impact/Not Applicable
- Included in Budget:
- Additional Appropriation Requested:
- Unknown/Not Yet Identified

**ALTERNATIVES:**

Board Discretion

**ATTACHMENTS:**

Attachment 1 – GASB 75 Actuarial Report FYE June 30, 2024

# MacLeod Watts

August 2, 2024

Chris Emmons  
Fire Chief  
Arcata Fire Protection District  
2149 Central Avenue  
McKinleyville, CA 95519

Re: Arcata Fire Protection District Other Post-Employment Benefits  
June 30, 2023, Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2024

Dear Chief Emmons:

We are pleased to enclose our actuarial report providing information needed for the June 30, 2024, accounting of other post-employment benefit (OPEB) liabilities for the Arcata Fire Protection District (the District). The primary purposes of this report are to:

1. Recalculate plan liabilities as of June 30, 2023, in accordance with GASB 75's biennial valuation requirement.
2. Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending June 30, 2024.

The exhibits presented in this report reflect that the District is financing its OPEB liability on a pay-as-you-go basis. Please let us know if we can be of assistance in preparing illustrations of how prefunding impacts the OPEB liability required to be reported under GASB 75.

The valuation results are based on the employee data and details on plan benefits provided to us by the District. As with any analysis, the soundness of the report is dependent on the inputs. We encourage you to review the information shown in the report to be comfortable that it matches your records.

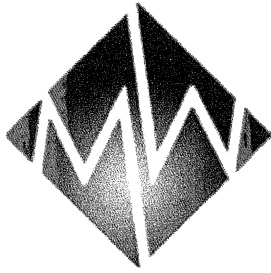
We appreciate the opportunity to work on this analysis and acknowledge the efforts of District staff who provided valuable time and information to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,



Catherine L. MacLeod, FSA, FCA, EA, MAAA  
Principal and Consulting Actuary

Enclosure



*Arcata Fire Protection District*

Actuarial Valuation of Other  
Post-Employment Benefit  
Programs As of June 30, 2023

& GASB 75 Report for the Fiscal Year Ending  
June 30, 2024

Submitted August 2024

MacLeod Watts

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## A. Executive Summary

This report presents the results of the June 30, 2023, actuarial valuation and the accounting information for financial reporting of the other post-employment benefit (OPEB) program of the Arcata Fire Protection District (the District). The purposes of this report are to summarize the results of the valuation and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2024.

Important background information regarding the valuation process can be found in Appendix 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present exhibits and other information relevant for disclosures under GASB 75.

Results of the June 30, 2023, valuation will likely be applied to prepare the District's GASB 75 report for the fiscal year ending June 30, 2025. If there are any significant changes in plan members, plan benefits or eligibility and/or OPEB funding policy, however, an earlier valuation may be required or appropriate.

### OPEB Obligations of the District

The District offers continuation of medical coverage to its retiring employees. This coverage may create one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays a portion of medical premiums for qualifying retirees. These benefits are described in Supporting Information Section 2.
- **Implicit subsidy liabilities:** An "implicit subsidy" exists when premiums are developed using blended active and retiree claims experience. In this situation, premiums charged for retirees may not be sufficient to cover expected medical claims<sup>1</sup> and the premiums charged for active employees are said to "implicitly subsidize" retirees. This OPEB program includes implicit subsidy liabilities for retiree coverage prior to coverage under Medicare.
- **Other subsidy liabilities:** In the CalPERS medical program, the premium rates for Medicare-covered retirees are based only on retiree claims experience of the pool. Pooled plans that do not blend active and retiree premiums likely generate subsidies between employers and retirees within the pool. An actuarial practice note indicates these subsidies should be included in plan liabilities to the extent they are paid by the employer.<sup>2</sup> We generally expect these subsidies to be small and included any such liability with the implicit subsidy liability in this report.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit and other subsidy liabilities as the projected difference between (a) estimated retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on MacLeod Watts' age rating methodology, see Appendix 2.

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<sup>1</sup> In rare situations, premiums for retiree coverage may be high enough that they subsidize active employees' claims.

<sup>2</sup> Exceptions exist for: 1) Medicare Advantage Plans: these plans are treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans. 2) Plans with low explicit subsidies to Medicare-covered retirees: in these plans no part of any potential pool subsidy is expected to be paid by the employer.





## Executive Summary

(Continued)

### OPEB Funding Policy

The District's OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District is currently financing its OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rate used in this valuation is based on the S&P General Obligation Municipal Bond 20 Year High Grade Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 4.09% on June 30, 2022, and 4.13% on June 30, 2023.

### Actuarial Assumptions

The actuarial "demographic" assumptions (i.e., rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits.

Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

### Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2024
Measurement Date	June 30, 2023
Measurement Period	June 30, 2022, to June 30, 2023
Valuation Date	June 30, 2023



**Executive Summary**

(Continued)

**Updates Since the Prior Report**

No benefit changes were reported to MacLeod Watts since the June 2021 valuation was prepared. Updated employee census and premium data were provided and with this new information, we determined “plan experience”, the difference between actual and expected liability results since the prior valuation. We also reviewed and updated certain assumptions used to project the OPEB liability.

The Total OPEB Liability on the current measurement date is higher than that reported one year ago. Section C presents the new valuation results and the impact of the new assumptions and plan experience on the Total OPEB Liability. See *Recognition Period for Deferred Resources* on page 12 for details on how these changes are recognized.

**Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2024**

The plan’s impact on Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin.

Items	<b>For Reporting At Fiscal Year Ending June 30, 2024</b>
Total OPEB Liability	\$ 9,025,949
Fiduciary Net Position	-
<b>Net OPEB Liability</b>	<b>\$ 9,025,949</b>
<i>Adjustment for Deferred Resources:</i>	
Deferred (Outflows)	(1,336,195)
Deferred Inflows	3,159,498
<b>Impact on Statement of Net Position</b>	<b>\$ 10,849,252</b>
 <b>OPEB Expense, FYE 6/30/2024</b>	 <b>\$ 111,338</b>

**Important Notices**

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the District’s financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

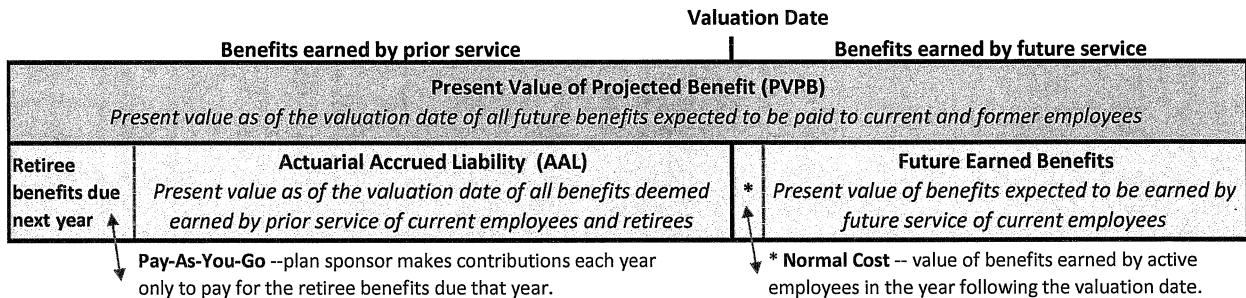


## B. Valuation Process

This valuation is based on employee census data and benefits initially submitted to us by the District and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was prepared in accordance with the process described below using the actuarial methods and assumptions described in Section 3 and is consistent with our understanding of Actuarial Standards of Practice.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over each current retiree's or active employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and any implicit subsidies arising when retiree premiums are expected to be partially subsidized by premiums paid for active employees. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected dates when benefits will end. Assumptions regarding the probability that each employee will remain in service to receive benefits and the likelihood that employees will elect coverage for themselves and their dependents are also applied.

We then calculate the present value of these future benefit streams by discounting the value of each future expected employer payment back to the valuation date using the valuation discount rate. This present value is called the **Present Value of Projected Benefits (PVPB)** and represents the current value of all expected future plan payments to current retirees and current active employees. Note that this long-term projection does not anticipate entry of future employees.



The next step in the valuation process splits the Present Value of Projected Benefits into 1) the value of benefits already earned by prior service of current employees and retirees and 2) the value of benefits expected to be earned by future service of current employees. Actuaries employ an "attribution method" to divide the PVPB into prior service liabilities and future service liabilities. For this valuation we used the **Entry Age Normal** attribution method. This method is the most common method used for government funding purposes and the only attribution method allowed for financial reporting under GASB 75.

We call the value of benefits deemed earned by prior service the **Actuarial Accrued Liability (AAL)**. Benefits deemed earned by service of active employees in a single year is called the **Normal Cost** of benefits. The present value of all future normal costs (PVFNC) plus the Actuarial Accrued Liability will equal the Present Value of Projected Benefits (i.e.,  $PVPB = AAL + PVFNC$ ).



**Valuation Process**

**(Concluded)**

The District is financing the plan on a pay-as-you-go basis. This policy does not establish a trust to prefund benefits and pays retirees benefits each year as required. Therefore, the **Unfunded Actuarial Accrued Liability (UAAL)** is equal to the Actuarial Accrued Liability. The UAAL represents, as of the valuation date, the present value of benefits already earned by past service that remain unfunded. Future contributions by the District will equal each year’s retiree benefit payments.

Please note that projections of future benefits over such long periods (frequently 70 or more years) which are dependent on numerous assumptions regarding future economic and demographic variables are subject to substantial revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the costs to the District reflected in this report are subject to future revision, perhaps materially. Demonstrating the range of potential future plan costs was beyond the scope of our assignment except to the limited extent of providing liability information at various discount rates.

Finally, certain actuarial terms and GASB 75 terms may be used interchangeably. We note a few in the table below.

Actuarial Terminology	GASB 75 Terminology
Present Value of Projected Benefits (PVPB)	<i>No equivalent term</i>
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position
Actuarial Value of Assets (AVA)	<i>No equivalent term</i>
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability
Normal Cost	Service Cost

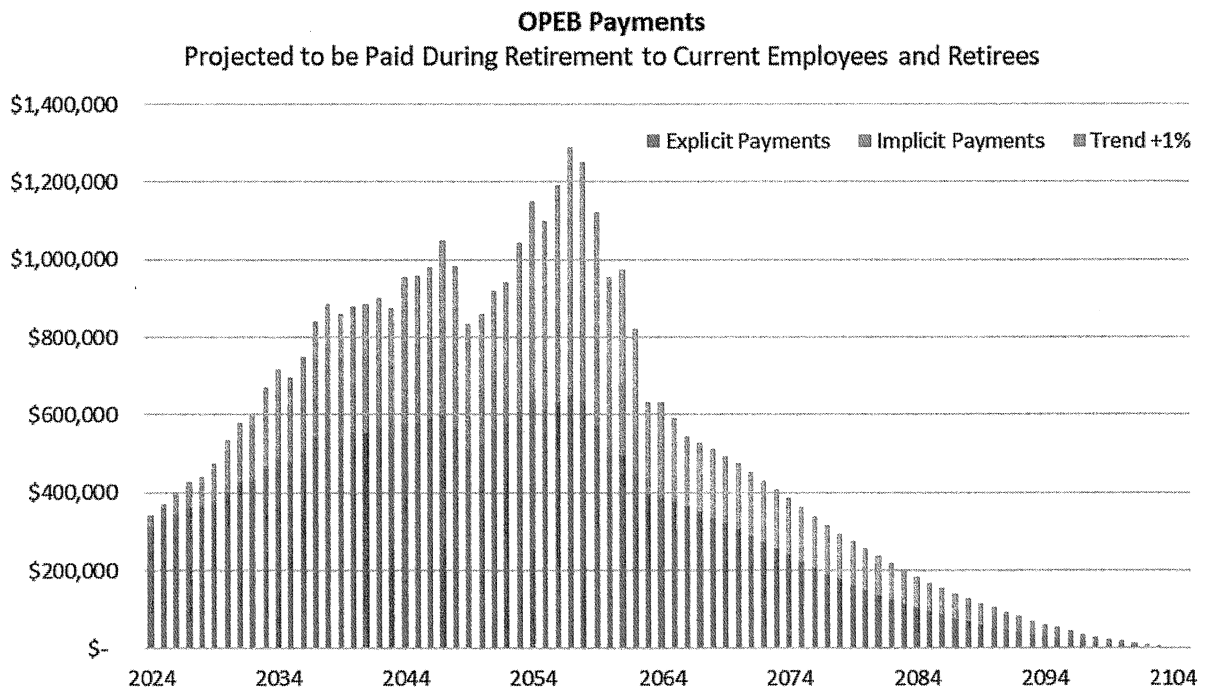


### C. Valuation Results as of June 30, 2023

This Section presents the basic results of our recalculation of the OPEB liability using the updated employee data, plan provisions and asset information provided to us for the June 30, 2023, valuation. We described the general process for projecting all future benefits to be paid to retirees and current employees in the preceding Section. Expected annual benefits have been projected using the actuarial assumptions outlined in Supporting Information, Section 3.

Medical coverage is offered, and benefits are paid to qualifying retirees who enroll in a medical plan offered by the District. Please see Supporting Information, Section 2 for details.

The following graph illustrates the annual other post-employment benefits projected to be paid on behalf of current retirees and current employees expected to retire from the District.



- Amounts shown in green reflect explicit subsidy benefits, i.e., expected payments by the District toward retiree medical premiums.
- Those shown in yellow reflect the implicit subsidy benefits provided for pre-Medicare retirees (i.e., the excess of estimated retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage).
- The projections in gray reflect increases in benefit levels if healthcare trend were 1% higher.

The first 15 years of benefit payments from the graph above are shown in tabular form on page 19. Liabilities relating to these projected benefits are shown beginning on the following page.



**Valuation Results as of June 30, 2023**  
(Continued)

This chart compares the results measured as of June 30, 2022, based on the prior valuation, with the results measured as of June 30, 2023, based on the current valuation.

	6/30/2021			6/30/2023		
	6/30/2021			6/30/2023		
	6/30/2021	6/30/2023	6/30/2023	6/30/2023	6/30/2023	6/30/2023
Discount rate	4.09%			4.13%		
<b>Number of Covered Employees</b>						
Actives	16			22		
Retirees	18			19		
Total Participants	34			41		
OPEB Subsidy Type	Explicit	Implicit	Total	Explicit	Implicit	Total
<b>Actuarial Present Value of Projected Benefits</b>						
Actives	\$ 4,845,960	\$ 1,275,900	\$ 6,121,861	\$ 4,730,979	\$ 1,998,559	\$ 6,729,538
Retirees	4,838,885	411,947	5,250,832	5,539,902	913,731	6,453,633
Total APVPB	9,684,845	1,687,847	11,372,693	10,270,881	2,912,290	13,183,171
<b>Total OPEB Liability (TOL)</b>						
Actives	2,572,217	591,938	3,164,155	1,962,055	610,261	2,572,316
Retirees	4,838,885	411,947	5,250,832	5,539,902	913,731	6,453,633
TOL	7,411,102	1,003,885	8,414,987	7,501,957	1,523,992	9,025,949
Fiduciary Net Position			-			-
<b>Net OPEB Liability</b>			8,414,987			9,025,949
<b>Service Cost</b>	187,821	52,402	240,223	222,586	104,716	327,302
For the period following the measurement date						

The Total OPEB Liability (TOL) increased by \$610,962 from that reported one year ago. Some of this change was expected and some was unexpected. Changes in the TOL are discussed on the following page.



**Valuation Results as of June 30, 2023**

(Concluded)

**Expected changes:** The TOL was expected to increase by \$287,155 through normal plan operation, i.e., from additional service and interest costs accruing for the period reduced by benefits paid to retirees.

**Unexpected changes** increased the expected TOL by \$323,807 and fall into one of these categories:

- *Benefit provisions* includes any changes to the OPEB plan. The District reported no changes.
- *Plan experience* increased the TOL by \$26,889, reflecting results that are different than expected based on the prior valuation data and assumptions. The primary reasons are shown in the chart below.
- *Changes in assumptions* collectively increased the TOL by \$296,918. The chart below shows the impact of each change. For more details, please see “Changes in Assumptions recognized During the Current Measurement Period” at the end of Supporting Information, Section 3.

This chart reconciles the TOL measured on June 30, 2022, to the TOL measured on June 30, 2023.

Reconciliation of Changes During Measurement Period	Total OPEB Liability
<b>Balance at Fiscal Year Ending 6/30/2023</b> <i>Measurement Date 6/30/2022</i>	\$ 8,414,987
<b>Expected Changes During the Period:</b>	
Service Cost	240,223
Interest Cost	347,844
Benefit Payments	(300,912)
<b>Total Expected Changes During the Period</b>	287,155
<b>Expected at Fiscal Year Ending 6/30/2024</b> <i>Measurement Date 6/30/2023</i>	\$ 8,702,142
<b>Unexpected Changes During the Period:</b>	
<i>Plan Experience:</i>	
Premiums and Estimated Claims Other Than Expected	574,992
New Retirements and Turnover Other Than Expected	(376,628)
Other Plan Experience	(171,475)
<i>Assumption Changes:</i>	
Change in Discount Rate	(49,392)
Updated Demographic Assumptions	178,392
Updated Coding After Clarification Of Benefit Tiers	155,491
Change in Healthcare Trend	30,641
Updated Coding For Medicare Pool Subsidy	(18,214)
<b>Total Unexpected Changes During the Period</b>	323,807
<b>Balance at Fiscal Year Ending 6/30/2024</b> <i>Measurement Date 6/30/2023</i>	\$ 9,025,949



**D. Accounting Information (GASB 75)**

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending June 30, 2024. The District is classified for GASB 75 purposes as a single employer.

**Components of Net Position and Expense**

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

<b>Plan Summary Information for FYE June 30, 2024</b> <i>Measurement Date is June 30, 2023</i>	<b>Arcata FPD</b>
<b>Items Impacting Net Position:</b>	
Total OPEB Liability	\$ 9,025,949
Fiduciary Net Position	-
Net OPEB Liability (Asset)	9,025,949
 <i>Deferred (Outflows) Due to:</i>	
Assumption Changes	(788,308)
Plan Experience	(205,731)
Investment Experience	-
Deferred Contributions	(342,156)
 <i>Deferred Inflows Due to:</i>	
Assumption Changes	2,215,979
Plan Experience	943,519
Investment Experience	-
<b>Impact on Statement of Net Position, FYE 6/30/2024</b>	<b>\$ 10,849,252</b>
 <b>Items Impacting OPEB Expense:</b>	
Service Cost	\$ 240,223
Cost of Plan Changes	-
Interest Cost	347,844
Expected Earnings on Assets	-
 <i>Recognition of Deferred Outflows:</i>	
Assumption Changes	159,344
Plan Experience	47,847
Investment Experience	-
 <i>Recognition of Deferred (Inflows):</i>	
Assumption Changes	(472,369)
Plan Experience	(211,551)
Investment Experience	-
<b>OPEB Expense, FYE 6/30/2024</b>	<b>\$ 111,338</b>





**Accounting Information**

(Continued)

**Change in Net Position During the Fiscal Year**

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End <i>Measurement Date</i>	6/30/2023 <i>6/30/2022</i>	6/30/2024 <i>6/30/2023</i>	Change During Period
Total OPEB Liability	\$ 8,414,987	\$ 9,025,949	\$ 610,962
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	8,414,987	9,025,949	610,962
<i>Deferred (Outflows) Due to:</i>			
Assumption Changes	(650,734)	(788,308)	(137,574)
Plan Experience	(226,689)	(205,731)	20,958
Investment Experience	-	-	-
Deferred Contributions	(300,912)	(342,156)	(41,244)
<i>Deferred Inflows Due to:</i>			
Assumption Changes	2,688,348	2,215,979	(472,369)
Plan Experience	1,155,070	943,519	(211,551)
Investment Experience	-	-	-
Impact on Statement of Net Position	<u>\$ 11,080,070</u>	<u>\$ 10,849,252</u>	<u>\$ (230,818)</u>

**Change in Net Position During the Fiscal Year**

Impact on Statement of Net Position, FYE 6/30/2023	\$ 11,080,070
OPEB Expense (Income)	111,338
Employer Contributions During Fiscal Year	<u>(342,156)</u>
Impact on Statement of Net Position, FYE 6/30/2024	<u>\$ 10,849,252</u>

**OPEB Expense**

Employer Contributions During Fiscal Year	\$ 342,156
Deterioration (Improvement) in Net Position	<u>(230,818)</u>
OPEB Expense (Income), FYE 6/30/2024	<u>\$ 111,338</u>



**Accounting Information**

(Continued)

**Recognition Period for Deferred Resources**

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 8.12 years is the period used to recognize such changes in the OPEB Liability arising during the current measurement period.

When applicable, changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

The liability changes attributable to the reported benefit change occurring during the period will be recognized immediately.

**Deferred Resources as of Fiscal Year End and Expected Future Recognition**

The exhibit below shows deferred resources as of the fiscal year end June 30, 2024.

Arcata FPD	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 788,308	\$ 2,215,979
Differences Between Expected and Actual Experience	205,731	943,519
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	342,156	-
<b>Total</b>	<b>\$ 1,336,195</b>	<b>\$ 3,159,498</b>

The District will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2025	\$ (476,729)
2026	(476,729)
2027	(452,394)
2028	(406,421)
2029	(412,198)
Thereafter	59,012



**Accounting Information**

(Continued)

**Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate**

The discount rate used for accounting purposes for the fiscal year end 2024 is 4.13%. Healthcare Cost Trend Rate was assumed to start at 6.5% (increase effective January 1, 2025) and grade down to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 3.13%	Current 4.13%	Current + 1% 5.13%
<b>Net OPEB Liability (Asset)</b>	10,402,570	9,025,949	7,918,332
Increase (Decrease)	1,376,621		(1,107,617)
% Increase (Decrease)	15.3%		-12.3%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
<b>Net OPEB Liability (Asset)</b>	7,841,533	9,025,949	10,509,401
Increase (Decrease)	(1,184,416)		1,483,452
% Increase (Decrease)	-13.1%		16.4%



**Accounting Information**  
(Continued)

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Results for years since GASB 75 was implemented are shown in the table.

<b>Fiscal Year End June 30</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Measurement Date</i>	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<i>Discount Rate</i>	4.13%	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%
<b>Total OPEB liability</b>							
Service Cost	\$ 240,223	\$ 368,016	\$ 451,576	\$ 423,184	\$ 517,153	\$ 481,847	\$ 524,580
Interest	347,844	242,679	268,746	264,495	323,085	313,852	275,938
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	26,889	-	273,725	-	(2,001,274)	-	-
Changes of assumptions	296,918	(2,792,607)	441,618	203,864	174,713	255,819	(760,555)
Benefit payments	(300,912)	(334,328)	(312,175)	(281,447)	(281,304)	(263,236)	(269,146)
<b>Net change in total OPEB liability</b>	610,962	(2,516,240)	1,123,490	610,096	(1,267,627)	788,282	(229,183)
<b>Total OPEB liability - beginning</b>	8,414,987	10,931,227	9,807,737	9,197,641	10,465,268	9,676,986	9,906,169
<b>Total OPEB liability - ending (a)</b>	\$ 9,025,949	\$ 8,414,987	\$ 10,931,227	\$ 9,807,737	\$ 9,197,641	\$ 10,465,268	\$ 9,676,986
<b>Plan fiduciary net position - beginning</b>	-	-	-	-	-	-	-
<b>Plan fiduciary net position - ending (b)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net OPEB liability - ending (a) - (b)</b>	\$ 9,025,949	\$ 8,414,987	\$ 10,931,227	\$ 9,807,737	\$ 9,197,641	\$ 10,465,268	\$ 9,676,986
Covered payroll in measurement period	\$ 1,637,504	\$ 1,639,185	\$ 1,547,390	\$ 1,802,560	\$ 2,155,428	\$ 1,785,379	\$ 1,848,645
Net OPEB liability as % of covered payroll	551.20%	513.36%	706.43%	544.10%	426.72%	586.17%	523.46%



**Accounting Information**  
(Continued)

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**  
(Concluded)

<b>Fiscal Year End</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Measurement Date</i>	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<i>Discount Rate</i>	4.13%	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%

**Notes to Schedule**

Valuation Date	6/30/2023	6/30/2021	6/30/2019	6/30/2017
Funding Methodology	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Actuarial cost method	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay
Inflation	2.50%	2.50%	2.50%	2.75%
Healthcare cost trend rates	6.5% in 2025, fluctuating down to 3.9% in 2075	5.6% in 2022, fluctuating down to 3.9% in 2075	6.50% in 2021, step down 0.5% each year to 5.0% in 2024	7.50% in 2019, step down 0.5% each year to 5.0% in 2024
Salary increases	3.00%	3.00%	3.00%	3.25%
Retirement age	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2021 Study	CalPERS 2017 Study	CalPERS 2017 Study	CalPERS 2014 Study
Mortality Improvement	MW Scale 2022	MW Scale 2022	MW Scale 2018	MW Scale 2017

**Schedule of Contributions**

This schedule is not required to be provided for unfunded OPEB plans.



**Accounting Information**  
(Continued)

**Detail of Changes to Net Position**

The chart below details changes to all components of Net Position.

Arcata FPD	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows:			(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)	
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience		Investment Experience
<b>Balance at Fiscal Year Ending 6/30/2023</b> <i>Measurement Date 6/30/2022</i>	\$ 8,414,987	\$ -	\$ 8,414,987	\$ 650,734	\$ 226,689	\$ -	\$ 300,912	\$ 2,688,348	\$ 1,155,070	\$ -	\$ 11,080,070
<b>Changes During the Period:</b>											
Service Cost	240,223		240,223								240,223
Interest Cost	347,844		347,844								347,844
Expected Investment Income			-								-
Employer Contributions		300,912	(300,912)								(300,912)
Changes of Benefit Terms			-								-
Benefit Payments	(300,912)	(300,912)	-								-
Assumption Changes	296,918		296,918	296,918							-
Plan Experience	26,889		26,889		26,889						-
Investment Experience			-		(47,847)						-
Recognized Deferred Resources			-	(159,344)	(47,847)		(300,912)	(472,369)	(211,551)		(175,817)
Contributions After Measurement Date			-				342,156				(342,156)
<b>Net Changes in Fiscal Year 2023-2024</b>	610,962	-	610,962	137,574	(20,958)	-	41,244	(472,369)	(211,551)	-	(230,818)
<b>Balance at Fiscal Year Ending 6/30/2024</b> <i>Measurement Date 6/30/2023</i>	\$ 9,025,949	\$ -	\$ 9,025,949	\$ 788,308	\$ 205,731	\$ -	\$ 342,156	\$ 2,215,979	\$ 943,519	\$ -	\$ 10,849,252



**Accounting Information**  
 (Continued)

**Schedule of Deferred Outflows and Inflows of Resources**

A listing of all deferred resource bases used to develop the Net Position and OPEB Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2023

Date Created	Source	Deferred Outflow or (Inflow)			Annual Recognition	Balance as of Jun 30, 2023	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:								
		Impact on Net OPEB Liability (NOL)	Initial Amount	Period (Yrs)			2022-23 (FYE 2024)	2023-24 (FYE 2025)	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	Thereafter		
6/30/2017	Assumption Changes	NOL	\$ (760,555)	9.69	\$ (78,489)	\$ (211,132)	\$ (78,489)	\$ (78,489)	\$ (54,154)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6/30/2018	Assumption Changes	Increased				26,400	26,400	26,400	26,400	26,400	18,219	-	-	-	-
6/30/2019	Plan Experience	Decreased				(943,519)	(211,551)	(211,551)	(211,551)	(211,551)	(211,551)	(211,551)	(97,315)	-	-
6/30/2019	Assumption Changes	Increased				82,368	18,469	18,469	18,469	18,469	18,469	18,469	8,492	-	-
6/30/2020	Assumption Changes	Increased				117,664	21,550	21,550	21,550	21,550	21,550	21,550	21,550	21,550	9,914
6/30/2021	Plan Experience	Increased				182,153	44,536	44,536	44,536	44,536	44,536	44,536	4,009	-	-
6/30/2021	Assumption Changes	Increased				230,505	56,359	56,359	56,359	56,359	56,359	56,359	5,069	-	-
6/30/2022	Assumption Changes	Decreased				(2,004,847)	(393,880)	(393,880)	(393,880)	(393,880)	(393,880)	(393,880)	(393,880)	(35,447)	-
6/30/2023	Plan Experience	Increased				23,578	3,311	3,311	3,311	3,311	3,311	3,311	3,311	3,311	7,023
6/30/2023	Assumption Changes	Increased				260,352	36,566	36,566	36,566	36,566	36,566	36,566	36,566	36,566	77,522



**Accounting Information**

(Continued)

**District Contributions to the Plan**

District contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For details, see Appendix 1.

All District OPEB contributions during the measurement period were in the form of retiree benefit payments, as shown below.

<b>For the Measurement Period, Jul 1, 2022 thru Jun 30, 2023</b>	<b>Arcata FPD</b>
Benefits Paid to Retirees	\$ 300,912
Implicit Subsidy Payment	-
<i>Total Contributions During the Measurement Period</i>	300,912

District’s OPEB benefits payments made after the measurement date but prior to the current fiscal year end in the chart below.

<b>For the Fiscal Year, Jul 1, 2023 thru Jun 30, 2024</b>	<b>Arcata FPD</b>
Benefits Paid to Retirees	\$ 313,845
Implicit Subsidy Payment	28,311
<i>Total Contributions During the Current Fiscal Year</i>	342,156





**Accounting Information**

(Continued)

**Projected Benefit Payments (15-year projection)**

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3. The projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2024	\$ 313,845	\$ -	\$ 313,845	\$ 28,311	\$ -	\$ 28,311	\$ 342,156
2025	323,620	6,030	329,650	36,910	1,652	38,562	368,212
2026	330,269	13,698	343,967	47,924	3,392	51,316	395,283
2027	337,115	23,790	360,905	48,164	5,576	53,740	414,645
2028	328,277	34,527	362,804	52,761	8,701	61,462	424,266
2029	322,835	50,311	373,146	64,632	15,053	79,685	452,831
2030	332,790	70,608	403,398	77,799	23,313	101,112	504,510
2031	334,094	94,657	428,751	78,999	33,954	112,953	541,704
2032	321,715	110,193	431,908	85,675	40,043	125,718	557,626
2033	328,922	132,967	461,889	100,179	53,718	153,897	615,786
2034	326,214	157,776	483,990	99,747	70,128	169,875	653,865
2035	305,867	173,185	479,052	74,064	74,631	148,695	627,747
2036	300,441	204,114	504,555	69,332	95,788	165,120	669,675
2037	304,322	237,715	542,037	80,656	121,186	201,842	743,879
2038	288,251	272,626	560,877	63,554	151,336	214,890	775,767

The amounts shown in the Explicit Subsidy table reflect the expected payment by the District toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date (“current retirees”) and those expected to retire after the valuation date (“future retirees”).

The amounts shown in the Implicit Subsidy section reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees’ coverage for those currently retired and those expected to retire in the future. The District is expected to provide these pre-Medicare implicit subsidy benefits to retirees in the form of higher active employee premiums than would be charged if no retirees were pooled with the active members.



**Accounting Information**

(Concluded)

**Sample Journal Entries**

OPEB Accounts at Beginning of Fiscal Year	<i>By Source</i>		<i>Sources Combined</i>	
	Debit	Credit	Debit	Credit
Net OPEB Liability		8,414,987		8,414,987
<i>Deferred Outflow:</i>				
Assumption Changes	650,734			
Plan Experience	226,689			
Investment Experience	-			
Contribution Subsequent to MD	300,912			
<b>Deferred Outflows</b>			1,178,335	
<i>Deferred Inflow:</i>				
Assumption Changes		2,688,348		
Plan Experience		1,155,070		
Investment Experience		-		
<b>Deferred Inflows</b>				3,843,418
<b>Record Benefits Paid to Retirees</b>		<b>Debit</b>		<b>Credit</b>
Net OPEB Liability		313,845		
Cash			313,845	
<b>Record Implicit Subsidy Payment</b>		<b>Debit</b>		<b>Credit</b>
Net OPEB Liability		28,311		
Premium Expense			28,311	
<b>Record End of Year Updates to OPEB Accounts</b>		<i>By Source</i>		<i>Sources Combined</i>
	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
Net OPEB Liability		953,118		953,118
<i>Deferred Outflow:</i>				
Assumption Changes	137,574			
Plan Experience		20,958		
Investment Experience				
Contribution Subsequent to MD	41,244			
<b>Deferred Outflows</b>			157,860	
<i>Deferred Inflow:</i>				
Assumption Changes	472,369			
Plan Experience	211,551			
Investment Experience	-			
<b>Deferred Inflows</b>			683,920	
OPEB Expense	111,338		111,338	



### **E. Funding Information**

Our understanding is that the District is currently financing its OPEB liability relating to the Arcata Fire Protection District on a pay-as-you-go basis. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes.

Should the District wish to explore potential future prefunding for this plan we can prepare illustrations of various funding levels and, if appropriate, perform a formal funding valuation at that time. Results under a funding scenario may be materially different from the results presented in this report.



## F. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by the Arcata Fire Protection District (the District). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the District. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the District and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions: The District may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the District may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: August 2, 2024



Catherine L. MacLeod, FSA, FCA, EA, MAAA



J. Kevin Watts, FSA, FCA, MAAA



### G. Supporting Information

#### Section 1 - Summary of Employee Data

**Active employees:** The District reported 22 active members in the data provided to us for the June 2023 valuation. All were currently enrolled in the medical program.

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29		4					4	18%
30 to 34	1	3		1			5	23%
35 to 39	1				1		2	9%
40 to 44	2	1			2		5	23%
45 to 49	1			1	1	1	4	18%
50 to 54	1		1				2	9%
55 to 59							0	0%
60 to 64							0	0%
65 to 69							0	0%
70 & Up							0	0%
<b>Total</b>	<b>6</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>22</b>	<b>100%</b>
<b>Percent</b>	<b>27%</b>	<b>36%</b>	<b>5%</b>	<b>9%</b>	<b>18%</b>	<b>5%</b>	<b>100%</b>	

<u>Valuation</u>	<u>June 2021</u>	<u>June 2023</u>
Average Attained Age for Actives	38.7	39.0
Average Years of Service	9.4	6.2

**Retirees:** There were 19 retirees receiving benefits under this program on the valuation date. Their ages are summarized in the chart below.

Retirees by Age				
Current Age	Misc	Fire	Total	Percent
Below 50	0	3	3	16%
50 to 54	0	3	3	16%
55 to 59	0	0	0	0%
60 to 64	0	2	2	11%
65 to 69	0	3	3	16%
70 to 74	1	2	3	16%
75 to 79	0	3	3	16%
80 & up	0	2	2	11%
<b>Total</b>	<b>1</b>	<b>18</b>	<b>19</b>	<b>100%</b>
<b>Average Age:</b>				
On 6/30/2023	73.0	64.7	65.1	
At retirement	66.0	50.4	51.3	



**Supporting Information**

(Continued)

**Section 1 - Summary of Employee Data**

(Continued)

The chart below reconciles the number of actives and retirees included in the June 30, 2021, valuation with those included in the June 30, 2023, valuation.

<b>Reconciliation of District Plan Members Between Valuation Dates</b>				
<b>Status</b>	Covered Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2021	16	18	0	34
New employees	9			9
Separated employees	(2)			(2)
New retiree, elected coverage	(1)	1		0
Deceased		(1)	1	0
<b>Number reported as of June 30, 2023</b>	<b>22</b>	<b>18</b>	<b>1</b>	<b>41</b>

There were nine new employees hired since the prior valuation and two employees separated prior to retirement. There was one new retiree between valuations, and he elected medical coverage. One retiree passed away between valuations.

We considered the recent retiree election and other recent historical information in setting our assumptions about future retiree behavior; see Participation Rates in Section 3.

**Summary of Plan Member Counts:** GASB 75 requires the employer to report specific plan member counts. The chart below shows these counts as of the June 30, 2023, valuation date.

<b>Summary of Plan Member Counts</b>	
Number of active plan members	22
Number of inactive plan members currently receiving benefits	19
Number of inactive plan members entitled to but not receiving benefits	0



**Supporting Information**

(Continued)

**Section 2 - Summary of Retiree Benefit Provisions**

**OPEB provided:** The District provides lifetime retiree medical and dental coverage.

**Dental coverage:** If dental coverage is selected, the retiree must pay 100% of the premiums. Since no OPEB liability is expected with respect to dental coverage for retirees, it is not considered in this valuation.

**Access to coverage:** Medical coverage is currently provided through CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous PEPR employee) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement (*pension*) benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. *It is the timing of initiating retirement benefits and not timing of enrollment in the medical program* which determines whether or not a District retiree qualifies for lifetime CalPERS medical coverage and any benefits defined in the PEMHCA resolution.

Once eligible, coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event.

**Benefits provided:** Based on the District’s current PEMHCA resolution, the District makes monthly contributions equal to the minimum employer contributions (MEC). These contributions continue for the retiree’s lifetime (and generally for the surviving spouse’s lifetime) or until coverage is discontinued. The MEC was \$151 per month in 2023 and increased to \$157 per month in 2024.

Some retirees may qualify for additional benefits beyond those required under PEMHCA, based on employee agreements. The benefits vary based on employment date and employee group. A summary of these benefits is provided in a chart on the following page.

**Current premium rates:** The 2024 CalPERS monthly medical plan rates in Region 1 group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The additional CalPERS administration fee is assumed.

Region 1 2024 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem Traditional HMO	\$ 1,339.70	\$ 2,679.40	\$ 3,483.22	\$ 405.83	\$ 811.66	\$ 1,217.49
PERS Platinum PPO	1,314.27	2,628.54	3,417.10	448.15	896.30	1,344.45
PERS Gold PPO	914.82	1,829.64	2,378.53	406.60	813.20	1,219.80



Supporting Information (Continued)

Arcata Fire Protection District: Summary of OPEB Provided as of June 30, 2023						
Employee Group (and hire date)		Eligibility	Benefit	Term on Higher Stipend	Surv Spouse Benefit	Benefit Tier
Fire Chief	Any					
SMG - Safety	Hired Prior to 7/1/2008	PERS Retirement from the District	PEMHCA Minimum (MEC) + Additional Stipend, which in total add up to the PERS Gold* premium rate for member and dependents	Lifetime	PEMHCA Minimum (MEC)	1
Local						
SMG - Non-Safety	Hired in 2001					
SMG - Safety	Hired on 7/30/1995	PERS Retirement from the District	PEMHCA MEC + Additional Stipend, which in total add up to the PERS Platinum premium rate for member and dependents	Lifetime	MEC	1A
SMG - Safety	Hired after 6/30/2008 & before 1/1/2015	PERS Retirement from the District	PEMHCA MEC + Additional Stipend, which in total add up to the PERS Gold* premium rate for member only	Lifetime	MEC	2
Local	Hired after 6/30/2008 & before 7/21/2015					
Local	Hired after 7/20/2015					
SMG - Non-Safety	Hired on 7/1/2016					
SMG - Safety	Hired on/after 1/1/2015 & before 7/1/2022	10 or more years of District service	PEMHCA MEC + Additional Stipend, which in total add up to the PERS Gold* premium rate for member only	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC	MEC	3
		Less than 10 years of District Service	For each year of District service, 5% of the member only PERS Gold* premium 100% after 20 years of service	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC		
SMG - Non Safety	Hired on/after 7/1/2022	10 or more years of District service	PEMHCA MEC (if enrolled in CalPERS medical plan)	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC	MEC	4
		Less than 10 years of District Service	For each year of District service, 5% of the member only PERS Gold* premium 100% after 20 years of service	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC		
SMG - Safety	Hired on/after 7/1/2022	4 or more years of District service	PEMHCA MEC + Additional Stipend, which in total add up to the PERS Gold* premium rate for member only	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC	MEC	5
		Less than 4 years of District Service	PEMHCA MEC (if enrolled in CalPERS medical plan)	Premium paid until age 65 then subsidy for the retirees is reduced to the PEMHCA MEC		

The total benefit (PEMHCA MEC plus additional stipend) is increased to cover the PERS Platinum premium rate if the retiree is covered by an out-of-state plan.



## Supporting Information

(Continued)

### Section 3 - Actuarial Methods and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

#### Important Dates

Valuation Date	June 30, 2023
Fiscal Year End	June 30, 2024
GASB 75 Measurement Date	June 30, 2023 (last day of the prior fiscal year)

#### Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	N/A; the plan is not being funded through a trust
Participants Valued	Only current active employees, retired participants and covered dependents are valued. No future entrants are included.

#### Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Appendix 2 of this report.

Pre-Medicare retiree premiums are blended with premiums for active members. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employee premiums.

Monthly baseline premium costs were set equal to the active single premiums shown in the chart in Section 2. Representative claims costs derived from the dataset provided by CalPERS are shown in the chart on the following page. Estimated age-based claims were applied (a) for all retirees not yet eligible for Medicare and (b) for Medicare retirees receiving benefits in excess of the PEMHCA minimum *and* who are covered by Medicare Supplement plans.



**Supporting Information**  
 (Continued)

**Section 3 - Actuarial Methods and Assumptions**

Development of Age-related  
 Medical Premiums (concluded)

Region		Expected Monthly Claims by Medical Plan for Selected Ages - Male											
		Non-Medicare Retirees					Medicare Retirees						
Medical Plan		50	53	56	59	62	65	70	75	80	85	90	95
Region 1	Anthem Traditional HMO	\$ 1,295	\$ 1,527	\$ 1,774	\$ 2,033	\$ 2,311							
	PERS Gold PPO	886	1,045	1,213	1,391	1,581	Claims not developed for Medicare Advantage plans						
	PERS Platinum PPO	1,299	1,531	1,779	2,039	2,318	349	391	425	445	439	420	416
Out of State	PERS Platinum	819	965	1,121	1,285	1,461	381	427	464	486	480	458	454
		Expected Monthly Claims by Medical Plan for Selected Ages - Female											
Region		Non-Medicare Retirees					Medicare Retirees						
Medical Plan		50	53	56	59	62	65	70	75	80	85	90	95
Region 1	Anthem Traditional HMO	\$ 1,605	\$ 1,763	\$ 1,897	\$ 2,049	\$ 2,259							
	PERS Gold PPO	1,098	1,206	1,298	1,402	1,546	Claims not developed for Medicare Advantage plans						
	PERS Platinum PPO	1,609	1,768	1,902	2,055	2,266	335	378	410	428	432	423	416
Out of State	PERS Platinum	1,014	1,114	1,199	1,295	1,428	365	413	447	467	471	462	454



**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

**Economic Assumptions**

Municipal Bond Index	S&P General Obligation 20-Year High Grade Municipal Bond Index
Discount Rates	4.13% for all plan liabilities as of June 30, 2023 4.09% for all plan liabilities as of June 30, 2022
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year. Since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	Medical plan premiums and estimated claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2024	Actual	2040-2043	4.8%
2025	6.5%	2044-2049	4.7%
2026	6.0%	2050-2059	4.6%
2027	5.5%	2060-2065	4.5%
2028	5.4%	2066-2067	4.4%
2029	5.3%	2068-2069	4.3%
2030	5.2%	2070	4.2%
2031	5.1%	2071-2072	4.1%
2032-2037	5.0%	2073-2074	4.0%
2038-2039	4.9%	2075 & later	3.9%

The healthcare trend shown above was developed using the Getzen Model 2023 published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2032 20%; Resistance Point 21%; Year after which medical growth is limited to growth in GDP 2075.

The required PEMHCA minimum employer contribution (MEC) is assumed to increase annually by 4.0%.



**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

**Participant Election Assumptions**

**Participation Rate**

*Active employees:*

- (a) If eligible for the PEMHCA MEC only, 75% are assumed to elect coverage in retirement.
- (b) 100% of those eligible for benefits in excess of the MEC are assumed to elect coverage in retirement.

All active employees are assumed to elect coverage in the PERS Platinum Region 1 plan in retirement.

*Retired participants:* Existing medical plan elections are assumed to continue until the retiree's death.

**Spouse Coverage**

*Active employees:* 85% of Tier 1 and Tier 1A participants and 50% of Tier 2, 3 and 4 participants are assumed to be married and to elect coverage for their spouses in retirement. Surviving spouses are assumed to continue coverage until their death. Husbands are assumed to be 3 years older than their wives.

*Retired participants:* Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

**Dependent Coverage**

If eligible for subsidized dependent coverage in retirement:

*Active employees and retired participants* covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

**Medicare Eligibility**

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65. Those over age 65 and not currently enrolled in Medicare are assumed to remain ineligible.



**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

**Demographic Assumptions**

*Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, then projected as described below.*

**Mortality Before Retirement**  
(before improvement applied)

CalPERS Public Agency Miscellaneous Non- Industrial Deaths		
Age	Male	Female
15	0.00018	0.00010
20	0.00039	0.00014
30	0.00044	0.00019
40	0.00075	0.00039
50	0.00134	0.00081
60	0.00287	0.00179
70	0.00594	0.00404
80	0.01515	0.01149

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial		
Age	Male	Female
15	0.00018	0.00010
20	0.00042	0.00016
30	0.00047	0.00028
40	0.00061	0.00047
50	0.00102	0.00081
60	0.00246	0.00168
70	0.00673	0.00398
80	0.02247	0.01565

**Mortality After Retirement**  
(before improvement applied)

**Healthy Lives**

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00075	0.00039
50	0.00271	0.00199
60	0.00575	0.00455
70	0.01340	0.00996
80	0.04380	0.03403
90	0.14539	0.11086
100	0.36198	0.31582
110	1.00000	1.00000

**Disabled Miscellaneous**

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality		
Age	Male	Female
20	0.00411	0.00233
30	0.00452	0.00301
40	0.00779	0.00730
50	0.01727	0.01439
60	0.02681	0.01962
70	0.04056	0.02910
80	0.08044	0.06112
90	0.16770	0.14396

**Disabled Fire**

CalPERS Public Agency Disabled Fire Post- Retirement Mortality		
Age	Male	Female
20	0.00173	0.00071
30	0.00243	0.00144
40	0.00331	0.00267
50	0.00602	0.00456
60	0.01117	0.00982
70	0.02352	0.01950
80	0.06090	0.05252
90	0.16745	0.12819

**Mortality Improvement**

MacLeod Watts Scale 2022 applied generationally from 2017  
(see Appendices)



**Supporting Information**  
 (Continued)

**Section 3 - Actuarial Methods and Assumptions**

Termination Rates

These rates reflect the assumed probability that an employee will leave the District in the next 12 months for reasons other than a service or disability retirement or death.

<b>Male Miscellaneous Employees: Sum of Vested Terminated &amp; Refund Rates From CalPERS Experience Study Report Issued November 2021</b>						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1851	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1851	0.0927	0.0843	0.0000	0.0000	0.0000
25	0.1769	0.0927	0.0843	0.0377	0.0000	0.0000
30	0.1631	0.0802	0.0804	0.0377	0.0180	0.0000
35	0.1493	0.0677	0.0715	0.0366	0.0180	0.0141
40	0.1490	0.0583	0.0627	0.0337	0.0180	0.0141
45	0.1487	0.0538	0.0562	0.0309	0.0166	0.0141

<b>Female Miscellaneous Employees: Sum of Vested Terminated &amp; Refund Rates From CalPERS Experience Study Report Issued November 2021</b>						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1944	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1944	0.1085	0.1074	0.0000	0.0000	0.0000
25	0.1899	0.1085	0.1074	0.0502	0.0000	0.0000
30	0.1824	0.0977	0.1041	0.0502	0.0252	0.0000
35	0.1749	0.0869	0.0925	0.0491	0.0252	0.0175
40	0.1731	0.0777	0.0809	0.0446	0.0252	0.0175
45	0.1713	0.0710	0.0730	0.0401	0.0213	0.0175

<b>Male Fire Safety Employees: Sum of Vested Terminated &amp; Refund Rates From CalPERS Experience Study Report Issued November 2021</b>						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1022	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1022	0.0272	0.0181	0.0000	0.0000	0.0000
25	0.1022	0.0272	0.0181	0.0081	0.0000	0.0000
30	0.1022	0.0272	0.0181	0.0081	0.0048	0.0000
35	0.1022	0.0272	0.0181	0.0081	0.0048	0.0035
40	0.1022	0.0272	0.0181	0.0081	0.0048	0.0035
45	0.1022	0.0272	0.0181	0.0081	0.0048	0.0035

<b>Female Fire Safety Employees: Sum of Vested Terminated &amp; Refund Rates From CalPERS Experience Study Report Issued November 2021</b>						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1317	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1317	0.0524	0.0438	0.0000	0.0000	0.0000
25	0.1317	0.0524	0.0438	0.0164	0.0000	0.0000
30	0.1317	0.0524	0.0438	0.0164	0.0120	0.0000
35	0.1317	0.0524	0.0438	0.0164	0.0120	0.0088
40	0.1317	0.0524	0.0438	0.0164	0.0120	0.0088
45	0.1317	0.0524	0.0438	0.0164	0.0120	0.0088





**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

Service Retirement Rates

(continued)

<b>Fire Safety Employees: 3.0% at 55 formula</b>						
From CalPERS Experience Study Report Issued November 2021						
Current Age	Years of Service					
Age	5	10	15	20	25	30
50	0.0030	0.0060	0.0130	0.0190	0.0250	0.0280
53	0.0050	0.0340	0.0240	0.0380	0.0690	0.1380
56	0.0100	0.0630	0.0440	0.0690	0.1270	0.2530
59	0.1370	0.0530	0.0840	0.1460	0.1770	0.1770
62	0.6210	0.2400	0.2400	0.2400	0.2400	0.2400
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

<b>Fire Safety Employees: 2.7% at 57 formula</b>						
From CalPERS Experience Study Report Issued November 2021						
Current Age	Years of Service					
Age	5	10	15	20	25	30
50	0.0070	0.0070	0.0070	0.0070	0.0100	0.0150
53	0.0440	0.0440	0.0440	0.0440	0.0680	0.1020
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1710
59	0.0730	0.0730	0.0730	0.0730	0.1120	0.1680
62	0.1140	0.1140	0.1140	0.1140	0.1750	0.2620
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Nov 2021 Experience Study Report		
Age	Male	Female
20	0.00007	0.00004
25	0.00007	0.00009
30	0.00017	0.00033
35	0.00035	0.00065
40	0.00091	0.00119
45	0.00149	0.00185
50	0.00154	0.00193
55	0.00139	0.00129
60	0.00124	0.00094

CalPERS Public Agency Fire Combined Disability From Nov 2021 Experience Study Report	
Age	Unisex
20	0.00013
25	0.00027
30	0.00064
35	0.00127
40	0.00233
45	0.00414
50	0.02118
55	0.03120
60	0.04429





**Supporting Information**  
(Concluded)

**Section 3 - Actuarial Methods and Assumptions**

**Software and Models Used in the Valuation**

**ProVal** - MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

**Age-based premiums model** – developed internally and reviewed by an external consultant at the time it was developed. See discussion on Development of Age-Related Medical Premiums and Appendix 3.

**Getzen model** – published by the Society of Actuaries; used to derive medical trend assumptions described earlier in this section.

**Changes recognized during the current Measurement Date**

Discount Rate	Changed from 4.09% as of June 30, 2022, to 4.13% as of June 30, 2023, based on the published change in return for the applicable municipal bond index.
Demographic Assumptions	Updated demographic assumptions from those in the 2017 CalPERS Experience Study to those recommended in the CalPERS 2021 Experience Study report issued November 2021.
Medical Trend	Updated from Getzen 2022_b to Getzen 2023 healthcare trend model sponsored by the Society of Actuaries.
Pool Subsidy for Medicare retirees	We excluded Medicare Advantage plans from the pool subsidy under guidance provided by a recent actuarial practice note.
Clarification of Benefit Tiers	While not an assumption change, per se, based on updated information provided by the District, we reassigned plan participants and updated the actuarial coding to reflect the clarification of benefits.



## Appendix 1: Important Background Information

### General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		<i>Covered by higher active premiums</i>
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

*This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.*

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large “community-rated” healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

### Valuation Process

The valuation was based on employee census data and benefits provided by the District. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee’s future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends



## Important Background Information

(Continued)

in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate the present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members
- A significant increase or decrease in the future premium rates
- A change in the subsidy provided by the Agency toward retiree premiums
- Longer life expectancies of retirees
- Significant changes in estimated retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability



**Important Background Information**  
(Continued)

**Requirements of GASB 75**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

**Important Dates**

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

**Recognition of Plan Changes and Gains and Losses**

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition:* Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected  
and actual trust earnings:

5 year straight-line recognition

All other amounts:

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.



**Important Background Information**  
(Continued)

**Implicit Subsidy Plan Contributions**

An implicit subsidy occurs when estimated retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
<i>Prior to Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
<i>After Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	\$ 388,000	\$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.



## **Important Background Information**

(Concluded)

### **Discount Rate**

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

### **Actuarial Funding Method and Assumptions**

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.



## Appendix 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g., GASB 75) and actuarial standards (e.g., ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50 year old male has \$1 in claims, then on average a 50 year old female has claims of \$1.25, a 30 year male has claims of \$0.40, and an 8 year old female has claims of \$0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.



### **Appendix 3: MacLeod Watts Mortality Projection Methodology**

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions used in generating Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the age 95 improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.





## Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member’s account are determined and the terms of distribution of the account after separation from employment

Discount Rate - Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual’s projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds (“Cadillac Plans”). The tax was repealed in December 2019.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer’s payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree’s coverage

Fiduciary Net Position – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments.



## Glossary

(Continued)

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a ‘blended’ group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency’s financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees’ Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as ‘belonging’ to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of “Actuarial Present Value”

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility





**Resolution Number: 24-315**

**A RESOLUTION OF THE ARCATA FIRE PROTECTION DISTRICT BOARD OF DIRECTORS  
DIRECTING TRANSFER OF CASH FROM THE HUMBOLDT COUNTY TREASURY  
ACCOUNT TO THE CALTRUST LIQUIDITY FUND**

**WHEREAS**, the Board of the Arcata Fire Protection District at the December 2022 Regular Board meeting authorized the District to become a participant agency with CalTRUST; and

**WHEREAS**, the Board of the Arcata Fire Protection District hereby finds it appropriate to transfer \$3,165,392.88 in operating cash held at the County Treasury General Fund account 2010000 the following amounts into CalTRUST’s Liquidity Fund; and

**WHEREAS**, The Board of the Arcata Fire Protection District finds it suitable to keep approximately \$500,000 in the County Treasury General Fund account 2010000; and

**WHEREAS**, the Board of the Arcata Fire Protection District directs the cash be invested in CalTRUST’s Liquidity Fund.

**NOW THEREFORE, BE IT RESOLVED THAT**, the Board of the Arcata Fire Protection District hereby authorizes the transfer of cash from County Treasury, in the amount of \$3,165,392.88 to the CalTRUST Liquidity Fund.

**ADOPTED, SIGNED AND APPROVED** at a duly called meeting of the Board of Directors of the Arcata Fire Protection District by the following polled vote:

- Ayes:
- Nays:
- Abstain:
- Absent:

**DATED:** September 10, 2024

Signed:

\_\_\_\_\_  
Eric Loudenslager, President

Attest:

\_\_\_\_\_  
Katie Hill, Board Clerk/Secretary

# District Business

**Date:** September 10, 2024  
**To:** Board of Directors, Arcata Fire District  
**From:** Chris Emmons, Fire Chief  
**Subject:** **CONDUCT A PUBLIC HEARING** to Consider Adoption of Resolution 24-316 Finalizing the Annual Budget for Fiscal Year 2024/25

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### **Background**

Pursuant to Government Code 13895, the Board is required to adopt a final budget, after making any changes to the preliminary budget, no later than October 1. The Board adopted the preliminary FY2024/25 budget via the consent calendar on the June 13, 2024, Regular Board meeting. Since that meeting, staff have been able to refine projections to reflect more exact revenue and expenditure calculations for this fiscal year. The following is a summary of changes to be included in the final budget.

**TOTAL REVENUES: \$7,168,000** *Estimated to be 15% lower than FYE 23/24*

**\$6,652,000 in Tax Revenues:** The revenue amounts have been adjusted from the preliminary projections. The staff has applied a conservative 1.5% growth factor on the property tax revenue from the prior fiscal year end. According to the County, they are projecting a 5.0% growth countywide for FY 24/25, but it is best practice to keep our projections below the 2% rate that property tax can adjust.

The revenue for the District property assessments is calculated using the Assessor parcel list and applying the 2020 Special Tax and 2006 Benefit Assessment values. There is also a 3% reduction to each fund to account for parcels that go uncollected during the fiscal year. The 2020 Special Tax is projected to generate \$2.28 million with the '06 Benefit Assessment at \$1.43 million.

The rest of the tax revenue items are projected based on the 10-year average.

**\$ \$250,000 in Use of Money & Property:** This category is estimated based on funds kept in the County Treasury, Redwood Capital Bank, and CalTrust. Money held at CalTrust has been earning over 5% monthly.

**\$34,000 in Intergovernmental:** As of August 24, 2023, the money received is primarily from Property Owner Tax relief, Air Quality Reimbursement and Proposition 172 disbursements.

**\$92,000 in Charges for Service:** We incurred a 17% decrease based on the amount collected from the previous year. This is an anomaly for FY 23/24 and not anticipated to be what is averaged.

**\$140,200 in Miscellaneous Revenue:** The significant change from this category is from the sale of a pick up truck and receipt of disbursement from the

Orvamae Emmerson Endowment Fund. FY 23/24 we received the loan for the engine and in FY 24/25 we received the second installment out of seven.

**TOTAL EXPENSES: \$7,009,000** *Estimated to be 4% lower than FYE 23/24*

**\$4,503,000 in Salaries & Benefits:** The subcategories were adjusted to reflect actual projected costs based on the current staffing levels. Overall, the salaries and benefits category increased by 3% from the amount in the 23/24 FYE.

**\$1,226,000 in Service and Supplies:** Overall, the services and supplies category increased by 25% from the amount in the 23/24 FYE. Items that were significant increases are: Turnout maintenance and testing, apparatus maintenance from previous deferred maintenance issues, deferred station maintenance including painting of the McKinleyville Station, purchase of a needed Records Management System to replace the soon to be unsupported system, legal services and financial consultant services. We are also adding a behavioral health component to the Health and Wellness program. Transportation and travel is a conservative cost projection due to increases in fuel costs and attendance at training. The Minor Equipment category has a significant increase to replace hose and nozzles that have exceeded their life span.

**\$1,280,000 in Other Expenditures:** In this section, the budget was updated with an increase over the Preliminary Budget to cover the cost of a command vehicle and new rescue tools (Jaws). The overall category is down from FY 23/24 but increases from what the Preliminary Budget indicated.

**SURPLUS FUNDS: \$159,000**

**Recommendation**

Staff recommends the Board hold the public hearing and adopt the FY 2024/25 Budget as presented.

**District Funds Requested/Required**

- No Fiscal Impact/Not Applicable
- Included in Budget
- Additional Appropriation Requested
- Unknown/Not Yet Identified

**Alternatives**

The Board has the following alternatives:

1. Take no action
2. With direction, refer the topic back to staff for further consideration

**Attachments**

Attachment 1 – Proposed Final Budget

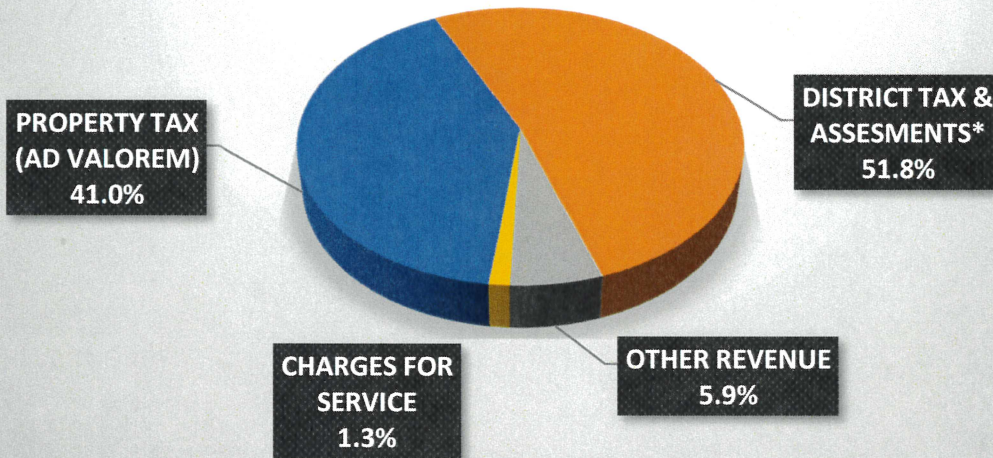
Attachment 2 – Resolution 24-316 and Exhibit A, Fiscal Year 2024/25 Budget



## FISCAL YEAR 2024/25 Mid-Year Budget Adjustment

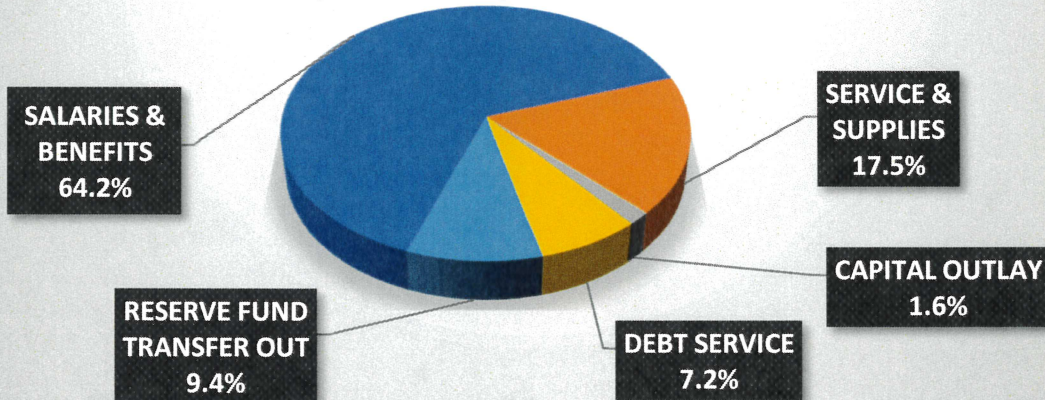
<b>REVENUES</b>	<b>\$7,168,000</b>
PROPERTY TAX (AD VALOREM)	\$2,939,000
DISTRICT TAX & ASSESMENTS*	\$3,713,000
OTHER REVENUE	\$424,000
CHARGES FOR SERVICE	\$92,000
<i>* amount reflect 3% reduction of total assessments to account for non-paying properties</i>	

### Projected Revenues



<b>EXPENDITURES</b>	<b>\$7,009,000</b>
SALARIES & BENEFITS	\$4,503,000
SERVICE & SUPPLIES	\$1,226,000
CAPITAL OUTLAY	\$115,000
DEBT SERVICE	\$503,000
RESERVE FUND TRANSFER OUT	\$662,000
Surplus (Deficit)	\$159,000

### Projected Expenditures



# Financial Summary

Revenue Sources	General Operating Fund	2006 Benefit Assessment <sup>(1)</sup>	2020 Special Tax <sup>(2)</sup>	Fire Prevention Bureau	Assistance By Hire	TOTAL
Tax Revenue	\$2,862,000	-	-	\$77,000	-	\$2,939,000
District Assessment & Tax	-	\$1,431,000	\$2,282,000	-	-	\$3,713,000
Interest	\$250,000	-	-	-	-	\$250,000
Intergovernmental	\$34,000	-	-	-	-	\$34,000
Charges for Service	\$25,000	-	-	\$67,000	-	\$92,000
Other Revenue	\$140,000	-	-	-	\$0	\$140,000
<b>Total Revenue</b>	<b>\$3,311,000</b>	<b>\$1,431,000</b>	<b>\$2,282,000</b>	<b>\$144,000</b>	<b>\$0</b>	<b>\$7,168,000</b>
<b>Expenditures and Appropriations</b>						
Personnel	\$2,172,000	\$1,105,000	\$1,098,000	\$128,000	\$0	\$4,503,000
Services & Supplies	\$406,000	\$405,000	\$405,000	\$10,000	-	\$1,226,000
Debt Service	\$129,000	\$129,000	\$244,000	-	-	\$503,000
Capital Expense	\$115,000	-	-	-	-	\$115,000
Reserve Fund Transfers Out	-	-	\$662,000	-	-	\$662,000
<b>Total Expenditures</b>	<b>\$2,822,000</b>	<b>\$1,639,000</b>	<b>\$2,409,000</b>	<b>\$138,000</b>	<b>\$0</b>	<b>\$7,009,000</b>
<b>Fund Balance</b>	<b>\$489,000</b>	<b>(\$208,000)</b>	<b>(\$127,000)</b>	<b>\$6,000</b>	<b>\$0</b>	<b>\$159,000</b>
					<b>Surplus / (Deficit)</b>	<b>\$159,000</b>
<b>Operating Fund Balance needed on July 1, 2024</b>	<b>\$4,086,247</b>					<b>\$8,693,940</b>
					<b>Fund Balances - Ending</b>	<b>\$8,852,940</b>
Footnote #1 - The Benefit Assessment funds 1 Chief officer, 3 Fire Captains, 3 Engineers, 1/3 of the operations, 1/3 UAL refinance						
Footnote #2 - The 2020 Special Tax funds 1 Chief officer, 3 Fire Captains, 3 Engineers, 1/3 of the operations, 1/3 UAL refinance, & Fire engine loan						
Budgeted Position Allocation	Admin	Suppression	Prevention	Logistics	<b>TOTAL</b>	
Full Time Positions	4	18	1	-	23	
Part-time Positions	-	-	2	-	2	
Volunteer Positions	-	-	-	10	10	



# FY24-25 Revenues

	FYE 23/24	DRAFT FY 24/25
<b>REVENUE</b>		
<b>TAX REVENUE</b>	<b>\$ 6,599,000</b>	<b>\$ 6,652,000</b>
* 101117 · PROPERTY TAX-CURRENT-SECURED	\$ 2,700,859	\$ 2,750,000
* 102500 · PROPERTY TAX-CURRENT-UNSECURED	\$ 110,479	\$ 93,000
* 103500 · PROPERTY TAX-PRIOR YEARS-SECURED	\$ 1,337	\$ 60,000
* 105110 · PROPERTY TAX-PRIOR YEARS-UNSECURED	\$ 70,343	\$ 1,000
* 800040 · SUPPLEMENTAL TAXES- CURRENT	\$ 45,004	\$ 30,000
* 105900 · SUPPLEMENTAL TAXES-PRIOR YEAR	\$ 8,036	\$ 4,000
113100 · STATE TIMBER TAX	\$ 1,098	\$ 1,000
* 800050 · PROPERTY ASSESSMENTS	\$ 3,661,510	\$ 3,713,000
2006 Benefit Assessment	\$ 1,427,989	\$ 1,431,000
2020 Special Tax	\$ 2,233,521	\$ 2,282,000
<b>USE OF MONEY &amp; PROPERTY</b>	<b>\$ 391,161</b>	<b>\$ 250,000</b>
* 800190 · INTEREST INCOME	\$ 391,161	\$ 250,000
<b>INTERGOVERNMENTAL</b>	<b>\$ 296,701</b>	<b>\$ 34,000</b>
* 525110 · HOMEOWNERS PROP. TAX RELIEF	\$ 24,354	\$ 25,000
800580 · FEDERAL AID IN-LIEU TAX	\$ 545	\$ 1,000
800600 · OTHER GOVERNMENT AGENCIES	\$ 50,000	\$ 8,000
Prop 172 Funds		\$ 7,000
Workers Compensation Reimbursement	\$ 38,043	\$ -
Air Quality Management District Fees	\$ 12,268	\$ 700
800944 · GRANT REVENUE		\$ -
800950 · FIREFIGHTING REIMBURSEMENTS	\$ 221,802	\$ -
<b>CHARGES FOR SERVICES</b>	<b>\$ 122,128</b>	<b>\$ 92,000</b>
* 800155 · PREVENTION FEES	\$ 22,952	\$ 17,000
* 800156 · R1/R2 INSPECTION FEES	\$ 52,797	\$ 50,000
800700 · OTHER SERVICES	\$ 164	
* 800946 · INCIDENT REVENUE RECOVERY FEES	\$ 46,214	\$ 25,000
<b>MISCELLANEOUS REVENUES</b>	<b>\$ 996,085</b>	<b>\$ 140,200</b>
800920 · SALE OF FIXED ASSETS	\$ 10,000	\$ 10,000
800940 · OTHER REVENUE	\$ 1,002,119	\$ 130,000
800941 · REFUNDS	\$ (16,753)	\$ -
800942 · INCIDENT REPORTS	\$ 719	\$ 200
<b>OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>
Transfer-In From Reserve Fund	\$ -	\$ -
Contingency Fund		\$ -
Training Reserve Fund		\$ -
Vehicle Replacement Fund		\$ -
PERS Contingency Fund		\$ -
County Treasury General Fund		\$ -
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 8,405,000</b>	<b>\$ 7,168,000</b>
* apportioned over 12 months		

	FYE 23/24	Proposed FY 24/25
<b>EXPENSES</b>		
<b>SALARIES &amp; EMPLOYEE BENEFITS</b>		
5010 · SALARIES AND WAGES	\$2,638,000	\$2,586,000
5020 · RETIREMENT	\$677,563	\$740,000
5030 · GROUP INSURANCE	\$967,273	\$1,086,500
5035 · WORKER'S COMPENSATION	\$106,000	\$90,000
<b>TOTAL SALARIES &amp; EMPLOYEE BENEFITS</b>	<b>\$4,389,000</b>	<b>\$4,503,000</b>
<b>SERVICE &amp; SUPPLIES</b>		
5050 · CLOTHING & PERSONAL SUPPLIES	\$25,715	\$43,400
5060 · COMMUNICATIONS	\$36,532	\$33,000
5080 · FOOD	\$1,302	\$1,000
5090 · HOUSEHOLD EXPENSE	\$15,684	\$18,000
5100 · LIABILITY INSURANCE	\$51,345	\$61,214
5120 · MAINTENANCE-EQUIPMENT	\$127,792	\$163,600
5121 · MAINTENANCE-ELECTRONICS	\$1,709	\$12,500
5130 · MAINTENANCE-STRUCTURE	\$22,487	\$44,000
5140 · MEDICAL SUPPLIES	\$3,341	\$6,500
5150 · MEMBERSHIPS	\$1,327	\$3,000
5160 · MISCELLANEOUS EXPENSE	\$2,177	\$2,500
5170 · OFFICE EXPENSE	\$17,916	\$41,000
5180 · PROFESSIONAL & SPECIAL SERVICES	\$118,290	\$217,700
5190 · PUBLICATIONS & LEGAL NOTICES	\$897	\$1,000
5200 · RENTS & LEASES-EQUIPMENT	\$8,402	\$8,000
5210 · RENT & LEASES - STRUCTURES	\$120,000	\$130,000
5230 · SPECIAL DISTRICT EXPENSE	\$104,006	\$177,700
5250 · TRANSPORTATION & TRAVEL	\$83,393	\$102,000
5260 · UTILITIES	\$41,424	\$42,300
5370 · MINOR EQUIPMENT PURCHASE	\$23,732	\$118,000
<b>TOTAL SERVICE &amp; SUPPLIES</b>	<b>\$807,000</b>	<b>\$1,226,000</b>
<b>OTHER EXPENDITURES</b>		
CAPITAL EXPENSE	\$937,282	\$115,000
DEBT SERVICE	\$505,000	\$503,000
RESERVE FUND TRANSFERS - OUT	\$662,000	\$662,000
Contingency Fund Transfer	\$200,000	\$200,000
Vehicle Replacement Fund Transfer	\$200,000	\$200,000
PERS Rate Stabilization Fund Transfer	\$261,816	\$261,816
<b>TOTAL OTHER EXPENDITURES</b>	<b>\$2,104,000</b>	<b>\$1,280,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$7,300,000</b>	<b>\$7,009,000</b>
<b>Budget Surplus / (deficit)</b>	<b>\$1,105,000</b>	<b>\$159,000</b>

\* apportioned over 12 months



Resolution Number: 24-316

A RESOLUTION OF THE ARCATA FIRE PROTECTION DISTRICT BOARD OF DIRECTORS ADOPTING THE FISCAL YEAR 2024/25 BUDGET

WHEREAS, the Board of Directors has reviewed and considered the Budget for Fiscal Year 2024/25, Exhibit A, hereinafter referred to as the "Budget"; and

WHEREAS, the Budget provides a comprehensive plan of financial operations for the District including an estimate of revenues and the anticipated requirements for expenditures, appropriations, and reserves for the forthcoming fiscal year; and

WHEREAS, the Budget establishes the basis for incurring liability and making expenditures on behalf of the District; and

WHEREAS, section 13895 of the Health and Safety Code provides that on or before October 1 of each year, the Board must adopt a final budget which conforms to the accounting and budgeting procedures for special districts, and

WHEREAS, the Preliminary Fiscal Year 2024/25 Budget was adopted at the June 13, 2024, Regular Board Meeting by a consent calendar roll call vote, and the date of the public hearing set for the September Regular Board Meeting; and

WHEREAS, the September 10, 2024, Regular Board Meeting agenda in which the proposed budget for Fiscal Year 2024/25 was noticed pursuant to the notice provisions of the Ralph M. Brown Act, as codified in section 54950 et seq. of the California Government Code; and

WHEREAS, the September 10, 2024, Regular Board Meeting, the public was offered an opportunity to comment on the proposed budget for Fiscal Year 2024/25, prior to the Board taking action on the matter.

NOW THEREFORE, BE IT RESOLVED THAT the Arcata Fire Protection District Board of Directors hereby approves and adopts the Fiscal Year 2024/25 Budget.

BE IT FURTHER RESOLVED THAT the Fire Chief or designee shall transmit a certified copy of this resolution with Exhibit A, the adopted budget for Fiscal Year 2024/25 to the Office of the Humboldt County Auditor Controller as required pursuant to section 13895 of the Health and Safety Code.

ADOPTED, SIGNED AND APPROVED at a duly called meeting of the Board of Directors of the Arcata Fire Protection District by the following polled vote:

- Ayes:
Nays:
Abstain:
Absent:

DATED: September 10, 2024

Signed: Eric Loudenslager, President

Attest: Katie Hill, Board Clerk/Secretary

Arcata Fire Protection District  
BUDGET FOR FISCAL YEAR 2024/25

**SALARIES & EMPLOYEE BENEFITS**

5010 · SALARIES AND WAGES	\$2,586,000
5020 · RETIREMENT	\$740,000
5030 · GROUP INSURANCE	\$1,086,500
5035 · WORKER'S COMPENSATION	\$90,000

**TOTAL SALARIES & EMPLOYEE BENEFITS** **\$4,503,000**

**SERVICE & SUPPLIES**

5050 · CLOTHING & PERSONAL SUPPLIES	\$43,400
5060 · COMMUNICATIONS	\$33,000
5080 · FOOD	\$1,000
5090 · HOUSEHOLD EXPENSE	\$18,000
5100 · LIABILITY INSURANCE	\$61,214
5120 · MAINTENANCE-EQUIPMENT	\$163,600
5121 · MAINTENANCE-ELECTRONICS	\$12,500
5130 · MAINTENANCE-STRUCTURE	\$44,000
5140 · MEDICAL SUPPLIES	\$6,500
5150 · MEMBERSHIPS	\$3,000
5160 · MISCELLANEOUS EXPENSE	\$2,500
5170 · OFFICE EXPENSE	\$41,000
5180 · PROFESSIONAL & SPECIAL SERVICES	\$217,700
5190 · PUBLICATIONS & LEGAL NOTICES	\$1,000
5200 · RENTS & LEASES-EQUIPMENT	\$8,000
5210 · RENT & LEASES - STRUCTURES	\$130,000
5230 · SPECIAL DISTRICT EXPENSE	\$177,700
5250 · TRANSPORTATION & TRAVEL	\$102,000
5260 · UTILITIES	\$42,300
5370 · MINOR EQUIPMENT PURCHASE	\$118,000

**TOTAL SERVICE & SUPPLIES** **\$1,226,000**

**OTHER EXPENDITURES**

CAPITAL EXPENSE	\$115,000
DEBT SERVICE	\$503,000
RESERVE FUND TRANSFERS - OUT	\$662,000

**TOTAL OTHER EXPENDITURES** **\$1,280,000**

TOTAL EXPENDITURES	\$7,009,000
TOTAL REVENUE	\$7,168,000
BUDGET CONTINGENCY (Funded/Underfunded)	\$159,000

**Date:** August 22, 2024  
**To:** Board of Directors, Arcata Fire District  
**From:** Chris Emmons, Fire Chief  
**Subject:** Adopt Resolution 24-317, Approving an Option Agreement with the Arcata Volunteer Firefighter's Association for the Potential Acquisition of the 9<sup>th</sup> Street Station and Finding the Action Exempt from CEQA

---

**DISCUSSION:**

The Arcata Fire Protection District Board of Directors have been in discussions regarding a potential Option to Purchase Agreement with the Arcata Volunteer Firefighter's Association for the 9th Street Fire Station and property. Through direction to the Board ad-hoc committee, staff, and District Counsel, a resolution approving the Option Agreement with the AVFA has been drafted.

The Option Agreement grants the District the right to purchase the property from AVFA at any time between execution and August 31, 2026, for the then-current balance on the mortgage (currently ~ 1,565,000). During the term of the Option Agreement, the District will continue to lease the property from AVFA under the terms and conditions of the existing lease agreement. If the District purchases the property, the District will lease back to AVFA portions of the property so that AVFA can continue to operate and provide educational opportunities to the community.

The draft resolution for the Option Agreement of the 631 9<sup>th</sup> Street Fire Station states that the action is exempt from CEQA (California Environmental Quality Act) requirements.

**RECOMMENDATION:**

Staff recommends the Board, take public comment, discuss and approve Resolution 24-317, approving an option agreement with the Arcata Volunteer Firefighter's Association for the potential acquisition of the 9<sup>th</sup> Street Station and finding the action exempt from CEQA.

**FINANCIAL IMPACT:**

- No Fiscal Impact/Not Applicable
- Included in Budget:
- Additional Appropriation Requested:
- Unknown/Not Yet Identified

**ALTERNATIVES:**

Board Discretion

**ATTACHMENTS:**

Attachment 1 – Resolution 24-317 with Exhibit A



## RESOLUTION NO. 24-317

### A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ARCATA FIRE PROTECTION DISTRICT APPROVING AN OPTION AGREEMENT WITH THE ARCATA VOLUNTEER FIREFIGHTERS' ASSOCIATION, INC. FOR THE ACQUISITION OF AN OPTION TO PURCHASE THE DOWNTOWN ARCATA STATION; AND DETERMINING THE ACTION TO BE EXEMPT FROM CEQA

**WHEREAS**, the Arcata Fire Protection District is a duly fire protection district pursuant to the Fire Protection District Law of 1987, and, as such, has the power to acquire property by any means pursuant to Section 13861(b) of the Health and Safety Code; and

**WHEREAS**, since 1975, the District has leased from the Arcata Volunteer Firefighters' Association, Inc. ("AVFA"), a California non-profit corporation, that certain real property located at 631 9th Street, Arcata, CA 95521 ("Downtown Station"), for the operation of a fire station; and

**WHEREAS**, the District desires to acquire an option to purchase the Downtown Station from AVFA on the terms and conditions set forth in the Option Agreement attached hereto as *Exhibit A* for the continued operation of a fire station; and

**WHEREAS**, the Board of Directors believes that acquiring the Downtown Station will be in the best interest of the District; and

**WHEREAS**, by way of this Resolution, the Board approves the proposed Option Agreement and authorizes the Fire Chief of the District and/or the President of the Board of Directors to execute the Option Agreement on behalf of the District.

### NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE ARCATA FIRE PROTECTION DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

1. The Board approves the Option Agreement and authorizes the Fire Chief and/or President of the Board of Directors to execute the Option Agreement; and
2. Prior to execution of the Option Agreement, the Board authorizes the Fire Chief, in consultation with and approval of District Counsel, to make any non-substantive edits to the Option Agreement; and
3. The approval of the Option Agreement is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061(b)(3), exempting project approvals where "it can be seen with certainty that there is no possibility that that the activity in question may have a significant effect on the environment." The approval of the Option Agreement is further exempt pursuant to CEQA Guidelines section 15301, exempting project approvals for the operation, repair, maintenance, permitting, leasing, licensing, or minor

alteration of existing public or private structures and facilities. The District will continue to utilize the real property in the same way it has utilized the property for at least 10 years. Any potential improvement, project and/or activity on the real property will be fully evaluated in compliance with CEQA when and if such a project is planned.

**PASSED, APPROVED AND ADOPTED** this 10th day of September 2024, by the following roll call vote:

Ayes:

Nays:

Abstain:

Absent:

---

Eric Loudenslager, President

Attest:

---

Katie Hill, Board Clerk/Secretary

**EXHIBIT A**

**[FOLLOWS THIS PAGE]**



**OPTION AGREEMENT FOR PURCHASE  
OF  
ARCATA FIRE STATION PROPERTY  
BETWEEN  
ARCATA VOLUNTEER FIREFIGHTERS'  
ASSOCIATION, INC.  
AND  
ARCATA FIRE PROTECTION DISTRICT**

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**Exhibit 1   Legal Description of the Property.....31**

**Exhibit 2   Lease and License Agreement.....32**

**Exhibit 1 - Description of the Property.....40**

**Exhibit 2 - First Floor Footprint.....41**

DRAFT

## OPTION AGREEMENT

This Option Agreement (“Agreement”) is made as of \_\_\_\_\_, 2024, by and between the **ARCATA VOLUNTEER FIREFIGHTERS’ ASSOCIATION, INC.**, a California nonprofit corporation (“Optionor”), and the **ARCATA FIRE PROTECTION DISTRICT**, a California fire protection special district (“Optionee”). Optionor and Optionee are also referred to herein, individually, as a “party” and, collectively, as the “parties”.

### Recitals

**A. WHEREAS**, Optionor is a non-profit public benefit corporation that exists to promote and support fire protection services within the boundaries of the Arcata Fire Protection District.

**B. WHEREAS**, Optionee is a duly formed and operating fire protection district that provides fire protection and other emergency services to residents and businesses within its boundaries.

**C. WHEREAS**, Optionor is the owner of certain improved real property located in the City of Arcata, County of Humboldt, State of California, commonly known as 631 9<sup>th</sup> Street, Arcata, CA 95521 (Humboldt County APN 021-041-002-000), and more particularly described in *Exhibit A* hereto and incorporated herein (the “Property”).

**D. WHEREAS**, Optionor currently leases the Property to Optionee under the terms and conditions of the Commercial Rental Agreement dated May 10, 2016, as amended by that Amendment to Commercial Rental Agreement dated June 20, 2017, that Notice of Rent Increase dated July 23, 2021, and that Second Amendment to Commercial Rental Agreement dated October \_\_, 2023 (collectively the “Lease”), under which Optionee continues to operate a fire station on the Property.

**E. WHEREAS**, in order to better ensure the financial stability of Optionee to allow it to carry out its mission, Optionor desires to grant to Optionee the exclusive right to purchase the Property at an agreed price and under the specific terms in this Agreement and the Exhibits attached hereto, which are incorporated herein by this reference.

### Agreement

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

**Section 1. OPTION TO PURCHASE.** Optionor grants to Optionee an option to purchase the Property on the terms and conditions of this Agreement and in the Real Estate Purchase and Sale Agreement attached as *Exhibit C* and incorporated by reference (“Purchase Agreement”).

**Section 2. CONSIDERATION FOR OPTION.** Concurrently with the execution of this Agreement, Optionee has paid to Optionor as consideration the sum of One Thousand Dollars

(\$1,000) for the option. If the option granted under this Agreement is exercised by Optionee, Optionor agrees to credit the full amount of the option consideration to the purchase price of the Property.

**Section 3. TERM.** This Agreement shall be effective as of the date of this Agreement and shall expire at 11:59 PM (local time) on August 31, 2026 (“Option Term”).

**Section 4. EXERCISE.** Provided Optionee is not in default under this Agreement, this option may be exercised by Optionee’s delivering to Optionor before the expiration of the Option Term written notice of the exercise (“Exercise Notice”), which shall state that the option is exercised without condition or qualification. The Exercise Notice must be accompanied by two (2) copies of the Purchase Agreement executed by Optionee, with the first paragraph of the Purchase Agreement completed by insertion of the date on which the Exercise Notice is given.

**Section 5. EXECUTION OF PURCHASE AGREEMENT.** On receipt by Optionor of the Exercise Notice and two (2) copies of the Purchase Agreement executed by Optionee, Optionor shall promptly execute the Purchase Agreement and deliver an executed copy to Optionee. Optionor’s failure to execute and deliver a copy of the Purchase Agreement in accordance with this Section shall not affect the validity of the Purchase Agreement. The Purchase Agreement shall be immediately effective and binding on both Optionor and Optionee without further execution by the parties, on exercise of the option in accordance with Section 4 hereof.

**Section 6. REPRESENTATIONS AND WARRANTIES.** Optionor warrants that Optionor is the owner of the Property and has marketable and insurable fee simple title to the Property clear of restrictions, leases, liens, and other encumbrances (excluding the current Redwood Capital Bank mortgage), except as permitted in the Purchase Agreement. If this option is exercised by Optionee, Optionor will convey title to the Property by grant deed. During the Option Term and until the Property is conveyed to Optionee, if this option is exercised, Optionor will not further encumber the Property in any way nor grant any property or contract right relating to the Property without the prior written consent of Optionee.

**Section 7. TIME OF ESSENCE.** Time is of the essence for this Option Agreement. If the option is not exercised in the manner provided in Section 4 hereof before the expiration of the Option Term, Optionee shall have no interest in the Property and the option may not be revived by any subsequent payment or further action by Optionee.

**Section 8. QUITCLAIM DEED.** If this Agreement is terminated, Optionee agrees, if requested by Optionor, to execute, acknowledge, and deliver a quitclaim deed to Optionor within ten (10) days after termination and to execute, acknowledge, and deliver any other documents required by any title company to remove the cloud of this option from the Property.

**Section 9. NOTICES.** All notices to be given pursuant to this Agreement shall be either (i) personally delivered; (ii) sent via certified or registered mail, postage prepaid; (iii) overnight courier (such as Federal Express, DHL, etc.); (iv) by electronic scan and transfer by e-mail; or (v) by telecopy transmittal. If sent via certified or registered mail, receipt shall be deemed effective forty-eight (48) hours after being deposited in the United States mail. If sent via telecopy transmission, a confirming copy shall be sent to the sender, and receipt of the telecopy transmittal shall be deemed effective at the time the telecopy is transmitted from the location where the

transmission originates. If sent via overnight courier, receipt shall be deemed effective twenty-four (24) hours after the sending thereof. If sent via certified mail, registered mail, prepaid postage, or overnight courier, Optionee will clearly print "ATTN. PURCHASE OPTION" on the outside of the envelope. Once received at the Optionor's mailing address, Optionee's business manager will send email notifications to the Optionor stating that Purchase Option documents have been received. Receipt will be deemed effective at the time the email notification is sent to Optionor. If sent via electronic scan and transfer by e-mail, receipt shall be deemed effective at the time the e-mail correspondence is transmitted from the location where the transmission originates; if the electronic scan and transfer by e-mail occurs on a Saturday, Sunday or Holiday (recognized by the California State Legislature), the transmission will not be deemed delivered until the next following business day. All notices to be given pursuant to this Agreement shall be given to the parties at the following respective address.

To Optionor: Arcata Volunteer Firefighters' Association, Inc.  
Attn: Board of Directors  
2149 Central Avenue  
McKinleyville, CA 95519  
Email: [rbwillisii@gmail.com](mailto:rbwillisii@gmail.com)  
Email: [rjnakamoto@gmail.com](mailto:rjnakamoto@gmail.com)  
Email: [davewhite@sbcglobal.net](mailto:davewhite@sbcglobal.net)  
Email: woodfive150@outlook.com

To Optionee: Arcata Fire Protection District  
Attn: Fire Chief  
2149 Central Avenue  
McKinleyville, CA 95519

With copy to: Ryan T. Plotz  
The Mitchell Law Firm, LLP  
426 First Street  
Eureka, CA 95501  
E-mail: [rplotz@mitchelllawfirm.com](mailto:rplotz@mitchelllawfirm.com)

These addresses may be changed by written notice to the other party, provided that no notice of a change of address shall be effective until actual receipt of that notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

**Section 10. TRANSFER.** Optionee may not assign or transfer this Agreement and the rights under it without Optionor's prior written consent.

**Section 11. LITIGATION COSTS.** If any legal action or any other proceeding, including arbitration or action for declaratory relief, is brought for the enforcement of this Agreement or because of an alleged dispute, breach, default, or misrepresentation in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees and other costs, in addition to any other relief to which the party may be entitled. "Prevailing party" shall

include without limitation:(a) a party who dismisses an action in exchange for sums allegedly due;(b) the party who receives performance from the other party of an alleged breach of covenant or a desired remedy where that is substantially equal to the relief sought in an action; or(c) the party determined to be the prevailing party by a court of law.

**Section 12. MEMORANDUM OF OPTION.** Immediately following the execution of this Agreement by Optionor, the Memorandum of Option Agreement attached to this Agreement as *Exhibit B* shall be recorded by Optionor with the official records of Humboldt County, California.

**Section 13. SURVIVAL.** The terms of this Agreement shall survive the close of escrow of the Property unless there is a contradiction between the Real Estate Purchase and Sale Agreement and this Agreement, in which event the Real Estate Purchase and Sale Agreement shall control.

**Section 14. SUCCESSORS.** This Agreement shall bind and inure to the benefit of the respective heirs, personal representatives, successors, and assignees of the parties to this Agreement.

**Section 15. WAIVERS.** No waiver of any breach of any covenant or provision in this Agreement shall be deemed a waiver of any other covenant or provision in this Agreement, and no waiver shall be valid unless in writing and executed by the waiving party.

**Section 16. CONSTRUCTION.** Section headings are solely for the convenience of the parties and are not a part of and shall not be used to interpret this Agreement. The singular form shall include the plural and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this Agreement.

**Section 17. FURTHER ASSURANCES.** Whenever requested by the other party, each party shall execute, acknowledge, and deliver all further conveyances, agreements, confirmations, satisfactions, releases, powers of attorney, instruments of further assurance, approvals, consents, and all further instruments and documents as may be necessary, expedient, or proper to complete any conveyances, transfers, sales, and agreements covered by this Agreement, and to do all other acts and to execute, acknowledge, and deliver all requested documents to carry out the intent and purpose of this Agreement.

**Section 18. THIRD-PARTY RIGHTS.** Nothing in this Agreement, express or implied, is intended to confer on any person, other than the parties to this Agreement and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

**Section 19. INTEGRATION.** This Agreement contains the entire agreement between the parties, and expressly supersedes all previous or contemporaneous agreements, understandings, representations, or statements between the parties respecting this Option Agreement for the Property.

**Section 20. COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

**Section 21. AMENDMENT.** This Agreement may not be amended or altered except by a written instrument executed by Optionor and Optionee.

**Section 22. PARTIAL INVALIDITY.** Any provision of this Agreement that is unenforceable or invalid or the inclusion of which would adversely affect the validity, legality, or enforceability of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force.

**Section 23. EXHIBITS.** All attached exhibits are incorporated in this Agreement by this reference.

**Section 24. AUTHORITY OF PARTIES.** All persons executing this Agreement on behalf of any party to this Agreement warrant that they have the authority to execute this Agreement on behalf of that party.

**Section 25. GOVERNING LAW.** The validity, meaning, and effect of this Agreement shall be determined in accordance with California laws.

**Section 26. AMENDMENT TO LEASE.** Conditioned upon the full execution and non-repudiation of this Agreement by Optionor, Optionee hereby agrees that it will not exercise its right to terminate the Lease pursuant to the second paragraph of Section 2 of that Second Amendment to Commercial Rental Agreement dated October \_\_\_, 2023, which paragraph provides:

Notwithstanding anything in this Amendment or the Lease to the contrary, Tenant shall have the unqualified right to terminate the Lease, upon the giving of 180 days' advance written notice, if Tenant determines, in its sole and absolute discretion, that the Adjusted Rent is not acceptable. In such event, Tenant shall send written notice of its election to terminate the Lease on or before November 15, 2024. For the avoidance of doubt, Tenant shall be obligated to pay Landlord the Adjusted Rent through the effective date of the termination.

[SIGNATURE PAGE FOLLOWS THIS PAGE]

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date set forth in the first paragraph of this Agreement.

**SIGNATURES**

OPTIONOR: Arcata Volunteer Firefighters' Association Inc.

BY: \_\_\_\_\_

Name: Roy Willis

Its: President

OPTIONEE: Arcata Fire Protection District

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**SCHEDULE OF EXHIBITS**

Exhibit A      Legal Description of the Property

Exhibit B      Memorandum of Option

Exhibit C      Purchase Agreement



Exhibit "A"  
Legal Description

[TO BE INSERTED]

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Exhibit "B"  
Memorandum of Option

[Follows this page]

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**Recording Requested By:**

Arcata Fire Protection District

**and When Recorded Return To:**

The Mitchell Law Firm, LLP  
Attn: Ryan T. Plotz  
426 1<sup>st</sup> Street  
Eureka, CA 95501

APN:021-041-002-000

Space Above this Line for Recorder's Use Only

**MEMORANDUM OF OPTION AGREEMENT**

This **Memorandum of Option Agreement** (this "Memorandum") is made as of \_\_\_\_\_, 2024 (the "Effective Date") and executed by the Arcata Volunteer Firefighters' Association Inc. (hereinafter "Optionor"). Pursuant to that certain written "Option Agreement" dated \_\_\_\_\_, 2024, and entered and executed by and between Optionor and the Arcata Fire Protection District, a California special district ("Optionee"), Optionor has granted Optionee an option and right to purchase certain real property owned by Optionor situated in Humboldt County, California, commonly known as 631 9<sup>th</sup> Street, Arcata, California, and more particularly described in attached **Exhibit 1**, incorporated herein by reference ("Property"). This Memorandum is recorded for the express purpose of imparting actual and constructive notice of the existence of the Option Agreement to all persons and entities which may seek or take any subsequent interest(s) in the Property.

**Section 1. Term**

The term of the Option begins on \_\_\_\_\_, 2024, and ends on August 31, 2026, ("Term"), unless terminated sooner in accordance with the Option Agreement.

**Section 2. Termination**

The Option Agreement shall automatically terminate and shall have no further force upon the first of the following events to occur:

- (a) The purchase of the Property by Optionee;
- (b) The assignment or attempt to assign by Optionee of Optionee's rights under the Option Agreement in contravention of the Option Agreement; or
- (c) The end of the Term.

**Section 3. Price and Terms**

The parties have executed and recorded this instrument to give notice of the Option Agreement and the respective rights and obligations of Optionee and Optionor. The price and other terms are in the unrecorded Option Agreement, which is incorporated by reference in its entirety

in this Memorandum. In the event of any inconsistency between this Memorandum and the Option Agreement, the Option Agreement shall control.

**Section 4. Assignment**

Optionee's rights and obligations under the Option Agreement shall not be assigned without Optionor's prior written consent.

**Section 5. Successors and Assigns**

This Memorandum and the Option Agreement shall bind and inure to the benefit of the parties and their respective heirs, successors, and assigns, subject, however, to the provisions of the Option Agreement on assignment.

**Section 6. Governing Law**

This Memorandum and the Option Agreement are governed by California law.

IN WITNESS WHEREOF, Optionor has signed this Memorandum as of \_\_\_\_\_.

OPTIONOR: Arcata Volunteer Firefighters' Association Inc.

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

State of \_\_\_\_\_ )

County of \_\_\_\_\_ )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

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Exhibit "1"  
Legal Description

[TO BE INSERTED]

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Exhibit "C"  
Purchase Agreement

[FOLLOWS THIS PAGE]

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**AGREEMENT OF PURCHASE AND SALE AND  
JOINT ESCROW INSTRUCTIONS**

This **AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS** (this “Purchase Agreement”) is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_ (the “Effective Date”), by and between **ARCATA VOLUNTEER FIREFIGHTERS’ ASSOCIATION, INC.**, a California nonprofit corporation (“Seller”), and the **ARCATA FIRE PROTECTION DISTRICT**, a California fire protection special district (“Buyer”). Buyer and Seller are also referred to herein, individually, as a “party” and, collectively, as the “parties”.

**RECITALS**

**A. WHEREAS**, Seller is the owner of certain improved real property located in the City of Arcata, County of Humboldt, State of California, commonly known as 631 9<sup>th</sup> Street, Arcata, CA 95521 (Humboldt County APN 021-041-002-000), and more particularly described in *Exhibit 1* hereto and incorporated herein (the “Property”).

**B. WHEREAS**, reference is made hereto to that certain Deed of Trust recorded in Humboldt County on August 14, 2019, as Document No. 2019-014092, securing a Promissory Note made by Seller to Redwood Capital Bank in the principal amount of \$1,779,191 (the “Loan”). As of its July 2024 Loan Statement from Redwood Capital Bank, the current balance of the Loan is \$\_\_\_\_\_.

**C. WHEREAS**, Seller currently leases the Property to Buyer under the terms and conditions of the Commercial Rental Agreement dated May 10, 2016, as amended by that Amendment to Commercial Rental Agreement dated June 20, 2017, that Notice of Rent Increase dated July 23, 2021, and that Second Amendment to Commercial Rental Agreement dated October \_\_, 2023, under which Buyer continues to operate a fire station.

**D. WHEREAS**, Seller desires to sell the Property to Buyer, and Buyer desires to purchase the Property from Seller, all on the terms and conditions of this Agreement, including, without limitation, Seller’s continuing rights of possession to portions of the Property pursuant to that certain License and Lease Agreement attached as *Exhibit 2* hereto and incorporated herein (the “License”).

**NOW, THEREFORE**, in consideration of the foregoing Recitals, which are material to the terms of this Agreement and the covenants and agreements of the parties contained herein, the parties hereto agree as follows:

**AGREEMENT**

**1. PURCHASE AND SALE.** Seller agrees to sell the Property to Buyer, and Buyer agrees to purchase the Property from Seller, on the terms and conditions hereinafter set forth in this Purchase Agreement.



**2. PURCHASE PRICE.** The total purchase price for the Property shall be as set forth below in Paragraph 2(a), payable by Buyer as set forth in Paragraphs 2(b) and 2(c), below.

(a) The Purchase Price shall be the amount necessary to pay off the Loan, in full, including any bank, escrow or government fees, as of the date of the Close of Escrow, less any late payment penalties applied to the Loan or the amount of any delinquent Loan payment(s) that became delinquent prior to the Close of Escrow ("Purchase Price").

(b) Within five (5) business days after the Effective Date, Buyer shall deliver to Escrow Holder (as defined in Paragraph 12.1 below), the amount of Ten Thousand Dollars (\$10,000) (the "Deposit") by good check or wire transfer of immediately available funds. The Deposit shall be deemed to constitute adequate consideration for Buyer's right to terminate this Purchase Agreement at any time during the term of any Contingency (as defined in Paragraph 4.1 of this Agreement, below). The Seller expressly deems the Deposit to constitute adequate consideration in support of the enforceability of this Purchase Agreement, in its entirety. Upon Buyer's failure to terminate this Agreement within the time period permitted for Buyer to so terminate with respect to each contingency set forth in said Paragraph 4.1, or upon Buyer's express waiver of Buyer's right to terminate this Agreement with respect to any such contingency, the Deposit shall be deemed vested and shall be released to Seller upon Buyer's failure to Close Escrow for any reason other than Seller's default.

(c) The balance of the Purchase Price (i.e., the Purchase Price less the Deposit and Buyer's \$1,000 option consideration held by Seller) shall be deposited in Escrow by Buyer prior to Close of Escrow for delivery to Seller by way of wire transfer of immediately available funds at the Close of Escrow. Buyer intends to finance all or a portion of the Purchase Price in its sole and absolute discretion.

**3. TITLE / SURVEY.**

3.1 Title. Title to the Property shall be conveyed to Buyer upon the Close of Escrow by a Grant Deed with title to the Property evidenced by the commitment of the Escrow Holder to issue a standard ALTA policy of title insurance with liability in the amount of the Purchase Price showing title to the Property vested in Buyer ("Title Commitment"). Within twenty (20) days of the Effective Date, Seller shall provide to Buyer a preliminary title report ("Preliminary Report") from a national title insurance company of Buyer's choice ("Title Company"), together with copies of all exceptions and the documents supporting exceptions shown in such Preliminary Report. Within ten (10) days of receipt of the Preliminary Report, Buyer shall review the Preliminary Report and notify Seller in writing (the "Title Objection Notice") of any title exceptions to which Buyer objects ("Title Objections"). Within ten (10) business days of receipt of the Title Objection Notice ("Seller's Title Response Date"), Seller shall notify Buyer as to which Title Objections, if any, Seller will cure prior to Close of Escrow (as defined in Paragraph 12.2 below). All monetary liens/encumbrances affecting the Property (including, without limitation, the Loan) shall be deemed objected to by Buyer without further Title Objection Notice. If Seller does not respond to the Title Objection Notice within ten (10) business days, then Seller shall be deemed to have elected to cure no Title Objections. If Seller does not elect to cure all Title Objections prior to Close of Escrow, then, at the option of Buyer, Buyer may (i) terminate this Purchase Agreement by providing written notice

of such termination to Seller prior to 5:00 p.m. Pacific Time on the date that is ten (10) business days following Seller's Title Response Date, or (ii) proceed to close and take title subject to such Title Objections. In the event of termination as provided here in, the Deposit shall be returned to Buyer, the option consideration shall be returned to Seller, Buyer shall be responsible for the escrow costs, and the parties shall have no further rights, duties, liabilities or obligations hereunder, except for those matters that specifically survive termination of this Purchase Agreement. Any and all exceptions to title to which Buyer does not object or which upon such objection, Seller does not agree to cure and Buyer does not elect to terminate this Purchase Agreement shall be deemed "Permitted Exceptions".

#### 4. CONTINGENCIES.

4.1 Buyer's obligation to purchase the Property is subject to the following contingencies described in subparagraphs (a) through (e) below in this Paragraph 4.1 ("Contingencies"). Each and all of the following Contingencies are for the sole benefit of Buyer and may be waived or deemed satisfied by Buyer in Buyer's sole and absolute discretion.

(a) Inspection/Due Diligence Contingency. Buyer's inspection and examination of the Condition of the Property (as defined in Paragraph 9.1 below). Buyer shall have access to the Property at reasonable times and shall have the right to conduct, at Buyer's expense, environmental investigations and such other studies with respect to the Condition of the Property as Buyer may desire. Buyer shall have until 5:00 p.m. Pacific Time on the date which is **ninety (90) days** following the Effective Date(the "Inspection Period"), to conduct such tests and studies, and to give written notice to Seller of any conditions unacceptable to Buyer. Buyer shall hold and save Seller harmless from and against any and all loss, cost, damage, liability, injury or expense, arising out of or in any way related to damage to property, injury to or death of persons, or the assertion of lien claims caused by such entry, inspection and implementation of environmental investigations and other studies with respect to the Condition of the Property. If Buyer elects to terminate this Purchase Agreement by reason of failure of the Contingency set forth in this subparagraph (a), Buyer shall promptly upon such election deliver to Seller all written reports, studies and information prepared by third parties for Buyer which pertain to the Condition of the Property.

(b) Financing Contingency. Within **ninety (90)days** from the Effective Date, Buyer shall have obtained, in a form and of a type approved by Buyer in its sole and absolute discretion, financing for all or a portion of the Purchase Price as determined by Buyer ("Financing Period").Buyer shall have the right, in its sole discretion, and, upon written notice to Seller, to extend the Financing Period for an additional forty-five (45) days in the event Buyer has not secured the necessary financing.

(c) Secured Financing. Buyer shall have secured, within the Financing Period, actual financing for the portion of the Purchase Price Buyer desires to finance, in its sole and absolute discretion and upon securing such financing within the Financing Period, the contingency shall be deemed waived. The contingency set forth in this paragraph shall remain in place up to the time of Close of Escrow subject to the following: In the event Buyer shall fail to Close Escrow in a timely manner upon Buyer's waiver of the Financing Contingency for any reason other than Seller's default, the Deposit shall be deemed vested with respect to this Contingency.

(d) CEQA. Buyer's compliance with the California Environmental Quality Act and expiration of any applicable statute of limitations regarding the same prior to Closing. The contingency set forth in this paragraph shall remain in place up to the time of Close of Escrow provided, upon the expiration of such statute of limitations prior to the time of Close of Escrow this condition shall be deemed waived and the Deposit shall be vested.

(e) Appraisal Contingency. A written appraisal of the Property by a licensed or certified appraiser be obtained and the Appraisal Contingency shall be deemed waived and the Deposit vested if the appraised value shall be equal to or more than the Purchase Price. Buyer shall have until 5:00 p.m. Pacific Time on the date which is **ninety (90)** days following the Effective Date (the "Appraisal Contingency Period"), to obtain such an appraisal, and to give written notice to Seller of the failure of this contingency. Buyer shall procure any desired appraisals at its sole cost and expense and, within the Appraisal Contingency Period, shall provide Seller with a copy of such written appraisal of the Property.

4.2 If Buyer disapproves of the satisfaction of any Contingency within the applicable time periods provided above, Buyer's sole remedy shall be to terminate this Purchase Agreement and Seller shall have no obligation to remedy any Contingency which Buyer disapproves. If this Purchase Agreement terminates as a result of the failure of the satisfaction of any of the Contingencies, all sums (other than the Deposit which shall remain the property of the Seller) and documents deposited in Escrow shall be returned to the parties who respectively deposited the same, and Buyer shall pay the Escrow costs, and the parties shall have no further rights, duties, liabilities or obligations hereunder, except for those matters that specifically survive termination of this Agreement. If the Deposit has become vested with respect to such Contingencies the Liquidated Damages provisions of Section 10, below, shall survive such termination and shall be applicable to the disposition of the Deposit.

4.3 If Buyer fails to give written notice to Seller of its disapproval of any Contingency within the respective applicable time limit set forth above in Paragraph 4.1, it shall conclusively be deemed that Buyer has waived such Contingency and such Contingency shall conclusively be deemed satisfied.

**5. [Intentionally Omitted.]**

**6. REPRESENTATIONS AND WARRANTIES BY SELLER.**

6.1 Seller makes the representations and warranties in this Paragraph 6, each and all of which shall survive any and all inquiries and investigations made by Buyer and shall survive the Close of Escrow and recordation of the Grant Deed.

6.1.1 The individual(s) signing this Purchase Agreement on behalf of Seller has the power and authority to enter into this Purchase Agreement and to consummate the transactions contemplated hereby.

6.1.2 To the best of Seller's knowledge, neither the entering into this Purchase Agreement nor the performance of any of Seller's obligations under this Agreement will violate the terms of any contract, agreement or instrument to which Seller is a party.

6.1.3 To Seller's actual knowledge (which shall mean the actual knowledge of the current members of Seller's Board of Directors, without necessity of an investigation of these matters by any member of such Board) Seller has not been served (by means of formal, legal service of process as required by law) or formally notified in writing by any governmental or quasi-governmental authority (i) that the Property or any adjoining property, contains or may contain any "Hazardous Materials" in violation of any "Environmental Regulations" (as those terms are defined in this Paragraph 6.1.3, below); or (ii) that the Seller has stored, used or maintained Hazardous Materials or suffered, permitted, allowed or acquiesced in any storage, use or maintenance of Hazardous Materials on, in or under the Property in violation of any Environmental Regulations. As used in this Purchase Agreement, the terms "Environmental Regulations" and "Hazardous Materials" shall have the following meanings:

(a) "Environmental Regulations" shall mean all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including, without limitation: (i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Materials, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public.

(b) "Hazardous Materials" shall mean (i) any flammables, explosive or radioactive materials, hazardous wastes, toxic substances or related materials including, without limitation, substances defined as "hazardous substances," "hazardous materials," "toxic substances" or "solid waste" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, [42 U.S.C. Sec. 9601, et seq.](#); the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substances Control Act, [15 U.S.C., Section 2601 et seq.](#); the Resource Conservation and Recovery Act of 1976, [42 U.S.C. Section 6901 et seq.](#); and in the regulations adopted and publications promulgated pursuant to said laws; (ii) those substances listed in the United States Department of Transportation Table ([49 C.F.R. 172.101](#) and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto); (iii) those substances defined as "hazardous wastes," "hazardous substances" or "toxic substances" in

any similar federal, state or local laws or in the regulations adopted and publications promulgated pursuant to any of the foregoing laws or which otherwise are regulated by any governmental authority, agency, department, commission, board or instrumentality of the United States of America, the State of California or any political subdivision thereof, (iv) any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials, or substances within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended; (v) petroleum or any by-products thereof; (vi) any radioactive material, including any source, special nuclear or by-product material as defined at [42 U.S.C. Sections 2011 et seq.](#), as amended, and in the regulations adopted and publications promulgated pursuant to said law; (vii) asbestos in any form or condition; and (viii) polychlorinated biphenyls.

6.1.4 Until the Close of Escrow, the Property will continue to be operated in substantially the same manner as operated as of the Effective Date. Seller will not do or cause anything to be done that would change, alter or modify the operation of the Property without the prior written consent of Buyer.

6.1.5 Seller has the right to consult or contract with a real estate agent to seek professional assistance at the sole cost of the Seller. Seller shall pay, and shall hold Buyer harmless from and against, any commission or finder's fee payable to any agent or broker who represents or claims to represent Seller.

6.1.6 Seller will not alter the physical condition of the Property from and after the date of this Purchase Agreement, reasonable wear and tear excepted. If, through no fault of Seller, the physical condition of the Property is different on the date scheduled for the Close of Escrow as of the date of this Purchase Agreement, the terms and conditions of Paragraph 6.2, below shall apply.

6.1.7 On or before the fifteenth (15<sup>th</sup>) day following the Effective Date, Seller shall disclose to Buyer in writing and provide Buyer all information actually known to Seller and in the physical possession of Seller's Board of Directors as of that date which may be reasonably necessary to evaluate the condition or market desirability of the Property, other than matters that would be obvious and apparent to Buyer from a limited inspection of the property.

6.1.8 Seller is not in default in regard to the Loan, including all loan documents relating thereto with Redwood Capital Bank, and has not received any notification from its lender in which the lender contends a default has occurred.

6.1.9 Seller will remain current on its Loan and not commit any act or omission that would constitute a default on its Loan prior to the Close of Escrow.

6.1.10 Seller has not leased to any person or entity (other than its existing lease with Buyer) all or any portion of the Property that will extend beyond the Close of Escrow, and (excepting Seller's rights under the attached Lease and License Agreement), Seller shall ensure that any leases or other consents to any third party for the occupancy or use of the Property will be terminated prior to the Close of Escrow and that the Property will convey to Buyer free and clear of any such leases or other use agreements.

6.2 If, prior to the Close of Escrow, new events have occurred which were beyond the control of Seller and which render any previously true representation or warranty untrue, Seller shall, within ten (10) days thereafter (but in no event after the Close of Escrow), disclose those matters by written notice to Buyer. Buyer shall have ten (10) days after the earlier of (i) such disclosure; or (ii) Buyer's independent discovery that such representation or warranty has become untrue, to elect, in its sole and absolute discretion, and as its sole remedy, by written notice to Seller within said ten (10) day period, whether (1) to purchase the Property or (2) terminate this Purchase Agreement. If Buyer elects to terminate this Purchase Agreement pursuant to this Paragraph 6.2, Escrow shall immediately terminate upon Seller's receipt of Buyer's notice of election to terminate this Purchase Agreement and all sums and documents deposited in Escrow shall be returned to the parties who deposited the same and Buyer shall pay all of Escrow costs. If Buyer fails to notify Seller and Escrow Holder of its election to terminate this Purchase Agreement within said ten (10) business day time period provided above, Buyer shall be deemed to have accepted the modified representations and warranties and elected to purchase the Property.

6.3 Other than those express representations and warranties contained in Paragraphs 6.1 through 6.2 of this Purchase Agreement, above, Seller makes **no** warranty or representation, express or implied, including but not limited to, implied warranties of merchantability and fitness for a particular purpose, and all such other warranties are expressly disclaimed.

6.4 Except to the extent Seller has made a specific representation and warranty with respect thereto, no document or information provided by Seller to Buyer shall constitute a representation as to the completeness or accuracy of such documents or information.

## **7. REPRESENTATIONS AND WARRANTIES BY BUYER.**

7.1 Buyer makes the following representations and warranties in this Paragraph 7, each and all of which shall survive any and all inquiries and investigations made by Seller and shall survive the Close of Escrow and recordation of the Grant Deed.

7.1.1 Each and all of the information, including without limitation the Lending Commitment and any financial statement, if any, delivered by Buyer to Seller is true and correct.

7.1.2 Buyer has neither engaged nor dealt with any broker or finder in connection with the sale contemplated by this Purchase Agreement. Buyer shall pay any commission or finder's fee payable to any other party who represents or claims to represent Buyer.

7.1.3 Buyer is a California special district, duly organized, validly existing and in good standing under the laws of the State of California, and has the power and authority to enter into this Purchase Agreement and to consummate the transactions contemplated hereby. The Buyer, and the specific, individual parties signing this Purchase Agreement on behalf of Buyer represent and warrant that the parties signing this Purchase Agreement on behalf of the Buyer have the full legal power, authority and right to execute and deliver this Purchase Agreement.

7.1.4 Buyer has made or will make its own investigation concerning the Condition of the Property (as said term is defined in Paragraph 9.1 of this Purchase Agreement, below), the condition of title or any other matter pertaining to the Property, and, other than the specific representations and warranties made by Seller pursuant to Paragraphs 6.1 through 6.2 of this Purchase Agreement, above, Buyer is not relying on any representations, warranties or inducements of Seller with respect to the Condition of the Property.

## 8. INDEMNIFICATION.

8.1 Subject to any other provisions of this Purchase Agreement to the contrary, each party (“Indemnitor”) agrees to indemnify and hold the other party (“Indemnitee”) harmless from and against any claim, loss, damage or expense, including any reasonable attorneys’ fees (including attorneys’ fees on appeal), asserted against or suffered by the Indemnitee resulting from: (a) Any breach by the Indemnitor of this Purchase Agreement; (b) Any liability of the Indemnitor with respect to the Property, as further provided in Paragraphs 9.1 through 9.2, below; or (c) The inaccuracy or breach of any of the representations, warranties or covenants made by the Indemnitor.

8.2 Indemnitee shall submit any claim for indemnification under this Purchase Agreement to the Indemnitor in writing within a reasonable time after Indemnitee determines that an event has occurred which has given rise to a right of indemnification under this Paragraph 8 and shall give Indemnitor a reasonable opportunity to investigate and cure any default of Indemnitor under this Purchase Agreement and eliminate or remove any claim by a third party. Notwithstanding the foregoing, if the nature of Indemnitor's default or the third party claim is such that it would be impractical or unreasonable to give Indemnitor an opportunity to investigate and cure such default and remove such claim, Indemnitee need not give Indemnitor such opportunity.

8.3 If such claim for indemnification relates to a claim or demand presented in writing by a third party against Indemnitee, Indemnitor shall have the right to employ counsel reasonably acceptable to Indemnitee to defend any such claim or demand, and Indemnitee shall make available to Indemnitor, or its representatives, all records and other materials in its possession or under its control reasonably required by Indemnitor for its use in contesting such liability. If Indemnitor does not elect to defend any such claim or demand, Indemnitee may do so at its option, but shall not have any obligation to do so.

Buyer’s Initials:                      // Seller’s Initials: \_\_\_\_\_

**9. “AS-IS” SALE; ASSUMPTION OF RESPONSIBILITIES.**

9.1 “As Is” Sale. Buyer and its representatives, prior to the Close of Escrow, will have been afforded the opportunity to make such inspections of the Property and matters related thereto as Buyer and its representatives desire, including, without limitation, governmental laws and regulations and actions to which the Property is subject, and Buyer shall accept the Property upon the basis of its review and determination of the applicability and effect of such laws and regulations (the “Condition of the Property”). Buyer acknowledges and agrees that the Property is to be sold and conveyed to and accepted by Buyer in an “AS IS” condition with all faults. Except for those limited representations and warranties stated in Paragraphs 6.1 through 6.4 of this Purchase Agreement, above, Seller does not make any representations or warranties, oral or written, past, present or future, of any kind whatsoever, either express or implied with respect to either the Property or the condition, value, or quality of the Property

9.2 Effective as of the Close of Escrow and except for the limited representations and warranties and obligations of Seller contained in this Purchase Agreement, Buyer shall be deemed to have assumed any and all risks, obligations and liabilities relating to the Property, expressly including, without limitation any and all risks, obligations and liabilities relating to the Condition of the Property.

**10. LIQUIDATED DAMAGES.** IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF BUYER, IT IS AGREED THAT THE DEPOSIT ACTUALLY MADE PURSUANT TO PARAGRAPH 2(a) OF THIS PURCHASE AGREEMENT (I.E., \$10,000.00 USD) SHALL BE NON-REFUNDABLE AND SELLER SHALL BE ENTITLED TO SUCH DEPOSIT, WHICH AMOUNTS SHALL BE ACCEPTED BY SELLER AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND (TOGETHER WITH THE RIGHT TO RECEIVE ATTORNEYS' FEES AS PROVIDED IN THIS PURCHASE AGREEMENT) SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY. IT IS AGREED THAT SAID AMOUNT CONSTITUTES A REASONABLE ESTIMATE OF THE DAMAGES TO SELLER PURSUANT TO [CALIFORNIA CIVIL CODE SECTION 1671](#) ET SEQ. BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL OR IMPOSSIBLE TO PRESENTLY PREDICT WHAT MONETARY DAMAGES SELLER WOULD SUFFER UPON BUYER'S FAILURE TO COMPLETE ITS PURCHASE OF THE PROPERTY. BUYER DESIRES TO LIMIT THE MONETARY DAMAGES FOR WHICH IT MIGHT BE LIABLE HEREUNDER AND BUYER AND SELLER DESIRE TO AVOID THE COSTS AND DELAYS THEY WOULD INCUR IF A LAWSUIT WERE COMMENCED TO RECOVER DAMAGES OR OTHERWISE ENFORCE SELLER'S RIGHTS. IF FURTHER INSTRUCTIONS ARE REQUIRED BY ESCROW HOLDER TO EFFECTUATE THE TERMS OF THIS PARAGRAPH 10, BUYER AND SELLER AGREE TO EXECUTE THE SAME. THE PARTIES ACKNOWLEDGE THIS PROVISION BY PLACING THEIR INITIALS BELOW:

Buyer's Initials:            // Seller's Initials: \_\_\_\_\_

**11. BUYER'S RIGHT TO COMPEL SPECIFIC PERFORMANCE.** In the event of any breach or violation of this Agreement by Seller, Buyer expressly reserves the right to seek specific



performance of the sale and conveyance of the Property to Buyer, without limitation on any and all other rights and remedies available to Buyer at law or in equity.

## 12. ESCROW AND CLOSING.

12.1 As soon as possible after the Effective Date, Buyer and Seller shall open an escrow for the purpose of consummating the purchase and sale contemplated by this Purchase Agreement (“Escrow”) by depositing an executed copy of this Purchase Agreement with Fidelity National Title Company, 515 J St, Eureka, CA 95501 (“Escrow Holder”). This Purchase Agreement shall constitute escrow instructions to Escrow Holder. Seller and Buyer shall, promptly upon request by Escrow Holder, execute such additional escrow instructions as may be reasonably required by Escrow Holder, including Escrow Holder's standard printed conditions and stipulations with respect to escrows concerning the purchase and sale of real property; provided, however, that if there is any conflict between the provisions of this Purchase Agreement and the provisions of any such additional instructions, the provisions of this Purchase Agreement shall prevail. Upon delivery to Escrow of a fully executed copy of this Purchase Agreement by both parties, Escrow shall be deemed opened on the terms and conditions set forth in this Purchase Agreement.

12.2 Escrow shall close, and the Grant Deed shall be recorded in the Office of the County Recorder of Humboldt County, California on or before the date which is **thirty(30) days** following the expiration of the Inspection Period or the Financing Period, which ever expires later (“Close of Escrow”).

12.3 Within the time set forth below, or if none is specified, prior to the Close of Escrow, Seller shall deliver to Escrow Holder, or if so indicated, to Buyer, the following documents and items:

(a) At least one (1) day prior to the Close of Escrow, the duly executed and acknowledged Grant Deed.

(b) At least one (1) day prior to Close of Escrow, Seller shall deliver such certifications, declarations or other documents as may be required under [Internal Revenue Code §1445](#) and [California Revenue and Tax Code §18662](#), together with any and all other documents required by law pertaining to foreign or out-of-state sellers.

(c) Two duly executed copies of the Lease and License Agreement attached hereto as *Exhibit 2*, which Lease and License Agreement shall become effective as of the Close of Escrow.

12.4 Buyer shall deliver to Escrow Holder prior to the Close of Escrow the following documents and items:

(a) The balance of the cash portion of the Purchase Price set forth in Paragraph 2(c), together with an additional sum sufficient to cover Buyer's closing costs as set forth in Paragraph 12.7.1, below.

(b) Two duly executed copies of the Lease and License Agreement attached hereto as **Exhibit 2**, which Lease and License Agreement shall become effective as of the Close of Escrow.

12.5 On the Close of Escrow, the Escrow Holder shall record the Grant Deed and shall deliver the monies and instruments to which each party is entitled pursuant to this Purchase Agreement, only when the Title Company is in a position to issue its ALTA policy of title insurance subject only (i) to the Permitted Exceptions; and (ii) Title Company's standard pre-printed exceptions, with liability in the amount of the Purchase Price, showing title to the Property vested in Buyer (or as designated by Buyer) ("Title Policy").

12.6 Upon Close of Escrow, the Property shall be delivered to Buyer subject only to the Permitted Exceptions and the following items, documents and monies shall be delivered to the parties by Escrow Holder as set forth below:

- (a) To Seller: the Purchase Price as set forth in Paragraph 2(b) as a direct payment to Redwood Capital Bank to pay off, in full, the Loan.
- (b) To Buyer: the Title Policy.
- (c) To Buyer and Seller: to each, one fully executed Lease and License Agreement.

12.7 Upon Close of Escrow, Escrow and title charges shall be paid in the manner provided below.

12.7.1 Seller shall pay:

- (a) None, except as set forth in Paragraph 12.8, below.

12.7.2 Buyer shall pay:

- (a) All recording fees; and
- (b) The cost of any and all documentary transfer tax or stamps or other sales tax; and
- (c) Escrow fees; and
- (d) The cost of the Title Policy.

12.8 If Escrow fails to close as a result of the default of this Purchase Agreement by a party, the defaulting party shall pay all title and escrow charges; provided, however, that nothing in this Paragraph 12.8 shall be deemed to limit, and the provisions of this Paragraph 12.8 shall be in addition to, all other rights and remedies of the non-defaulting party pursuant to this Purchase Agreement.

**13. PRORATIONS AND POST-CLOSING OBLIGATIONS.**

13.1 Prorations shall be made as of the Close of Escrow. All prorations shall be made on the basis of a thirty (30) day month and shall be paid in cash to Seller if it is entitled thereto, or shall be credited against the cash portion of the Purchase Price if Buyer is entitled thereto. Such prorations shall be made by Escrow Holder on the basis of a statement(s) approved by Buyer and Seller and deposited into the Escrow prior to the Close of Escrow. The date used for prorations is hereinafter referred to as the "Proration Date."

(a) All real estate taxes and all personal property taxes due and owing as of the Proration Date, and all penalties and interest thereon, shall be paid by Seller. Current real estate taxes, special assessments and personal property taxes which are not yet due and owing shall be prorated based upon the most recent tax bill, so that the portion of current taxes allocable to the period from the beginning of such tax year through the Proration Date shall be charged to and paid by Seller and the portion of the current taxes allocable to the portion of such tax year from the Proration Date to the end of such tax year shall be charged to and paid by Buyer. Proration of taxes and assessments shall be final as of the Proration Date, regardless of the amount of taxes or assessments that actually are, or subsequently become, due.

(b) Expenses of operating the Property (other than insurance premiums, taxes and utility charges) which were prepaid by Seller for a period beyond the Proration Date.

13.2 Buyer shall be responsible for obtaining and paying for utility services from and after Close of Escrow.

**14. DAMAGE OR DESTRUCTION PRIOR TO CLOSE OF ESCROW.**

If any of the improvements on the Property are destroyed or materially damaged between the date of this Purchase Agreement and the Close of Escrow, Buyer may terminate this Purchase Agreement upon notice to Seller. If Buyer, however, elects to accept the Property, all proceeds of insurance payable to Seller by reason of the destruction, damage shall be paid or assigned to Buyer; Seller shall also pay to Buyer the amount of any deductible and coinsurance under any policy. In the event of nonmaterial damage to either of the Property, which damage Seller is unwilling to repair prior to the Close of Escrow, Buyer shall have the right either to terminate this Purchase Agreement or accept such Property in its then existing condition, in which case Buyer shall be entitled to a reduction in the Purchase Price to the extent of the cost of repairing the damage. If Buyer elects to terminate this Agreement pursuant to this Paragraph, Title Company shall immediately return the Deposit, together with all accrued interest, to Buyer, and neither party shall have any further duties or responsibilities under this Purchase Agreement.

**15. EMINENT DOMAIN.**

15.1 The words "condemnation" or "condemned" as used in this Paragraph 15 shall mean the exercise of, or intent to exercise, the power of eminent domain expressed in writing, as well as the filing of any action or proceeding for such purpose, by any person, entity, body, agency or authority having the right or power of eminent domain (the "condemning authority").

15.2 If Seller receives written notice from a condemning authority advising of a condemnation of all or any portion of the Property (“Condemnation Notice”), Seller shall immediately advise Buyer of same in writing and deliver therewith a copy of the Condemnation Notice. Within ten (10) days after Buyer's receipt of the Condemnation Notice, Buyer shall notify Seller of its election to either (i) terminate this Purchase Agreement and the Escrow or (ii) purchase the Property. If Buyer elects to terminate this Purchase Agreement, Escrow shall immediately terminate upon Seller's receipt of Buyer's notice of election to terminate this Purchase Agreement and Escrow Holder shall thereupon promptly return all documents, items and monies in its possession to the party who shall have deposited same with Escrow Holder. In the event of such termination, Buyer shall pay the Escrow fees. If Buyer elects to purchase the Property, Seller shall transfer to Buyer at the Close of Escrow all proceeds from condemnation or Seller's right to receive all such proceeds. If Buyer fails to notify Seller of its election under this Paragraph 15, Buyer shall be deemed to have elected to purchase the Property.

**16. SURVIVAL OF CLOSE OF ESCROW.** All representations and warranties of the parties contained in or relating to this Agreement shall, except as expressly stated in this Agreement, survive the Close of Escrow and the recordation of the Grant Deed and shall not merge therein unless specifically stated otherwise in this Agreement for a period of five (5) years from the Close of Escrow after which they shall be of no further force and effect.

**17. NOTICES.** All notices to be given pursuant to this Purchase Agreement shall be either (i) personally delivered; (ii) sent via certified or registered mail, postage prepaid; (iii) overnight courier (such as Federal Express, DHL, etc.); (iv) by electronic scan and transfer by e-mail; or (v) by telecopy transmittal. If sent via certified or registered mail, receipt shall be deemed effective forty-eight (48) hours after being deposited in the United States mail. If sent via telecopy transmission, a confirming copy shall be sent to the sender, and receipt of the telecopy transmittal shall be deemed effective at the time the telecopy is transmitted from the location where the transmission originates. If sent via overnight courier, receipt shall be deemed effective twenty-four (24) hours after the sending thereof. If sent via electronic scan and transfer by e-mail, receipt shall be deemed effective at the time the e-mail correspondence is transmitted from the location where the transmission originates; if the electronic scan and transfer by e-mail occurs on a Saturday, Sunday or Holiday (recognized by the California State Legislature), the transmission will not be deemed delivered until the next following business day. All notices to be given pursuant to this Purchase Agreement shall be given to the parties at the following respective address.

To Seller: Arcata Volunteer Firefighters’ Association, Inc.  
Attn: Board of Directors  
2149 Central Avenue  
McKinleyville, CA 95519  
Email: rbwillisii@gmail.com  
Email: rjnakamoto@gmail.com  
Email: [davewhite@sbcglobal.net](mailto:davewhite@sbcglobal.net)  
Email: woodfive150@outlook.com

To Buyer: Arcata Fire Protection District

Attn: Fire Chief  
2149 Central Avenue  
McKinleyville, CA 95519

With copy to: Ryan T. Plotz  
The Mitchell Law Firm, LLP  
426 First Street  
Eureka, CA 95501  
E-mail:rplotz@mitchelllawfirm.com

**18. ENTIRE AGREEMENT.** This Purchase Agreement, and the Exhibits attached hereto, represent the entire Agreement between the parties in connection with the transactions contemplated hereby and the subject matter hereof and this Purchase Agreement supersedes and replaces any and all prior and contemporaneous agreements, understandings and communications between the parties, whether oral or written, with regard to the subject matter hereof. There are no oral or written agreements, representations or inducements of any kind existing between the parties relating to this transaction which are not expressly set forth herein. This Purchase Agreement may not be modified except by a written agreement signed by both Buyer and Seller. Without limiting the foregoing, Buyer and Seller expressly acknowledge and agree that they have not relied on any written or oral statements made by the other party's real estate broker in entering into this Purchase Agreement.

**19. BINDING EFFECT.** This Purchase Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, administrators, successors in interest and assigns.

**20. WAIVER.** No waiver by any party at any time of any breach of any provision of this Purchase Agreement shall be deemed a waiver or a breach of any other provision herein or a consent to any subsequent breach of the same or another provision. If any action by any party shall require the consent or approval of another party, such consent or approval of such action on any one occasion shall not be deemed a consent to or approval of such action on any subsequent occasion or a consent to or approval of any other action.

**21. CAPTIONS AND HEADINGS.** The captions and paragraphs numbers appearing in this Purchase Agreement are inserted only as a matter of convenience and do not define, limit, construe, or describe the scope or intent of this Purchase Agreement.

**22. COUNTERPARTS AND ELECTRONIC SIGNATURES.** This Purchase Agreement may be executed in counterparts, each of which shall be considered an original and all of which taken together shall constitute one and the same instrument. Electronic scan signatures and/or facsimile signatures shall be deemed to constitute originals.

**23. GOVERNING LAW.** This Agreement has been prepared, negotiated and executed in, and shall be construed in accordance with, the laws of the State of California. Any action or proceeding relating to or arising out of this Agreement shall be filed, if a State action, in the

Superior Court of the State of California for the County of Humboldt, or if a Federal action, in the District of the United States District Court in which the Property is located.

**24. ATTORNEYS' FEES.** If either party named herein brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action (or proceeding), on trial or appeal, shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the Court.

**25. TIME OF ESSENCE.** Time is of the essence with respect to all matters contained in this Purchase Agreement.

**26. DATE OF AGREEMENT.** All references in this Purchase Agreement to the "Effective Date", "the date of this Purchase Agreement" or "the date hereof" shall be deemed to refer to the date set forth in the first paragraph of this Purchase Agreement.

**27. INVALIDITY OF ANY PROVISION.** If any provision (or any portion of any provision) of this Purchase Agreement is held to be illegal, invalid, or unenforceable by a court of competent jurisdiction under present or future laws effective during the term of this Purchase Agreement, the legality, validity, and enforceability of the remaining provisions (or the balance of such provision) shall not be affected thereby.

**28. NO RECORDATION.** Buyer shall not record this Purchase Agreement, any memorandum of this Purchase Agreement, any assignment of this Purchase Agreement, or any other document which would cause a cloud on the title to the Property.

**29. DRAFTING OF AGREEMENT.** Buyer and Seller acknowledge that this Purchase Agreement has been negotiated at arm's length, that each party has been represented by independent counsel and that this Purchase Agreement has been drafted by both parties and no one party shall be construed as the draftsman.

**30. NO THIRD PARTY BENEFICIARY RIGHTS.** This Purchase Agreement is entered into for the sole benefit of Buyer and Seller and no other parties are intended to be direct or incidental beneficiaries of this Purchase Agreement and no third party shall have any right in, under or to this Purchase Agreement.

**31. INCORPORATION OF EXHIBITS.** Each and all of the exhibits attached to this Purchase Agreement are incorporated herein as if set forth in full in this Purchase Agreement.

SIGNATURE PAGE FOLLOWS THIS PAGE

**IN WITNESS WHEREOF**, the parties hereto have executed this Purchase Agreement as of the date set forth in the first paragraph of this Purchase Agreement.

**SIGNATURES**

SELLER:        Arcata Volunteer Firefighters' Association Inc.

BY: \_\_\_\_\_

Name: Roy Willis

Its: President \_\_\_\_\_

BUYER:        Arcata Fire Protection District

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**SCHEDULE OF EXHIBITS**

Exhibit 1        Legal Description of the Property

Exhibit 2        Lease and License Agreement

Exhibit "1"  
Legal Description

[TO BE INSERTED]

DRAFT



Exhibit "2"  
Lease and License Agreement

**LEASE AND LICENSE AGREEMENT**

THIS LEASE AND LICENSE AGREEMENT ("Lease") is entered into as of \_\_\_\_\_ [TO BE INSERTED BY ESCROW OFFICER] ("Commencement Date") between the ARCATA FIRE PROTECTION DISTRICT, a California special district ("Landlord"), and ARCATA VOLUNTEER FIREFIGHTERS' ASSOCIATION, INC., a California nonprofit corporation ("Tenant").

**Recitals**

A. Landlord is the owner of certain land, buildings, and improvements located in Arcata, California, commonly known as 631 9th Street, Arcata, CA 95521 (Humboldt County APN 021-041-002-000) and more particularly described in attached *Exhibit 1* ("Property"). A floor plan of the 1<sup>st</sup> floor of the building ("Building") located on the Property is attached hereto as *Exhibit 2*.

B. Reference is made hereto to that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated \_\_\_\_\_, to which this Lease is attached as Exhibit B, between Landlord, as buyer, and Tenant, as Seller, through which Landlord purchased the Property from Tenant.

C. Prior to Landlord's acquisition of the Property, Landlord leased the Property from Tenant for the operation of a fire station. Landlord intends to continue to operate the Property as a fire station and further desires to grant to Tenant certain rights to use the Property, as set forth below.

NOW THEREFORE, for good and valuable consideration, the parties agree as follows:

**Article I. Exclusive Use of the Office**

**1.1. Lease of the AVFA Office.** Landlord leases to Tenant and Tenant leases from Landlord on the terms and conditions in this Lease, the Arcata Volunteer Firefighters' Association Office, as that space is generally depicted on *Exhibit 2* hereto and incorporated herein ("AVFA Office"), for the permitted uses (defined in Section 1.3, below). Tenant shall have the exclusive right to use and occupancy of the AVFA Office during the Term (defined in Section 3.1, below) which AVFA Office includes exclusive use of the CPR closet and storage cabinet, as shown and depicted in *Exhibit 2*. In addition to access to and permitted use of the AVFA Office, all Arcata Volunteer Firefighters' Association (AVFA) memorabilia located in other areas of the building is the property and will remain the property of the AVFA.

**1.2. Non-Exclusive Access to the AVFA Office.** In addition to the exclusive right to occupy and use the AVFA Office, Landlord also grants to Tenant the non-exclusive right of ingress and egress to and from the AVFA Office utilizing the entrances to the Building shown on *Exhibit 2* as the "Main Entrance to the AVFA Office" and the "Secondary Entrance to the AVFA Office".

**1.3. Permitted Uses.** Tenant shall use the AVFA Office solely and exclusively as office space for the conduct of Tenant's own operations as a non-profit public benefit corporation and for no other purpose without Landlord's prior written consent.

**Article 2. Non-Exclusive Use of Common Areas.**

**2.1 Non-Exclusive Right to Use Common Areas.** Landlord grants to Tenant a non-exclusive license to use those additional portions of the first floor of the Building depicted within the blue-dashed line on *Exhibit 2* (“Common Areas”), for the permitted uses (defined in Section 2.2, below) and subject to prior scheduling with Landlord pursuant to Section 2.3, below. Tenant shall not have any rights or access to the second floor of the Building.

**2.2 Permitted Uses.** Tenant shall use the Commons Areas only for purposes that align with and promote Tenant’s purpose as a volunteer firefighters’ association, which purposes may include AVFA meetings, community events, and educational classes. In addition, Tenant is granted the right to have access to and shall have the right to replace as Tenant deems necessary all AVFA owned tables, chairs, and video equipment located in the storage closet and any and all AVFA memorabilia now located or hereafter placed by tenant in the display cabinets located in the meeting space adjacent to the kitchen and also including all historical AVFA items and photos located throughout the building. Tenant will also have access to all currently existing and replacement kitchen utensils, dishes, pots and pan including cooking material now owned or hereafter purchased by Tenant. Notwithstanding anything in this Agreement to the contrary, Tenant shall not have the right to rent or otherwise grant to any third party the right to use the Common Areas without Landlord’s prior written consent.

**2.3 Scheduling.** In the event Tenant requires use of the kitchen, the conference room, or the meeting space adjacent to the kitchen, Tenant shall schedule such use with Landlord in advance. Landlord shall have priority use over such space for purposes of scheduling with respect to events that have been scheduled by Landlord.

**Article 3. Provisions Common to Articles I and II.**

**3.1 Term.** The term (“Term”) of this Lease shall commence on the Commencement Date and shall extend for such time as Landlord maintains fee title ownership of the Property, unless sooner terminated according to this Lease.

**3.2 Rent.** In recognition of the ongoing partnership between Landlord and Tenant, as well as the significant efforts by Tenant, during the period of its ownership of the Property, to fund and facilitate improvements to the Property and Building for its continued use as a fire station, as well as Tenant’s agreement to sell the Property to Landlord for the then current balance on its mortgage, Landlord and Tenant agree that Landlord will not charge Tenant rent for its continued use of the Property pursuant to this Lease during the Term.

**3.3 Use.** In addition to the use limitations set forth in Sections 1.3 and 2.2 above:

(a) Tenant agrees not to use the Property, or any portion thereof, for any immoral or unlawful purpose.

(b) Tenant shall not commit any acts on the Property, nor use the Property in any manner that will increase the existing rates for or cause the cancellation of any fire, liability, or other insurance policy insuring the Property or the improvements on the Property. Tenant shall, at Tenant’s own cost and expense, comply with all requirements of Landlord’s insurance carriers that are necessary for the continued maintenance at reasonable rates of fire and liability insurance policies on the Property and the improvements on the Property.

(c) Tenant shall not commit any waste or any public or private nuisance upon the

Property.

(d) Tenant shall comply with all laws, rules, and orders of all federal, state, and municipal governments or agencies that may be applicable to use of the Property.

(e) Tenant shall not possess, use, or consume, or allow any person to whom it allows entry to possess, use, or consume, any alcohol or other controlled substances on the Property or any portion thereof.

(f) Tenant shall implement reasonable policies and controls, which policies and controls shall be approved by Landlord, to ensure access to the Building is limited to authorized officers, directors, or members of Tenant who are performing official business on behalf of Tenant or other invitees who are attending an official function of Tenant in the classroom.

**3.4. Utilities.** Landlord shall provide Tenant, at its own cost, with garbage, water, sewer, gas, and electrical utility service to the Property.

**3.5 Taxes.** Tenant shall pay as due all taxes on its personal property located on the Property or otherwise. As a public entity, Landlord does not pay property taxes, but Tenant may be assessed directly by the County a possessory use tax on the leasehold premises pursuant to California Revenue and Taxation Code sections 107 et. seq. Tenant is hereby given notice of the possessory use tax as required by Revenue and Taxation Code section 107.6.

**3.6 Condition of Property.** Tenant acknowledges that as of the date of this Lease, Tenant has inspected the Property and all improvements on the Property and that the Property and improvements are in good order, repair, and condition.

**3.7 Repairs and Maintenance.**

(a) Landlord agrees, at its own expense, to keep the Property (including without limitation, the sidewalks, the parking lot, and the landscaping that are part of the Property) in good condition and repair, except to the extent the need for repair is due to the fault of Tenant or any of its invitees, in which case Tenant agrees, at its expense, to conduct the necessary repairs.

(b) Tenant shall deliver to Landlord physical possession of the AVFA Office at the end of the Term, or any extension of the Term, in good condition and repair, reasonable wear and tear and use and loss by fire or other casualty or by earthquake or other act of God excepted.

**3.8 Alterations.** Without Landlord's prior written consent, Tenant shall not make any alterations to the Property or the Building, including any Common Areas or the AVFA Office.

**3.9 Entry.** Tenant shall permit Landlord or Landlord's agents, representatives, or employees to enter the AVFA Office at all reasonable times and upon reasonable notice to inspect the AVFA Office to determine whether Tenant is complying with the terms of this Lease and to do other lawful acts that may be necessary to protect Landlord's interest in the Property under this Lease or to perform Landlord's duties under this Lease.

**3.10 Surrender of Property; Holding Over.**

(a) On the Termination Date or the end of any extension or renewal of this Lease, Tenant shall promptly surrender and deliver the Property to Landlord in as good condition as they are now at the date of this Lease, reasonable wear and tear excepted.

(b) At the end of the Term, or any extension, should Tenant hold over for any reason, it is agreed that in the absence of a written agreement to the contrary, that tenancy shall be from month-to-month only and not a renewal of this Lease, nor an extension for any further term. The month-to-month tenancy shall be subject to every other term, covenant, and condition in this Lease that is consistent with and not contrary to a month-to-month tenancy.

**3.11 Indemnity.** Tenant agrees to indemnify and defend Landlord from any claims, demands, and causes of action of any nature and any expense incident to the defense, for injury to or death of persons or loss of or damage to property occurring on or about the Property that grow out of or are connected with Tenant's use and occupation of the Property or the condition of the Property (unless the condition is one for which Landlord has expressly assumed the responsibility for remedying and the condition is not caused by Tenant), during the Term.

**3.12 Insurance.**

(a) Tenant agrees to procure and maintain public liability insurance, including products and completed operations insurance, from a responsible insurance company authorized to do business in California, with a combined single limit of not less than \$1,000,000 for injury or death to any person or damage to property and \$2,000,000 excess umbrella coverage for injury or death or property damage, for any claims, demands, or causes of action of any person arising out of accidents occurring on the Property during the Term or arising out of Tenant's use of the Property; provided, however, that if in the opinion of Landlord's insurer, the policy limits set forth above are determined to be inadequate, Tenant shall increase the policy limits in accordance with the recommendation or requirements of Landlord's insurer after written notice from Landlord.

(b) The policy of insurance shall be issued by a responsible insurance company authorized to do business in California, and shall be issued in the names of Landlord, Tenant, and any beneficiary under any deed of trust covering the Property, if required by the deed of trust, as their respective interests may appear. Tenant shall deliver a certificate for the insurance policy to Landlord with all relevant endorsements. The policy of insurance shall be primary and noncontributory with any policies carried by Landlord and, to the extent obtainable, any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in forfeiture of insurance. The insurance policy shall provide that a thirty (30) day notice of cancellation and of any material modification of coverage shall be given to all named insureds. The insurance coverage required under this Section may be carried by Tenant under a blanket policy insuring other locations of Tenant's business, provided that the Property covered by this Lease are specifically identified as included under that policy. Tenant agrees that upon the failure to insure as provided in this Lease, or to pay the premiums in the insurance, Landlord may contract for the insurance and pay the premiums, and all sums expended by Landlord for the insurance shall be considered additional rent under this Lease and shall be immediately repayable by Tenant.

(c) At all times during the Term and any extensions or renewals, Tenant agrees to keep and maintain, or cause Tenant's agents, contractors, or subcontractors to keep and maintain, workers' compensation insurance and other forms of insurance as may from time to time be required by law or may otherwise be necessary to protect Landlord and the Property from claims of any person who may at any time work on the Property, whether as

a servant, agent, or employee of Tenant or otherwise. This insurance shall be maintained at the expense of Tenant or Tenant's agents, contractors, or subcontractors and not at the expense of Landlord.

**3.13 Signs.** Tenant shall not place, maintain, nor permit on any exterior door, wall, or window of the Property any sign, awning, canopy, marquee, or other advertising without the express written consent of Landlord. Furthermore, Tenant shall not place any decoration, lettering, or advertising matter on the glass of any exterior show window of the Property without the written approval of Landlord. If Landlord consents to any sign, awning, canopy, marquee, decoration, or advertising matter, Tenant shall maintain it in good appearance and repair at all times during this Lease. At the Termination Date, any of the items mentioned in this section that are not removed from the Property by Tenant may, without damage or liability, be destroyed by Landlord.

**3.14 Condemnation.** If, during the Term or any renewal or extension, the whole (or any portion thereof) of the Property shall be taken pursuant to any condemnation proceeding, this Lease shall terminate as of 12:01 a.m. of the date that actual physical possession of the Property is taken, and after that, both Landlord and Tenant shall be released from all obligations under this Lease. If the whole or any part of the Property are taken pursuant to any condemnation proceeding, then Landlord shall be entitled to the entirety of any condemnation award except that portion allocable to Tenant's unsalvageable Trade Fixtures.

**3.15 Assignment and Subletting.** Tenant shall not assign or sublease this Lease without the prior written consent of Landlord, which may be withheld in its sole and absolute discretion. Any assignment or sublease of any right under this Lease shall be void and constitute a material violation of this Lease.

**3.16 Default.** Any of the following events or occurrences shall constitute a material breach of this Lease by Tenant and, after the expiration of any applicable grace period, shall constitute an event of default (each an "Event of Default"):

(a) The failure by Tenant to pay any amount in full when it is due under the Lease if the failure has continued for a period of ten (10) days after Landlord demands in writing that Tenant cure the failure;

(b) The failure by Tenant to perform any obligation under this Lease, which by its nature is both material and for which Tenant has no capacity to cure;

(c) The failure by Tenant to perform any other obligation under this Lease, if the failure has continued for a period of ten (10) days after Landlord demands in writing that Tenant cure the failure. If, however, by its nature the failure cannot be cured within ten (10) days, Tenant may have a longer period as is necessary to cure the failure, but this is conditioned upon Tenant's promptly commencing to cure within the ten (10) day period and thereafter diligently completing the cure. Tenant shall indemnify and defend Landlord against any liability, claim, damage, loss, or penalty that may be threatened or may in fact arise from that failure during the period the failure is uncured;

(d) Any of the following: A general assignment by Tenant for the benefit of Tenant's creditors; any voluntary filing, petition, or application by Tenant under any law relating to insolvency or bankruptcy, whether for a declaration of bankruptcy, a reorganization, an arrangement, or otherwise; the abandonment, vacation, or surrender of the Property by Tenant without Landlord's prior written consent; or the dispossession of Tenant from the Property (other than by Landlord) by process of law or otherwise;

(e) The appointment of a trustee or receiver to take possession of all or substantially all of Tenant's assets; or the attachment, execution or other judicial seizure of all or substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease, unless the appointment or attachment, execution, or seizure is discharged within thirty (30) days; or the involuntary filing against Tenant, or any general partner of Tenant if Tenant is a partnership, of

(i) a petition to have Tenant declared bankrupt, or

(ii) a petition for reorganization or arrangement of Tenant under any law relating to insolvency or bankruptcy, unless, in the case of any involuntary filing, it is dismissed within sixty (60) days;

(f) The abandonment of the Property by Tenant.

**3.17 Remedies.** Upon the occurrence of an Event of Default, Landlord, in addition to any other rights or remedies available to Landlord at law or inequity, shall have the right to terminate this Lease and all rights of Tenant under this Lease by giving Tenant written notice that this Lease is terminated.

**3.18 Waiver of Breach.** Any express or implied waiver of a breach of any term of this Lease shall not constitute a waiver of any further breach of the same or other term of this Lease.

**3.19 Security Deposit.** No Security deposit shall be required.

**3.20 Authority.** All individuals executing this Lease on behalf of Tenant represent that they are authorized to execute and deliver this Lease on its behalf.

**3.21 Notices.** Except as otherwise expressly provided by law, all notices or other communications required or permitted by this Lease or by law to be served on or given to either party to this Lease by the other party shall be in writing. All written communications from Landlord will be sent via personal delivery, certified mail, registered mail, prepaid postage, or overnight courier, to Tenant at 2149 Central Avenue, McKinleyville, CA and will bear "ATTN. LEASE MANAGEMENT" on the outside of the envelope. Upon receipt of notices bearing the aforementioned label, the Landlord's business manager will immediately send email notification to Tenant that a Lease Management document has been received. Receipt of notices shall be deemed effective at the time the email notifications from the Landlord's business manager are sent.

To Tenant: Arcata Volunteer Firefighters' Association, Inc.  
Attn: Board of Directors  
2149 Central Avenue  
McKinleyville, CA 95519  
Email: [\\_rbwillisii@gmail.com](mailto:_rbwillisii@gmail.com)  
Email: [rjnakamoto@gmail.com](mailto:rjnakamoto@gmail.com)  
Email: [davewhite@sbcglobal.net](mailto:davewhite@sbcglobal.net)  
Email: [woodfive150@outlook.com](mailto:woodfive150@outlook.com)

To Landlord: Arcata Fire Protection District  
Attn: Fire Chief  
2149 Central Avenue  
McKinleyville, CA 95519

With copy to: Ryan T. Plotz  
The Mitchell Law Firm, LLP  
426 First Street  
Eureka, CA 95501  
E-mail:[rplotz@mitchelllawfirm.com](mailto:rplotz@mitchelllawfirm.com)

Either party, Tenant or Landlord, may change the address for the purpose of this Section by giving written notice of the change to the other party in the manner provided in this Section.

**3.22 Partial Invalidity.** Should any provision of this Lease be held by a court of competent jurisdiction to be either invalid or unenforceable, the remaining provisions of this Lease shall remain in effect, unimpaired by the holding.

**3.23 Entire Agreement.** This instrument constitutes the sole agreement between Landlord and Tenant respecting the Property, the leasing of the Property to Tenant, and the specified lease term, and correctly sets forth the obligations of Landlord and Tenant. Any agreement or representations respecting the Property or their leasing by Landlord to Tenant not expressly set forth in this instrument are void.

**3.24 Time of Essence.** Time is of the essence in this Lease.

**3.25 Amendments.** This Lease may be modified only in writing and only if signed by the parties at the time of the modification.

**3.26 Subordination.** This Lease shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or later placed upon the Property and to any advances made on the security of it or Landlord's interest in it, and to all renewals, modifications, consolidations, replacements, and extensions of it. However, if any mortgagee, trustee, or ground landlord elects to have this Lease have priority to the lien of its mortgage or deed of trust or have priority to its ground lease, and gives notice of that to Tenant, this Lease shall be deemed prior to the mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of the mortgage, deed of trust, or ground lease, or the date of recording of it. If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, Tenant shall attorn to the purchaser at the foreclosure sale or to the grantee under the deed in lieu of foreclosure. If any ground lease to which this Lease is subordinate is terminated, Tenant shall attorn to the ground landlord. Tenant agrees to execute any documents, in form and substance reasonably acceptable to Tenant, required to for the subordination, to make this Lease prior to the lien of any mortgage or deed of trust or ground lease, or to evidence the attornment.

**3.27 [Intentionally Omitted.]**

**3.28 Governing Law.** This Lease shall be governed by and construed in accordance with California law.

**3.29 Accessibility Requirements.** The following requirements are included herein by Landlord to comply with [Civ. Code, § 1938](#): The Premises have not undergone inspection by a Certified Access Specialist (CASp). Tenant acknowledges and agrees that a Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial

property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

**SIGNATURES**

TENANT: Arcata Volunteer Firefighters' Association Inc.

BY: \_\_\_\_\_

Name: Roy Willis

Its: President

LANDLORD: Arcata Fire Protection District

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Exhibit List:

- 1. Description of the Property
- 2. First Floor Footprint

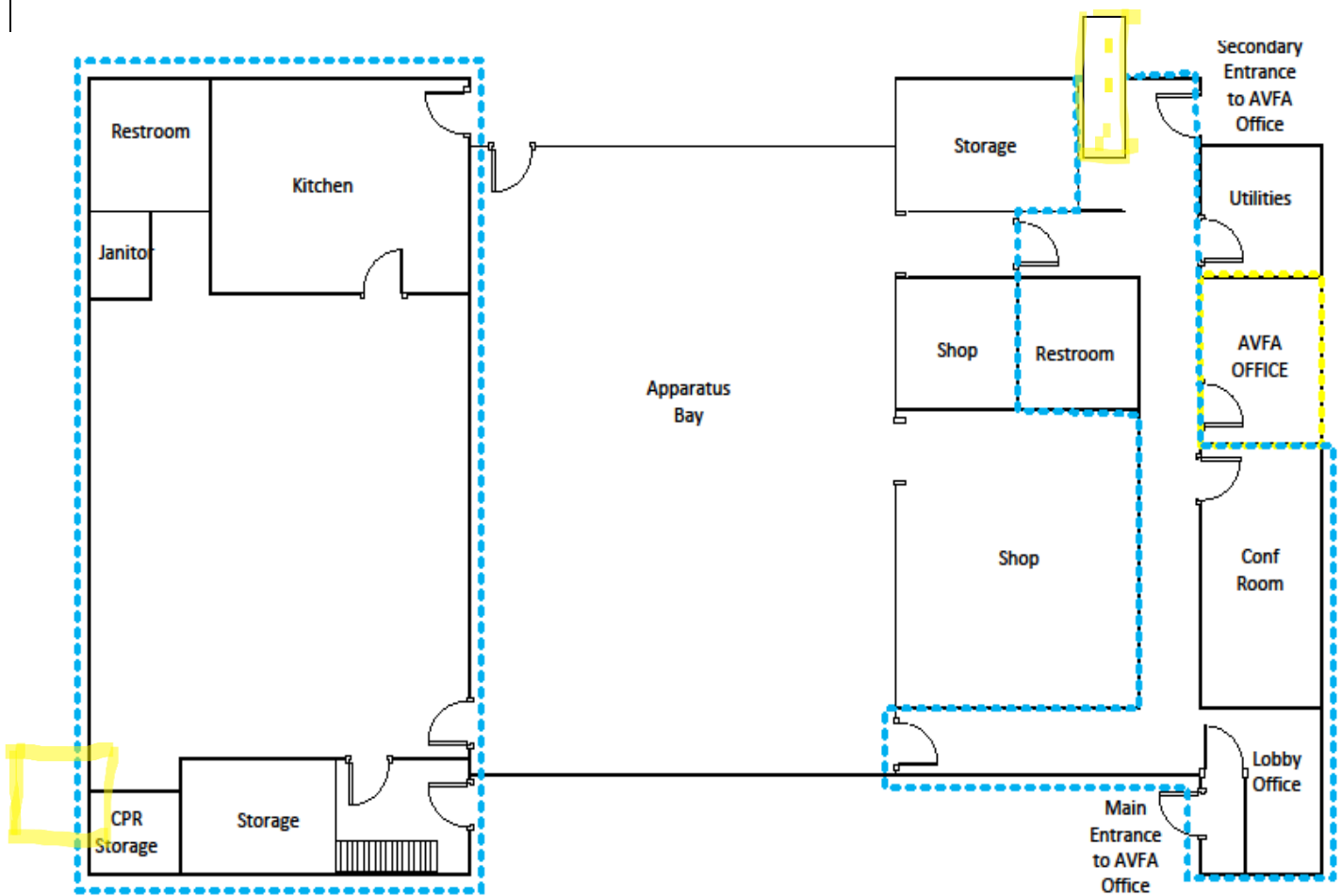


Exhibit "1"  
Description of the Property

[TO BE INSERTED]

DRAFT

Exhibit "2"  
First Floor Footprint



**Date:** September 10, 2024  
**To:** Board of Directors, Arcata Fire District  
**From:** Chris Emmons, Fire Chief  
**Subject:** Adopt Resolution 24-318, Approving the Form and Authorizing the Execution and Delivery of Certain Financing Documents for the Purpose of Acquiring the Fire Headquarters Building and Facilities, and Authorizing Other Related Actions in Connection

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### **DISCUSSION:**

The Arcata Fire Protection District Board of Directors have been in discussions regarding a potential Option to Purchase Agreement with the Arcata Volunteer Firefighter's Association for the 9th Street Fire Station and property (the "9<sup>th</sup> Street Station"). Through direction to the Board ad-hoc committee, staff, and District Counsel, a resolution approving the Option Agreement with the AVFA has been drafted.

### **FINANCING TEAM**

Staff has consulted with Weist Law and California Municipal Advisors, the consultants that have assisted the District with previous transactions. The team also includes the utilization of the California Municipal Public Financing Authority (the "Authority"), a municipal contracting agency serving local government agencies in California, to provide the requisite financing for this undertaking. The Authority offers a wide range of competitively procured products, equipment, and service opportunities, enabling participating local government agencies to leverage the benefits of cooperative financing to reduce procurement costs.

### **FINANCING PARAMETERS**

After discussion with the Board and consultants, Staff is recommending a 20-year fully amortizing repayment structure with annual debt service payments of approximately \$130,000. By purchasing the 9th Street Station, the District will save approximately \$122,500 annually in rent expenses. The 20-year loan will be prepayable without penalty after 5 to 7 years, giving the District the option to partially or fully prepay the loan using surplus funds, should the Board choose to do so.

Measure F is set to expire in 2030, which will create a projected structural deficit of approximately \$1 million annually starting in fiscal year 2029-30 (the "Structural Deficit"). While the District is actively working on a long-term plan to address this deficit, lenders will require assurances that debt service payments will continue to be made in full and on time.

To address this, staff recommends setting aside approximately \$1.25 million in a special reserve fund dedicated solely to ensuring debt service payments in case of future shortfalls. This fund, which will remain District-owned and invested at the best available rates, will only be accessible for debt service payments in the event of a shortfall.

The special reserve fund will be released from these restrictions and revert to unrestricted District funds upon the earlier of: (i) resolution of the Structural Deficit, or (ii) full repayment of the financing used to purchase the 9th Street Station.

The exact terms of the financing will not be known until after the Authority undertakes a formal bid process on behalf of the District. The bid process ensures that the District is receiving the best possible terms and conditions in the current municipal marketplace. Once the Authority receives the bids, the Chief, with the help of Weist Law and CalMuni, will be able to select the proposal with the best terms and conditions. This process takes about three weeks to complete. If the Chief selects one of the bids, the financing should be able to be completed in October.

## **INSTALLMENT PURCHASE FINANCING**

To facilitate the financing process the Authority will sell the Project to the District pursuant to an Installment Loan Purchase Agreement between the Authority and the District. The District under the Loan Agreement agrees to purchase the Project from the Authority in the exact amount of the semi-annual debt service on the Loan. Title remains with the District at all times. The Authority is merely a conduit facilitator of the loan financing arrangement (the “Loan”) and does make money by taking a spread on the interest rate. The Authority charges a flat fee of \$12,500, which covers its internal costs as well as its regulatory compliance fees. The Authority also charges an annual fee of the greater of (i) 50 basis points times the aggregate principal components of the Loan Payments outstanding on the first day of the month in which the anniversary of the closing date occurs, or (ii) \$750. These charges cover the Authority’s annual cost to administrate the Loan, including required accounting and regulatory filing work.

## **SUMMARY OF THE FINANCING DOCUMENTS**

Resolution 24-318 authorizes and approves the form of a Series 2024B Installment Loan Purchase Agreement (the “2024 Loan Agreement”) and Irrevocable Payment Instructions (the “Instructions”) which are necessary to provide for the successful consummation of the Project purchase. The 2024 Loan Agreement and Instructions are each briefly described as follows:

1. 2024 Loan Agreement: This is an agreement between the District and the Authority, which sets forth the covenants and specifics of the Loan obligation, including the District’s promise to make future semi-annual debt service payments, the right to purchase the asset, the District’s duties, repayment mechanisms and the financial institution’s rights and remedies in the event of default. The 2024 Loan Agreement also includes details of the financing being secured on equal parity with the District’s (i) Series 2022 Loan Obligation (Equipment Acquisition Project of 2022), (ii) Series 2021 Taxable Revenue Obligations (CalPERS UAL Prepayment Project), and (i) Series 2024A Loan Obligation (Equipment Acquisition Project of 2024). The District shall pledge and grant a security interest, to the extent permitted by law, in all Gross Revenues to secure the obligations of the District under the Loan Agreement.

2. Irrevocable Payment Instructions: This is an agreement between the District, the Authority and the winning bidder for the Financing, which constitutes irrevocable instructions by the District authorizing and directing the Authority to transfer the Loan proceeds in accordance with the Instructions.

## **SUMMARY OF THE OPPORTUNITY**

If the Board correspondingly adopts the subject Resolutions, staff, with the aid of the financing team, will work with the Authority and the selected financial institution to close the transaction at first possible opportunity, with the present target closing date being October, 2024.

## **RECOMMENDATION:**

Staff recommends the Board adopt Resolution 24-318 approving the Form and Authorizing the Execution and Delivery of Certain Financing Documents for the Purpose of Acquiring the District's Fire Headquarter Building and Facilities and Authorizing Other Related Actions in Connection Therewith.

## **FINANCIAL IMPACT:**

- No Fiscal Impact/Not Applicable
- Included in Budget:
- Additional Appropriation Requested:
- Unknown/Not Yet Identified

## **ALTERNATIVES:**

Board Discretion

## **ATTACHMENTS:**

Attachment 1 – Resolution 24-318

Attachment 2 – Loan Agreement

Attachment 3 – Irrevocable Payment Instructions



## Resolution Number: 24-318

### A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ARCATA FIRE PROTECTION DISTRICT APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN FINANCING DOCUMENTS FOR THE PURPOSE OF FINANCING THE ACQUISITION OF REAL PROPERTY AND FACILITIES COMPRISING THE DISTRICT'S FIRE HEADQUARTERS FACILITY, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

**WHEREAS**, the Arcata Fire Protection District (the "District") is a fire protection district duly organized and existing under and pursuant to the laws of the State of California; and

**WHEREAS**, the District desires to work with the California Municipal Public Financing Authority, a nonprofit entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for the purpose of, among other things, financing the acquisition of the real property and facilities comprising the District's present fire headquarters facility, all as more particularly described in Exhibit A to the hereinafter described Loan Agreement (the "Project"); and

**WHEREAS**, the Authority was formed pursuant to a joint exercise of powers agreement, dated as of June 24, 2020 (the "JPA Agreement") and Article I (commencing with Section 6500) of Chapter 5 or Division 7 of Title I of the Government Code of the State of California (the "State") for the purpose of, among other things, assisting California government agencies with the issuance of non-recourse debt, which may include bonds, loans, certificates of participation, notes, leases, installment sale or other evidences of indebtedness, and to otherwise undertake financing programs under the applicable provisions of the laws of the State to accomplish its public purposes; and

**WHEREAS**, the District has the power, under and by virtue of the laws of the State, to (i) purchase real and personal property, (ii) enter into installment sale contracts in order to finance the purchase of real and personal property used, or to be used, for public purposes, and (iii) grant a security interest in some or all of the property purchased to secure repayment of the purchase price; and

**WHEREAS**, to facilitate the financing of the Project the Authority proposed a cost-effective installment sale financing arrangement pursuant to the terms and conditions set forth in a Series 2024B Installment Loan Purchase Agreement, dated as of October 1, 2024, by and between the Authority and the District (the "Loan Agreement"), the proceeds of which will be administered pursuant to certain Irrevocable Payment Instructions, dated as of October 1, 2024, by and between the Authority, the District and the assignee of the financing arrangement (the "Irrevocable Payment Instructions"); and

**WHEREAS**, the Board of Directors (the "Board"), after due investigation and deliberation, has determined that it is in the public interests of the District at this time to undertake tax-exempt municipal financing for the purchase of the Project accordance with the Loan Agreement (the "Financing"); and

**WHEREAS**, the Board, with the aid of its staff, has reviewed the form of the Loan Agreement and Instructions, the forms of which are on file with the Secretary to the Board, and the Board wishes at this time to approve the foregoing documents as being within the public interests of the District; and

**WHEREAS**, pursuant to Government Code Section 5852.1, certain good faith information relating to the Financing is set forth herein and made public; and

**WHEREAS**, the Board desires to designate the Loan Agreement as a “Qualified Tax-Exempt Obligation;” for purposes of Paragraph (3) of Section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”); and

**WHEREAS**, the Board wishes at this time to authorize all proceedings relating to the Financing as well as the execution and delivery of the Loan Agreement and all other agreements and documents relating thereto; and

**WHEREAS**, all acts, conditions and things required by the laws of the State to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

**NOW, THEREFORE BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE ARCATA FIRE PROTECTION DISTRICT THAT:**

**Section 1. Recitals.** The Board hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the recitals set forth above are true and correct.

**Section 2. Authorized Representatives.** The President, Fire Chief, Board Clerk/Secretary and any other person authorized by the Fire Chief to act on behalf of the District shall each be an “Authorized Representative” of the District for the purposes of structuring and providing for the execution and delivery of the Loan Agreement, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the issuance, sale and delivery of the Loan Agreement (including, but not limited to, the documents referenced in this Resolution, and any other documentation required or necessary in connection therewith, which are sometimes hereafter referred as the “Financing Documents”), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Board has approved in this Resolution and said Financing Documents.

**Section 3. Significant Public Benefits.** The Board hereby finds and determines that the execution of the Loan Agreement is expected to result in significant public benefits to the District and its ratepayers.

**Section 4. Approval of Loan Agreement.** The Board hereby authorizes and approves the Loan Agreement in substantially the form on file with the Secretary together with any additions thereto or changes therein (including, but not limited to, the final aggregate principal amount of the Financing and the corresponding final debt service payment schedule) deemed necessary or advisable by an Authorized Representative of the District. Each Authorized Representative, acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Loan Agreement in substantially said form, with such changes therein as the Authorized Representative executing the same may approve (such approval to be conclusively evidenced by such Authorized Representative’s execution and delivery thereof). The Board hereby authorizes the delivery and performance of the Loan Agreement.

**Section 5. Approval Irrevocable Payment Instructions.** The Board hereby authorizes and approves the Irrevocable Payment Instructions in substantially the form on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by an Authorized Representative of the District. Each Authorized Representative, acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute the final form of the Irrevocable Payment Instructions for and in the name and on behalf of the District, and the execution thereof shall be conclusive evidence of the Board’s approval of any such additions and changes. The Board hereby authorizes the delivery and performance of the Irrevocable Payment Instructions.

**Section 6. Good Faith Estimates.** Set forth below are good faith estimates of the Municipal Advisor, as required under Section 5852.1 of the Government Code. The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by this resolution.

(a) The true interest cost of the Financing is estimated at 4.50%, calculated as provided in Section 5852.1(a)(1)(A) of the Government Code.

(b) The finance charge of the Financing, including all fees and charges paid to third parties, is estimated at \$95,000.

(c) Proceeds of the Financing estimated to be received by the District of \$1,705,000, less the finance charge set forth in (b) above, is equal to \$1,610,000.

(d) The total payment amount (principal and interest) calculated as provided in Section 5852.1(a)(1)(D) of the Government Code is estimated at \$2,607,579.

**Section 7. Qualified Tax-Exempt Obligation.** The Board hereby designates the Loan Agreement for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation” and covenants that the Loan Agreement does not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the District (including all subordinate entities of the District and all entities which may issue obligations on behalf of the District) during the calendar year 2024 is not reasonably expected to exceed \$10,000,000, excluding, however, private activity bonds, as defined in Section 141 of the Code (other than qualified 501(c)(3) bonds as defined in Section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation.

**Section 8. Confirmation and Direction to Proceed with the Financing.** All actions heretofore taken by the officers and agents of the District with respect to the Financing are hereby approved, confirmed and ratified. The Authorized Representatives and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they or any of them might deem necessary or appropriate in order to consummate any of the actions and transactions contemplated by this Resolution and the Financing Documents. Whenever any officer of the District is authorized to execute or countersign any document or take any action contemplated by this Resolution and the Financing Documents, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 9. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**ADOPTED, SIGNED AND APPROVED** at a duly called meeting of the Board of Directors of the Arcata Fire Protection District by the following polled vote:

- Ayes:
- Nays:
- Abstain:
- Absent:

**DATED:** September 10, 2024

\_\_\_\_\_  
Eric Loudenslager, President

Attest:

\_\_\_\_\_  
Katie Hill, Board Clerk/Secretary



**SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT**

by and between

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**

And

**ARCATA FIRE PROTECTION DISTRICT**

Dated as of October 1, 2024

Relating to

\$ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**(ARCATA FIRE PROTECTION DISTRICT)**  
**SERIES 2024B LOAN OBLIGATIONS**  
**(FIRE STATION ACQUISITION PROJECT)**

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## SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT

**THIS SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT** (the “Loan Agreement”), is dated as of October 1, 2024, between **CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and the **ARCATA FIRE PROTECTION DISTRICT**, a political subdivision organized and existing under the laws of the State of California (“District”), wherein the parties hereby agree as follows:

### *WITNESSETH:*

**WHEREAS**, the District desires to work with the Authority for the purpose of, among other things, procuring financing the Acquisition of the District’s fire station headquarters building and facilities, all as more particularly described in Exhibit A herein (the “Project”); and

**WHEREAS**, the Authority has been formed for the purpose, among others, of assisting public agencies such as the District in the financing of public capital improvements within or of benefit to the District; and

**WHEREAS**, to that end, the Authority will cause the execution and delivery of Series 2024B Loan Obligations in the principal amount of \$\_\_\_\_\_ (the “Series 2024B Loan Obligations”), and apply the proceeds of the sale thereof to the acquisition of the Project; and

**WHEREAS**, the District has determined to purchase the Project from the Authority pursuant to this Loan Agreement; and

**WHEREAS**, the District will make installment payments pursuant to this Loan Agreement (the “Loan Payments”) from the Gross Revenues (as defined herein) in order to purchase the Project from the Authority; and

**WHEREAS**, the Authority will assign all of its rights and interest in the Loan Agreement, including, without limitation, its right to receive Loan Payments pursuant to an Assignment Agreement, dated as of October 1, 2024 (the “Assignment Agreement”); and

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

**Section 1. Definitions.** All terms defined in this Section 1 have the meanings herein specified for all purposes of this Loan Agreement.

**“Accreted Value”** means, with respect to any capital appreciation obligation, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value of any capital appreciation obligation at any date shall be the amounts set forth in the accreted value table for the capital appreciation obligation as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

**“Additional Revenues”** means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the District to be made with the proceeds of such Parity Debt and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period (selected by the District) during the 18 consecutive calendar month period ending immediately prior to the issuance, incurrence or creation of such

additional Parity Debt, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of an Independent Engineer or an Independent Accountant retained by the District and reasonably satisfactory to the Authority.

(ii) An allowance for Net Revenues arising from any increase in taxes, assessments or charges made for service from the District which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the latest Fiscal Year or such 12 month period for which audited financial statements are available or any 12 consecutive calendar month period (selected by the District) during the 18 consecutive calendar month period ending immediately prior to the issuance, incurrence or creation of such additional Parity Debt, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12 month period, all as shown by the certificate or opinion of an Independent Consultant or an Independent Accountant employed by the District.

**“Authority”** means the California Municipal Public Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California, and any other successor or any other entity to whom the rights of the Authority hereunder are assigned. Hereinafter, reference to Authority means the Authority and its assigns for those rights, interests, and obligations that may be assigned by the Authority.

**“Authority Issuance Fee”** means \$12,500.

**“Authority Annual Fee”** means the greater of (i) 50 basis points times the aggregate Principal Components of the Loan Payments outstanding on the first day of the month in which the anniversary of the Commencement Date occurs, or (ii) \$750.

**“Authorized Representative”** means (i) with respect to the District, the Chairperson, Fire Chief and Secretary, or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its Chairperson or Fire Chief and filed with the Authority, and (ii) with respect to the Authority, the Chair, Vice-Chair, Manager, Treasurer and Secretary, or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice-Chair, Manager or Treasurer.

**“Balloon Indebtedness”** means Long-Term Indebtedness 25% or more of the principal of which (calculated as of the date of issuance) becomes due (either by maturity or mandatory redemption) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Long-Term Indebtedness to be amortized below such percentage by redemption prior to such date.

**“Board”** means the Board of Directors of the District.

**“Bond Counsel”** means The Weist Law Firm, or any other attorney or firm of attorneys acceptable to the Authority of nationally recognized expertise with respect to legal matters relating to municipal obligations.

**“Business Day”** means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California are not closed.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Commencement Date”** means the date when interest begins to accrue on the District’s obligation to pay Loan Payments hereunder, which date shall be October \_\_, 2024.

**“Concluding Payment”** means payment in full of all remaining Loan Payments and all other payments due hereunder.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution and delivery of this Loan Agreement, including but not limited to District administration costs and expenses, fees and expenses of consultants and professionals, fees and expenses of the municipal advisor and any placement agents, legal fees and charges (including legal fees of the Authority), insurance fees and charges, filing costs, settlement costs, printing costs, reproduction and binding costs, regulatory fees, including, but not limited to, fees charged by the California Debt and Investment Advisory Commission, and fees for execution, transportation and safekeeping of this Loan Agreement, and all other charges and fees in connection with the foregoing.

**“Debt Service”** when used with respect to the Loan Payments and Parity Debt, means, for any period, the sum of (1) the interest payable during such period on the Loan Payments and Parity Debt, (2) the principal or mandatory sinking fund payments to be paid with respect to the Loan Payments and Parity Debt during such period, and (3) any other scheduled payments coming due on the Loan Payments and outstanding Parity Debt in such period and not otherwise included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of the Loan Payments or Parity Debt shall cease to be outstanding during such period except by reason of the application of scheduled payments; provided that, for purposes of such computation:

(a) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in any period, payment shall be assumed to be made in accordance with the Payment Schedule and any other amortization schedule established for Parity Debt, including any mandatory sinking fund payments or any scheduled redemption or payment of Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date and any contingencies that may result in a request for earlier payment shall be disregarded;

(b) Balloon Indebtedness may, at the option of the District, be treated as if it were to be amortized with substantially level debt service over a term of up to 25 years (which period shall be designated by the District), from the date of calculation, and the interest rate used for such computation shall be assumed by the District to be equal to (i) the interest rate in effect for such Balloon Indebtedness on the date of calculation, if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are fixed for at least 12 months from the date such interest rates are determined or (ii) if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are not fixed for at least 12 months from the date such interest rates are determined, the rate of interest used to calculate Debt Service shall be determined as described in clause (c);

(c) if any Parity Debt bear, or if any Parity Debt proposed to be issued, incurred or created will bear, interest at a variable interest rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of (i) the then current variable interest rate borne by such Parity Debt plus 1%; and (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

(d) if any Parity Debt feature an option, on the part of the owners or a requirement under the terms of such Parity Debt, to tender all or a portion of such Parity Debt to the District, or other fiduciary or agent, and to purchase such Parity Debt or portion thereof if properly presented, then for purposes of determining the amounts due in any period with respect to such Parity Debt, the options or obligations of the owners of such Parity Debt to tender the same for purchase or payment shall be ignored;

(e) Loan Payments and payments on Parity Debt shall be excluded to the extent such payments are to be paid from amounts on deposit with a trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of the Loan Agreement or Parity Debt, including any investment earnings thereon, held by a trustee or other fiduciary as capitalized interest specifically to pay such interest;

(f) with respect to Parity Debt for which a reserve fund is in place, the calculation of Debt Service for such Parity Debt for any period shall be reduced by the amount of investment earnings on amounts on deposit in such reserve fund used or expected to be used to pay Debt Service on such Parity Debt during such period, as estimated by the District; and

(g) with respect to Parity Debt for which a reserve fund is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such Parity Debt if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such Parity Debt, such excess shall be applied to the full amount due on each preceding payment date for such Parity Debt, in inverse order, until such amount on deposit in such reserve fund is exhausted.

**“Debt Service Coverage Requirement” or “DSC Requirement”** means for any Fiscal Year, or other period of time for which such calculation is made, that Net Revenues for such Fiscal Year, or other period of calculation, must be at least equal to one hundred ten percent (110%) of Maximum Annual Debt Service.

**“District”** means the entity described as such in the first paragraph of this Loan Agreement, its successors and its assigns.

**“Enterprise”** means, collectively, the entire fire and emergency services system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the fire suppression, emergency medical services, administration, technical rescue, hazardous materials mitigation, public education, fire investigation, and fire prevention services provided to property and residents of the District and corresponding service areas, and any necessary lands, equipment, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, leased, constructed or installed by the District.

**“Event of Default”** means an Event of Default described in **Section 35**.

**“2021 Financing Agreement”** means the Series 2021 Financing Agreement (including any permitted amendments or supplements thereto), dated as of October 1, 2021, by and between Sterling National Bank and the District.

**“2022 Financing Agreement”** means the Series 2022A Installment Loan Purchase Agreement, dated as of April 1, 2022, by and between the Authority and the District.

**“2024 Financing Agreement”** means the Series 2024A Installment Loan Purchase Agreement, dated as of May 1, 2024, by and between the Authority and the District.

**“Fiscal Year”** means the twelve calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

**“General Fund”** means the fund by that name established by the District and maintained pursuant to **Section 9** hereof.

**“Generally Accepted Accounting Principles” or “GAAP”** means the generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

**“Gross Revenues”** means for any Fiscal Year or other period, all legally available moneys, fees, rates, receipts, rentals, charges and income received for, received by or derived from, the District, the operation of the Enterprise or any of



its lands or facilities or any other source whatsoever, including without limitation ad valorem property tax revenues and other special and general tax revenues, assessments, gifts, bequests, grants, devises, contributions, moneys received from the operation of the District's business or the possession of its properties, insurance proceeds or condemnation awards, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of the same whether now owned or held or hereafter coming into being, but excluding (i) gifts, grants, devises, bequests and contributions designated by the maker to a specific purpose inconsistent with their use for the payment of principal of, premium, if any, and interest on the Obligations or for the payment of Operation and Maintenance Costs, (ii) any unrealized gains and losses on investments of the District, and (iii) any income for which the District has a contractual or statutory obligation to pay to other Persons (for example, without limitation, amounts collected by the District in its capacity as agent for others, and sales taxes, use taxes and other taxes collected by the District but required to be paid to the relevant collection authorities).

**“Independent Certified Public Accountant”** means any firm of certified public accountants appointed by the District that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

**“Independent Engineer”** means any registered engineer or firm of engineers generally recognized to be well-qualified in engineering matters relating to the subject matter at issue, appointed and paid by the District, and who or each of whom:

- (1) is in fact independent and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the District; and
- (3) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to make reports to the District.

**“Independent Consultant”** means a consultant or firm of consultants qualified in matters relating to the subject matter at issue, appointed and paid by the District, and who:

- (1) is in fact independent and not under the domination of the District or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as an officer or employee of the District or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

**“Insurance Consultant”** means any nationally recognized independent actuary, insurance company or broker that has actuarial personnel knowledgeable with respect to insurance carried, by, required for and available to special districts operating facilities similar to the District, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

**“Interest Account”** means the account by that name in the General Fund established pursuant to **Section 9** hereof.

**“Interest Component”** means the portion of each Installment Loan designated as Interest Component, as such is set forth on Exhibit B hereto.

**“Interest Rate”** means the rate of interest to be paid on this Loan Agreement which is    % per annum.

**“Issuance Year”** is the calendar year in which the Commencement Date occurs.

**“Loan Agreement”** means this Series 2024B Installment Loan Purchase Agreement and any other schedule, or exhibit made a part hereof by the parties hereto, together with any amendments to this Loan Agreement.

**“Loan Payment Date”** means the dates set forth on the Payment Schedule, being February 1 and August 1 of each year, commencing August 1, 2025, and continuing to and including the date on which the Loan Payments have been paid in full; provided that if any Loan Payment Date shall fall on a non-Business Day, the Loan Payment Date shall be the next succeeding Business Day and interest on such payment shall accrue to and including such next succeeding Business Day.

**“Loan Payments”** means the installment loan payments payable by District to the Authority pursuant to **Section 7**.

**“Loan Proceeds”** means the \$ \_\_\_\_\_ amount received by the District from the Authority or its assignee on the Commencement Date.

**“Material Adverse Effect”** means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Loan Agreement or to meet or perform its obligations under this Loan Agreement on a timely basis, or the (c) the validity or enforceability of this Loan Agreement.

**“Material Litigation”** means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exemption of interest with respect to the Loan Payments for state income tax purposes or (B) the ability of the District to perform its obligations under this Loan Agreement.

**“Maximum Annual Debt Service”** means the greatest amount of Debt Service with respect to this Loan Agreement and any Parity Debt to which reference is made coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

**“Measure H”** means parcel tax measure that was approved by voters in November 2020, which is set to expire on June 30, 2030.

**“Net Proceeds”** means the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

**“Net Revenues”** means, for any period, all of the Gross Revenues received by the District during such period minus the amount required to pay all Operation and Maintenance Costs of the District which are payable during such period.

**“Operation and Maintenance Costs”** means all reasonable and necessary current expenses of the District, including pension and post-retirement healthcare expenses, paid or accrued, of operating the District, calculated in accordance with GAAP and not expected to be reimbursed to the District within one year after the date of incurrence; but for clarity of this definition, Operation and Maintenance Costs do not include depreciation, amortization, and interest paid on this Loan Agreement or any Parity Debt or Subordinate Debt.

**“Parity Debt”** means this Loan Agreement, the 2021 Financing Agreement, the 2022 Financing Agreement, the 2024 Financing Agreement and other any bonds, notes, leases, loans, installment sale agreements, financing agreements, contracts or other obligations of the District which are secured by a pledge of and lien upon any of the Gross Revenues and which are payable from the Net Revenues on a parity with the Loan Payments, entered into or issued under and in accordance with **Section 10** hereof.

**“Parity Debt Documents”** means, collectively, the indenture of trust, trust agreement, installment sale agreement, loan agreement, financing agreement or other document authorizing the issuance of any Parity Debt or any securities which establishes or evidence Parity Debt.

**“Parity Payments”** means all payments scheduled to be paid by the District under Parity Debt Documents.

**“Payment Instructions”** means the Irrevocable Payment Instructions dated as of October 1, 2024, between the District and Authority, relating to the wire transfer of a certain portion of the Loan Proceeds to the Seller for the purchase of the Project.

**“Payment Schedule”** means the schedule of Loan Payments and Purchase Price set forth on **Exhibit B**.

**“Person”** means an individual, corporation, firm, association, limited liability company, corporation, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Principal Account”** means the account by that name in the General Fund established pursuant to **Section 9** hereof.

**“Principal Component”** means the portion of each Loan Payment designated as Principal Component, as such is set forth on Exhibit B hereto.

**“Project”** means, collectively, the facilities, improvements and other property constituting part of the Enterprise, the acquisition and construction of which are financed with the proceeds of the Series 2024B Loan Obligations, as described more fully in Exhibit A attached hereto, as such description may be amended by the District from time to time pursuant to and in accordance with the terms hereto, and including all replacements, substitutions, repairs, restorations, modifications, attachments, accessions, additions and improvements thereof or thereto.

**“Project Costs”** means the costs associated with the acquisition of the Project, or the application of the Loan Proceeds to the costs and expenses which are incidental or related to the acquisition of the Project, including capitalized interest and Costs of Issuance.

**“Project Fund”** means the fund by that name established pursuant to **Section 4(d)** of this Agreement.

**“Purchase Price”** means the amount set forth on the Payment Schedule that District may, at its option, pay to Authority to purchase the Project.

**“Rate Stabilization Fund”** means the fund by that name established and maintained pursuant to Section 5.3(e) of the 2021 Financing Agreement, which is intended to also serve as the Rate Stabilization Fund hereunder.

**“Resolution”** means the applicable resolution of the Board authorizing the execution and delivery of this Loan Agreement.

**“Reserve Fund”** means the fund by that name established pursuant to **Section 4(e)** of this Agreement

**“Series 2024B Loan Obligations”** means the “California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Station Acquisition Project)” represented by this Loan Agreement as described in **Section 4**, together with all other schedules, or exhibits made a part hereof by the parties hereto, together with any amendments to this Loan Agreement.

**“State”** means the State of California.

**“Structural Deficit”** means the District’s inability to satisfy the Debt Service Coverage Requirement due to the expiration of Measure H in 2030.

**“Subordinate Annual Debt Service”** means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Payments required to be made under all Subordinate Debt in such Fiscal Year or twelve (12) calendar month period.

**“Subordinate Debt”** means indebtedness or other obligations (including but not limited to loans, leases and installment sale agreements, bonds or contracts) hereafter issued or incurred in compliance with **Section 10** hereof and secured by a pledge of and lien on Gross Revenues subordinate to the pledge and lien securing the Loan Payments.

**“Subordinate Debt Service Coverage Requirement”** means for any Fiscal Year, or other period of time for which such calculation is made, that Net Revenues for such Fiscal Year, or other period of calculation, must be at least equal to one hundred one percent (101%) of Maximum Annual Debt Service for such period of calculation.

**“Subordinate Payments”** means all installment, lease or loan payments scheduled to be paid by the District under all respective agreements relating to the issuance of any Subordinate Debt.

**“Term”** means the time during which this Loan Agreement is in effect, as provided in **Section 6**.

**“Seller”** means the Seller of the Project as well as the agents or dealers of the Seller from whom Authority purchased or is purchasing the Project, as listed on **Exhibit A**.

**Section 2. Representations and Covenants of District.** District represents, warrants and covenants for the benefit of Authority as follows:

(a) The District is a fire protection district duly organized and existing under the constitution and laws of the State. District will do or cause to be done all things to preserve and keep in full force and effect its existence as a fire protection district.

(b) The District has the power and authority under applicable law to enter into the transactions contemplated by this Loan Agreement and has been duly authorized to execute and deliver this Loan Agreement and to carry out its obligations hereunder and thereunder. District has provided to Authority a full, true and correct copy of the Resolution specifically authorizing District to execute and deliver this Loan Agreement and all documents contemplated hereby and thereby. District has provided to Authority a full, true, and correct copy of an Incumbency and No-Litigation Certificate in substantially the form attached as Exhibit E hereto relating to the authority of the officers who have executed and delivered this Loan Agreement and who will execute and deliver this Loan Agreement and all documents in connection herewith and therewith on behalf of District.

(c) This Loan Agreement constitutes the legal, valid and binding obligation of District enforceable in accordance with its terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization or other laws affecting creditors’ rights generally.

(d) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists at the Commencement Date.

(e) The District has complied with such public bidding requirements as may be applicable to this Loan Agreement and the acquisition by District of the Project hereunder.

(f) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or threatened against or affecting District, nor to the best knowledge of District is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Loan Agreement or any other document, agreement or certificate which is used or contemplated for use in the consummation of the transactions contemplated by this Loan Agreement or materially adversely affect the financial condition or properties of District.

(g) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Loan Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(h) All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by District of this Loan Agreement or in connection with the carrying out by District of its obligations hereunder have been obtained.

(i) The entering into and performance of this Loan Agreement or any other document or agreement contemplated hereby to which District is or is to be a party will not violate any judgment, order, law or regulation applicable to District or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance on any assets of District or the Project pursuant to any indenture, mortgage, lease, deed of trust, bank loan or credit agreement or other instrument to which District is a party or by which it or its assets may be bound, except as herein provided.

(j) With the exception of the pledge of the Gross Revenues under this Agreement and the Parity Debt Documents relating to the 2021 Financing Agreement, the 2022 Financing Agreement and the 2024 Financing Agreement, neither the Gross Revenues nor the Net Revenues have otherwise been pledged and there are no other liens against the Gross Revenues or Net Revenues, senior to, or on parity with the Loan Payments.

(k) The Project described in this Loan Agreement is essential to the function of District or to the service District provides to its community. District has an immediate need for, and expects to make immediate use of, substantially all the Project, which need is not temporary or expected to diminish in the foreseeable future. The Project will be used by District only for the purpose of performing one or more of District's proprietary functions consistent with the permissible scope of District's authority.

(l) During the Term of this Loan Agreement, the District will notify the Authority or its designee, within 30 days, following the date of an event that (i) could cause a default on any obligation of the District, (ii) might reasonably be anticipated to cause a Material Adverse Effect, (iii) might reasonably be anticipated to result in Material Litigation, and (iv) could have a negative material impact on the financial condition of the District.

(m) Neither the payment of the Loan Payments hereunder nor any portion thereof is (i) secured by any interest in property used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code) or in payments in respect of such property or (ii) derived from payments in respect of property, or borrowed money, used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code). No portion of the Project will be used directly or indirectly in any trade or business carried on by any non-exempt person (within the meaning of Section 103 of the Code).

(n) The District will comply with all applicable provisions of the Code, including without limitation Sections 103 and 148 thereof, and the applicable regulations of the Treasury Department to maintain the exclusion of the interest components of Loan Payments from gross income for purposes of federal income taxation.

(o) The District will use the proceeds of this Loan Agreement as soon as practicable and with all reasonable dispatch for the purpose for which this Loan Agreement has been entered into. No part of the proceeds of this Loan Agreement will be invested in any securities, obligations or other investments or used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of this Loan Agreement, would have caused any portion of this Loan Agreement to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the applicable regulations of the Treasury Department.

(p) The District has never failed to pay payments coming due under any bond issue, loan agreement, lease agreement, installment purchase agreement or other indebtedness obligation of District.

(q) The useful life of the Project described on **Exhibit A** is not less than 20 years.

(r) The application, written statements and credit or financial information submitted by District to Authority are true and correct and made to induce Authority to enter into this Loan Agreement, and District has experienced no material change in its financial condition since the date(s) of such information.

(s) The District has provided Authority with audited financial statements through June 30, 2023. District has experienced no material change in its financial condition or in the revenues expected to be utilized to meet Loan Payments due under the Agreement since June 30, 2023.

(t) Any certificate, signed by any official of the District authorized to do so in connection with the transactions described in this Loan Agreement, shall be deemed a representation and warranty by the District to the Authority as to the statements made therein.

(u) The District will pay the excess (if any) of the actual costs of acquiring the Project over the corresponding amount contributed pursuant to this Loan Agreement.

(v) There has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect, and the District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.

(w) All information, reports and other papers and data furnished by the District to the Authority were, at the time the same were so furnished, to the best of the District's knowledge, complete and accurate in all material respects. No fact is known to the District which has had or, to the best of the District's knowledge, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Authority or in other such information, reports, papers and data or otherwise disclosed in writing to the Authority prior to the Commencement Date. Any financial, budget and other projections furnished to the Authority by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and as of the date of this representation, represent the District's best estimate of future financial performance of the District.

(x) Inasmuch as this Loan Agreement represents a negotiated transaction, the District understands, and hereby confirms, that the Authority is not acting as a fiduciary of the District, but rather is acting solely in its capacity as a conduit lender. The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Authority and its affiliates, (ii) in connection with such transaction, any assignee of the Authority and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) any assignee of the Authority and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Authority, or any affiliate of the Authority, has provided other services or advised, or is currently providing other services or advising the District on other matters), (iv) the Authority and its affiliates have financial and other interests that differ from those of the District, and (v) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

(y) The District hereby designates this Loan Agreement as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. The aggregate face amount of all tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds) issued or to be issued by District and all subordinate entities thereof during the current calendar year is not reasonably expected to exceed \$10,000,000. District and all subordinate entities thereof will not issue

or enter into in excess of \$10,000,000 of tax-exempt obligations (including this Loan Agreement, but excluding private activity bonds other than qualified 501(c)(3) bonds) during the current calendar year, without first obtaining an opinion of nationally recognized counsel in the area of tax-exempt municipal obligations acceptable to Authority that the designation of this Loan Agreement as a “qualified tax-exempt obligation” will not be adversely affected.

**Section 3. Purchase of Project.** Authority hereby sells the Project to District, and District hereby purchases the Project from Authority on an installment purchase basis, in accordance with the provisions of this Loan Agreement.

**Section 4. Authorization, Designation and Application of Loan Proceeds; Project Fund; Reserve Fund.**

(a) This Loan Agreement and the Series 2024B Loan Obligations represented hereby is hereby authorized and approved, which Series 2024B Loan Obligations are hereby designated the “California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project).”

(b) The Series 2024B Loan Obligations shall be payable as to principal and interest in legal tender of the United States of America.

(c) The District hereby instructs the Authority to cause (i) \$ \_\_\_\_\_ of the Loan Proceeds to be wire transferred to the payees listed in the Requisition No.1 for Disbursement of Costs of Issuance and Project Costs, executed by an Authorized Representative of the District, in substantially the form attached hereto as **Exhibit K**, for the payment of Project Costs, and (ii) \$ \_\_\_\_\_ of the Loan Proceeds to be wire transferred directly to the District for deposit into the Project Fund for the payment of Project Costs.

(d) The District hereby covenants and agrees to establish, maintain and hold in trust a separate special trust fund to be designated the “Project Fund” (herein referred to as the “Project Fund”), and to deposit therein the amount received by it pursuant to Section 4(c)(ii). The moneys in the Project Fund shall be held by the District in trust for the benefit of the District, Authority and its assignees and applied to the payment of the Project Costs. As long as there is any balance remaining on deposit in the Project Fund, such funds shall be subject to a first priority lien and security interest in favor of the Bank. Upon the earlier of October \_\_, 2027 or delivery of the Certificate of Acceptance, the District shall use any remaining balance in the Project Fund to make Loan Payments as they come due until fully expended.

(e) The District hereby covenants and agrees to establish, maintain and hold in trust a separate special reserve fund to be designated the “Reserve Fund” (herein referred to as the “Reserve Fund”). The District will deposit an amount of \$ \_\_\_\_\_ into this fund at Closing. All money in the Reserve Fund shall be used exclusively by the District for making Loan Payments and/or Parity Payments in the event that no other District funds are lawfully available for such payments. The Reserve Fund will be released from these restrictions and revert to unrestricted District funds upon the earlier of: (i) the resolution of the Structural Deficit, or (ii) the termination of this Agreement pursuant to **Section 6**.

**Section 5. Term.** The Term of this Loan Agreement shall begin on the Commencement Date and shall continue until all Loan Payments and all other amounts required to be paid by District hereunder have been paid by the District, unless earlier terminated in a manner described in **Section 6**.

**Section 6. Termination.** This Loan Agreement will terminate upon the earliest of any of the following events:

(a) the exercise by District of the option to purchase the Project under the provisions of **Section 31** and payment of the Purchase Price and all amounts payable in connection therewith;

(b) a default by the District and the Authority’s written election to terminate this Loan Agreement under **Section 36**; or

(c) the payment by District of all Loan Payments and all other amounts required to be paid by District hereunder.

**Section 7. Loan Payments and Terms.** District will pay Loan Payments from all legally available funds, in lawful money of the United States of America to Authority in the amounts and on the dates set forth on the Payment Schedule. The Series 2024B Loan Obligations shall bear interest at the Interest Rate of   % per annum (calculated on the basis of a 360-day year of twelve 30-day months) from the Commencement Date to each Loan Payment Date as such is set forth in Exhibit A hereto, as may be amended from time to time, including any prepayment thereof pursuant to Section 31 hereof. Any Loan Payment not received on or before its due date will bear interest at the rate of   % per annum until the date on which such Loan Payment is made.

In the event that it is determined that any of the interest components of Loan Payments may not be excluded from gross income for purposes of federal income taxation, District agrees to pay to Authority promptly after any such determination and on each Loan Payment Date thereafter an additional amount determined by Authority to compensate Authority for the loss of such excludability (including without limitation, compensation relating to interest expense, penalties or additions to tax), which determination shall be conclusive absent manifest error.

**Section 8. Additional Payments.** In addition to the Loan Payments required to be made by the District, the District shall also pay to the Authority, the Authority Issuance Fee and the initial Authority Annual Fee which fees shall be paid to the Authority by the District on the Commencement Date. Thereafter, the Authority Annual Fee shall be due and payable by the District in advance on February 1 of each year commencing with the first such date following the Commencement Date. The District's obligation to pay the Authority Issuance Fee and the Authority Annual Fee shall in no way limit amounts payable by the District to the Authority under this Loan Agreement, including for the enforcement thereof.

**Section 9. Pledge and Application of Gross Revenues; Flow of Funds.** The District hereby irrevocably pledges all of the Gross Revenues along with amounts on deposit in the General Fund to the punctual payment of the Loan Payments. The District agrees that, as long as any of the Series 2024B Loan Obligations remain outstanding, all of the Gross Revenues shall be deposited as soon as practicable upon receipt in the District's General Fund. This pledge shall constitute a first lien on the Gross Revenues for the payment of the Series 2024B Loan Obligations in accordance with the terms hereof, and is on a parity with the pledge, lien and security interest which secures Parity Debt, if any.

The District hereby covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust for the benefit of the Authority and owners of any Parity Debt, and will be disbursed, allocated and applied to pay when due the following amounts in the following order of priority:

(a) Interest. On each Loan Payment Date on which the interest component of the Series 2024B Loan Obligations and any outstanding Parity Debt is payable, all moneys in the General Fund shall be used and withdrawn by the District for the purpose of paying interest on the Series 2024B Loan Obligations and any outstanding Parity Debt as it shall become due and payable (including accrued interest on the Series 2024B Loan Obligations if purchased or redeemed prior to maturity pursuant to this Loan Agreement). In the event that the amounts on deposit in the General Fund on any Loan Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the outstanding Series 2024B Loan Obligations and any outstanding Parity Debt, the District shall apply such amounts to the payment of interest on each of the outstanding Series 2024B Loan Obligations and Parity Debt on a pro rata basis.

(b) Principal. On each Loan Payment Date on which the Principal Component of the Series 2024B Loan Obligations and any outstanding Parity Debt is payable, all moneys in the General Fund shall be used and withdrawn by the District for the purpose of paying the principal of the Series 2024B Loan Obligations and any outstanding Parity Debt at the maturity date or upon redemption, as the case may be. In the event that the amounts on deposit in the General Fund on each Loan Payment Date on which the Principal Component of the Series 2024B Loan Obligations and any outstanding Parity Debt is payable are insufficient for any reason to pay the aggregate amount of principal then coming due and payable on the Series 2024B Loan Obligations and any outstanding Parity Debt, the District shall apply such amounts to the payment of principal on each of the Series 2024B Loan Obligations and any outstanding Parity Debt on a pro rata basis.



(c) To the trustee or appropriate fiduciary, the amount of any deficiency in any reserve fund established for any Parity Debt, the notice of which deficiency has been given to the District in accordance with the related Parity Debt Documents.

(d) Any other payments required to comply with the provisions of this Loan Agreement and any respective Parity Debt Documents.

(e) After the above disbursements have been satisfied, and so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the General Funds for (i) the payment of all Operation and Maintenance Costs of the District, (ii) the payment of any respective Subordinate Debt or any unsecured obligations, (iii) the acquisition and construction of improvements to the District, (iv) the prepayment of any other obligations of the District, or (v) any other lawful purposes of the District.

Payment of the Loan Payments and the principal of and interest on any Parity Debt shall be made without preference or priority. If the amount of Gross Revenues on deposit in the General Fund is any time insufficient to enable the District to pay when due the Loan Payments and the principal of and interest on any applicable Parity Debt, such payments will be made on a pro rata basis.

**Section 10. Parity Debt.** As set forth on the Payment Schedule, a portion of each Loan Payment is paid as, and represents payment of, interest.

(a) So long as the Series 2024B Loan Obligations are outstanding, the District shall not issue or incur any obligations payable from Gross Revenues or Net Revenues senior or superior to the payment of Debt Service on the Series 2024B Loan Obligations. The District may at any time issue Parity Debt payable from Gross Revenues on a parity with Debt Service on the Series 2024B Loan Obligations to provide financing or refinancing for the District in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Debt subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(1) No Event of Default shall have occurred and be continuing;

(2) The District delivers to the Authority prior to such incurrence a written certificate of the District (i) certifying that the issuance or incurrence of such Parity Debt will not have any adverse effect on the tax-exempt status of any outstanding Parity Debt, if applicable, and (ii) demonstrating that the estimated Debt Service Coverage Requirement (calculated to include Additional Revenues but without taking into account any amounts transferred into the General Fund from the Rate Stabilization Fund pursuant to **Section 12(e)** hereof) for the most recent Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Debt, was at least equal to the Debt Service Coverage Requirement for such period when adjusted to include approximate annual debt service for such proposed Parity Debt as if it had been outstanding during such period; and

(3) Except with respect to the Series 2024B Loan Obligations, and at the District's sole discretion, there may be established from the proceeds of such Parity Debt a reserve fund for the security of such Parity Debt.

The provisions of subsection (a)(2) of this Section shall not apply to any Parity Debt if, and to the extent that (i) all of the proceeds of such Parity Debt (other than proceeds applied to pay costs of issuing such Parity Debt and to make the reserve fund deposit required pursuant to subsection (a)(3) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Debt, and (ii) at the time of the incurring of such Parity Debt, the District certifies in writing that maximum annual debt service on such Parity Debt will not exceed Maximum Annual Debt Service on the outstanding Parity Debt being refunded, and (iii) the final maturity of such Parity Debt is not later than the final maturity of the Parity Debt being refunded.

(b) In order to maintain the parity relationship of debt service payments on all Parity Debt permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Debt, will be structured to occur semi-annually on February 1 and August 1, in each year as such payments are due with respect to the Debt Service payments, and reserve account replenishment with respect to any Parity Debt will be structured to occur within one year, and to otherwise structure the terms of such Parity Debt to ensure that they are in all respects payable on a parity with the Debt Service payments on the Series 2024B Loan Obligations and all Parity Debt, and not prior thereto.

(c) The Parity Debt Document under which Parity Debt is issued shall require that:

(i) An Event of Default under this Loan Agreement shall constitute an event of default under such Parity Debt Document;

(ii) An event of default under such Parity Debt Document shall constitute an Event of Default under this Loan Agreement;

(iii) Prior to exercising any remedies in an event of default under such Parity Debt Document, the holders of such Parity Debt (or a trustee representing their interest) shall be required to cooperate with the Authority and vice versa;

(iv) Remedies upon an event of default shall be substantially the same as the remedies provided in this Loan Agreement, and, prior to exercising any such remedies, the holders of such Parity Debt (or a trustee or insurer representing their interest) shall be required to cooperate with the Authority to the end that the interests of such holders and the Authority shall be equally protected;

(v) Interest on such Parity Debt will be payable on February 1 and August 1 in each year of the term of such Parity Debt, and the principal of such Parity Debt will be payable annually on August 1 (or, alternatively, semiannually on February 1 and August 1) in any year in which principal is payable;

(vi) An opinion of Bond Counsel delivered to the Authority that the delivery of the Parity Debt has been duly authorized by the District in accordance with this Loan Agreement, and that the Parity Debt will be legally valid and binding limited obligations of the District; and

(vii) The District will deliver to the Authority a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt set forth herein have been satisfied.

(d) Any collateral given or to be given to secure Parity Debt (with the exception of Project Leases) shall also secure the Series 2024B Loan Obligations on a pari passu basis.

(e) The District may at any time execute any Subordinate Obligations upon satisfaction of the conditions set forth in **Section 10(a)** above, but on a subordinate basis to the Loan Payments and any outstanding Parity Debt; and further provided that the District delivers to the Authority prior to such incurrence a written certificate of the District demonstrating that the estimated Debt Service Coverage Requirement for the most recent Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Subordinate Debt, was at least equal to the Required Subordinate Debt Service Coverage Requirement (rather than the Debt Service Coverage Requirement that is otherwise required for the incurrence of Parity Debt) for such period when adjusted to include approximate annual debt service for such proposed Subordinate Debt as if it had been outstanding during such period.

**Section 11. Loan Payments to be Unconditional. The obligations of District to make Loan Payments and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events without abatement, diminution, deduction, recoupment, reduction, counterclaim, set-off or defense, for any reason, regardless of any disability of District to use the Project or any par thereof because of any reason including without**

**limitation any failure of the Project to be delivered, any defects, loss, damage, obsolescence, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation or unforeseen circumstances.**

**Section 12. Rates, Fees, and Charges.**

(a) Covenant to Maintain Gross Revenues. The District shall at all times do and perform all acts and things permitted by law that are necessary to maintain in full force and effect its rights to receive revenues from its current sources of Gross Revenues and shall take no action that would result in the reduction of the amount of revenues from any such source. The District shall fix, prescribe, assess, revise and collect rates, assessments, fees and charges for District services and facilities during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay 100% of the following amounts in the following order of priority:

- (i) the Loan Payments during such Fiscal Year;
- (ii) all Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (iii) all other payments required for compliance with this Loan Agreement and the instruments pursuant to which any Parity Debt shall have been issued; and
- (iv) all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Gross Revenues.

(b) Covenant to Maintain Net Revenues. In addition, the District shall fix, prescribe, revise, assess and collect rates, assessments, fees and charges for District services and facilities during each Fiscal Year that are sufficient to yield Net Revenues which, when added to other funds transferred from the Rate Stabilization Fund, and which are lawfully available to the District for payment of the items listed in clauses (ii) and (iii) above during such Fiscal Year, will aggregate an amount at least equal to Debt Service Coverage Requirement in such Fiscal Year for the Loan Payments and any Parity Debt which has a lien on such Net Revenues.

(c) Transfers from Rate Stabilization Fund. For purposes of this **Section 12**, the amount of Net Revenues or Gross Revenues of the District for a Fiscal Year will include amounts transferred into the General Fund from the Rate Stabilization Fund during such Fiscal Year.

(d) Effect of Violation of Rate Covenants. If the District violates the covenants set forth in subsections (a) or (b) hereof, but otherwise makes its scheduled Loan Payments in a timely manner, such violation shall not, in and of itself, constitute an Event of Default under this Loan Agreement so long as within 180 days after the date such violation is discovered, the District either (a) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated applicable Net Revenues which are at least equal to one hundred ten percent (110%) of the aggregate amount of Debt Service on the Series 2024B Loan Obligations and any Parity Debt payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) of this **Section 12**, or (b) hires an Independent Consultant to review the revenues and expenses of the District, and abides by such consultant's recommendations to revise the schedule of rates, assessments, fees, expenses and charges, and to revise any Operation and Maintenance Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with said subsection (a) or (b), as applicable, or otherwise cure such violation within two years after the date such violation is discovered, an Event of Default shall be deemed to have occurred under **Section 35** hereof, unless otherwise agreed to in writing by the Authority.

(e) Rate Stabilization Fund. The District has the right (but not the obligation) at any time to establish a separate fund to be known as the "Rate Stabilization Fund," to be held and maintained by the District for the purpose of stabilizing the DSC Requirement. The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available, including but not limited to Revenues which are released from the pledge and lien which secures the Series 2024B Loan Obligations and any Parity Debt as the District may determine;

provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year, unless otherwise agreed to by the Authority. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Series 2024B Loan Obligations or any Parity Debt. The District may at any time withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

For the purpose of computing the amount of Gross Revenues for any Fiscal Year for purposes of the preceding subsection (a), or the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the General Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

**Section 13. Reserved.**

**Section 14. Enjoyment of Project.** Authority hereby covenants to provide District with quiet use and enjoyment of the Project during the Term, and District will peaceably and quietly have and hold and enjoy the Project during the Term, without suit, trouble or hindrance from Authority, except as otherwise expressly set forth in this Loan Agreement.

**Section 15. Right of Inspection.** Authority will have the right at all reasonable times during regular business hours upon reasonable notice to enter into and upon the property of District for the purpose of inspecting the Project.

**Section 16. Use of the Project.** District will not use, operate or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Loan Agreement. District will obtain all permits and licenses, if any, necessary for the operation of the Project. In addition, District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Project) with all applicable laws, regulations and rulings of any legislative, executive, administrative or judicial body; provided, however, that District may contest in good faith the validity or application of any such law, regulation or ruling in any reasonable manner that does not, in the opinion of Authority, adversely affect the interest of Authority in and to the Project or its interest or rights under this Loan Agreement.

**Section 17. Maintenance of Project.** District agrees that it will, at District's own cost and expense, maintain, preserve and keep the Project in good repair, working order and condition. Authority will have no responsibility to maintain, or repair or to make improvements or additions to the Project.

**Section 18. Title to the Project.** During the Term, title to the Project and any and all additions, repairs, replacements or modifications will vest in District, subject to the rights of Authority under this Loan Agreement; provided that title will thereafter immediately and without any action by District vest in Authority, and District will immediately surrender possession of the Project to Authority upon (a) any termination of this Loan Agreement other than termination pursuant to **Section 6** or (b) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Authority pursuant to this Section will occur automatically without the necessity of any bill of sale, certificate of title or other instrument of conveyance. District will, nevertheless, execute and deliver any such instruments as Authority may request to evidence such transfer. District irrevocably designates, makes, constitutes and appoints Authority and its assignee as District's true and lawful attorney (and agent in-fact) with power, at such time of termination or times thereafter as Authority in its sole and absolute discretion may determine, in District's or Authority's or such assignee's name, to endorse the name of District upon any bill of sale, document, instrument, invoice, freight bill, bill of lading or similar document relating to the Project in order to vest title in Authority and transfer possession to Authority.

**Section 19. Security Interest.** To secure the performance of all of District's obligations under this Loan Agreement and to the extent permitted by law, Authority retains a security interest constituting a first priority and perfected lien and security interest on the Project and on all additions, attachments and accessions thereto and substitutions therefor and proceeds therefrom. District agrees to execute and deliver such additional documents, including, without limitation, opinions of counsel, financing statements, landlord-tenant or mortgagee waivers, information necessary for fixture filings, notice and

similar instruments, in form satisfactory to Authority, that Authority deems necessary or appropriate to establish and maintain its first priority and perfected security interest in the Project or for the confirmation or perfection of Authority's rights hereunder. District agrees that financing statements may be filed with respect to the security interest in the Project. District, at its expense will protect and defend District's rights in the Project and Authority's rights and interests therein and will keep the Project free and clear from any and all claims, liens, encumbrances, and legal processes of District's creditors and other persons.

As further security therefor, District hereby agrees with respect thereto that Authority shall have all the rights and remedies of a secured party under applicable California law with respect to any and all Project hereunder.

**Section 20. Reserved.**

**Section 21. Liens, Taxes, Other Governmental Charges and Utility Charges.** District will keep the Project free and clear of all levies, liens, charges and encumbrances, except those created under this Loan Agreement, and to pay all charges, taxes and fees (including any recording or stamp fees or taxes) that may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Project and shall give Authority immediate written notice of any of the foregoing. The parties to this Loan Agreement contemplate that the Project will be used for a governmental or proprietary purpose of District and, therefore, that the Project will be exempt from all property taxes and other similar charges. If the use, possession or acquisition of the Project is found to be subject to taxation in any form, District will pay all taxes and governmental charges lawfully assessed or levied against or with respect to the Project. District will pay all utility and other charges incurred in the use and maintenance of the Project. District will pay such taxes and charges as the same become due; provided that, with respect to any such taxes and charges that may lawfully be paid in installments over a period of years, District will be obligated to pay only such installments that accrue during the Term hereof. If any of the same shall remain unpaid when due, Authority may pay same and add such payment to the rental payment next becoming due, as additional rent. District shall execute and deliver to Authority upon Authority's request such further instruments and documents containing such other assurances as the Authority deems necessary or advisable for the confirmation or perfection of Authority's rights hereunder or to otherwise effectuate the intent of this Loan Agreement.

**Section 22. Insurance.** At its own expense, District will maintain (a) casualty insurance insuring the Project against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Authority in an amount not less than the greater of then applicable Purchase Price of the Project and the full replacement cost of the Project without consideration for depreciation, (b) liability insurance that protects Authority from liability in all events in form and amount satisfactory to Authority, and (c) workers' compensation coverage as required by the laws of the State; provided that, with Authority's prior written consent, District may self-insure against the risks described in clauses (a) and (b). All insurance proceeds from casualty losses will be payable as hereinafter provided. District will furnish to Authority certificates evidencing such coverage throughout the Term hereof.

All such casualty and liability insurance will be with insurers that are acceptable to Authority and will contain a provision to the effect that such insurance will not be cancelled or modified materially without first giving written notice thereof to Authority at least thirty days in advance of such cancellation or modification. All such casualty insurance will name Authority, or its assignee, as the case may be, as a loss payee and additional insured. All such liability insurance will name Authority, or its assignee, as the case may be, as an additional insured.

All such insurance shall be in form, issued by such insurance companies and be in such amounts as shall be satisfactory to Authority, and shall provide that losses, if any, shall be payable to Authority, or its assignee, as the case may be, as "loss payee," and all such liability insurance shall include Authority, or its assignee, as the case may be, as an "additional insured." District shall pay the premiums for such insurance and deliver to Authority a certification in the form of **Exhibit C** and satisfactory evidence of the insurance coverage required hereunder. District hereby irrevocably appoints Authority, or its assignee, as District's attorney-in-fact to make claim for, receive payments of and execute and endorse all documents, checks or drafts received in payment for loss or damage under any such insurance policy.

**Section 23. Advances.** In the event District fails to maintain the insurance required by this Loan Agreement, pay taxes or charges required to be paid by it under this Loan Agreement or fails to keep the Project in good repair and operating condition, Authority may (but will be under no obligation to) purchase the required policies of insurance and pay the cost of the premiums on the thereof, pay such taxes and charges and make such Project repairs or replacements as are necessary and pay the cost thereof. All amounts so advanced by Authority will become additional purchase price for the Project. District agrees to pay such amounts with interest thereon from the date paid at the rate of 10% per annum or the maximum permitted by law, whichever is less.

**Section 24. Financial Information.** District shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs. District shall have an annual audit of the financial condition of District made by an independent certified public accountant promptly following the end of each fiscal year. Such report shall include statements in reasonable detail, certified by such accountant, reflecting District's financial position as of the end of such fiscal year and the results of District's operations and changes in the financial position of its funds for the fiscal year. District shall furnish to Authority copies of such audit report immediately after it is accepted by District, but not later than two hundred and seventy (270) days after the end of the fiscal year. If the audit is publicly available on District's website or on the "EMMA" website maintained by the Municipal Securities Rulemaking Board, the requirement to provide the audit to Authority will be satisfied if District emails a link to the posted item to Authority within such 270-day period. So long as \_\_\_\_\_ Bank is the lender with respect to this Loan Agreement, the electronic audit or link may be sent to the following email address (or such other address as \_\_\_\_\_ Bank supplies to the District in writing): \_\_\_\_\_ .com.

**Section 25. Release and Indemnification.** To the extent permitted by law, District will indemnify, protect and hold harmless Authority from and against any and all liability (including, without limitation, negligence, tort and strict liability), obligations, losses, expenses, proceedings, judgements, settlements, actions, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith (including, without limitation, reasonable counsel fees and reasonable expenses and any federal income tax and interest and penalties connected therewith imposed on interest received) arising out of or as the result of (a) the entering into this Loan Agreement, (b) the ownership, possession, operation, control of any item of the Project, (c) the manufacturing, ordering, acquisition, use, operation, condition, maintenance, transportation, storage, purchase, delivery, rejection, storage or return of any item of the Project, (d) any accident in connection with the operation, use, condition, possession, storage or return of any item of the Project resulting in damage to property or injury or death to any person, (e) any claims arising under federal, state or local environmental protection and hazardous substance clean up laws and regulations, (f) any claims of patent, trademark or copyright infringement or (g) the breach of any covenant herein or any material misrepresentation contained herein, and if District shall be in default hereunder, arising out of the condition of any item of Project sold or disposed of after use by District, including (without limitation) claims for injury or death of persons and for damage to property. The indemnification arising under this paragraph will continue in full force and effect notwithstanding the full payment of all obligations under this Loan Agreement or the Termination hereof for any reason. Notwithstanding the previous sentence, District shall not indemnify Authority, or its assignees, for any liabilities, losses and claims resulting from Authority's actual, proven, direct and proximate gross negligence or willful misconduct.

**Section 26. Risk of Loss.** District assumes, from and including the Commencement Date, and bears all risk of loss, theft, destruction of or damage to the Project or any part thereof from any cause whatsoever during the Term and thereafter until redelivery to a location designated by Authority, and shall not be relieved of the obligation to pay Loan Payments or any other obligation hereunder because of any such occurrence. No such loss of or damage to the Project nor defect therein nor unfitness or obsolescence thereof will relieve District of the obligation to make Loan Payments or to perform any other obligation under this Loan Agreement.

If (a) the Project or any portion thereof hereunder is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Project or any part thereof hereunder is taken under the exercise of the power of eminent domain, District shall immediately notify Authority. District and Authority shall cause the net proceeds of any insurance claim (including self-insurance) or condemnation award to be applied, at Authority's option, to (i) the prompt repair, restoration, modification or replacement of the Project so affected or (ii) the payment in full of the then applicable Concluding Payment. Any balance of net proceeds remaining after completion of such work or payment of such

Concluding Payment shall be paid promptly to District. If the net proceeds are insufficient to pay the costs of such repair, restoration, modification or replacement or to pay such Concluding Payment in full, District shall, at Authority's direction, either complete the work or pay the then applicable Concluding Payment in full and in either case pay any cost in excess of the amount of net proceeds, but only from legally available funds.

**Section 27. Damage, Destruction, Condemnation; Use of Proceeds.** If (a) the Project or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Project or any part thereof or the interest of District or Authority in the Project or any part thereof will be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, District and Authority will cause the Net Proceeds of any insurance claim (including self-insurance) or condemnation award to be applied, at Authority's option to the prompt replacement, repair, restoration, modification or improvement of the Project, unless District has exercised its option to purchase the Project pursuant to **Section 31**, then to the payment in full of the Concluding Payment. Any balance of the Net Proceeds remaining after such work has been completed will be paid to District.

**Section 28. Insufficiency of Net Proceeds.** If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in **Section 27**, District will either (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds, or (b) purchase Authority's interest in the Project pursuant to **Section 31**. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification or improvement or after purchasing the Project will be retained by District. If District will make any payments pursuant to this Section, District will not be entitled to any reimbursement therefor from Authority nor will District be entitled to any diminution of the amounts payable under **Section 7**.

**Section 29. Disclaimer of Warranties.** DISTRICT REPRESENTS THAT IT HAS SELECTED THE PROJECT PRIOR TO HAVING REQUESTED AUTHORITY TO FINANCE THE SAME. AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, DIRECTLY OR INDIRECTLY, EXPRESS OR IMPLIED, AS TO ANY PROJECT MATTER WHATSOEVER, INCLUDING (WITHOUT LIMITATION) THE SUITABILITY OF THE PROJECT, ITS DURABILITY, THE VALUE, DESIGN, CONDITION, CAPACITY, OPERATION, PERFORMANCE, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE OF THE PROJECT OR AGAINST INFRINGEMENT, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT THERETO. IN NO EVENT SHALL AUTHORITY BE LIABLE FOR ANY ACTUAL, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LOAN AGREEMENT OR THE EXISTENCE, FURNISHING, FUNCTIONING OR DISTRICT'S USE OR MAINTENANCE OF ANY PROJECT OR SERVICES PROVIDED FOR IN THIS LOAN AGREEMENT. AS BETWEEN DISTRICT AND AUTHORITY, DISTRICT PURCHASES AND ACQUIRES THE PROJECT "AS IS" "WHERE IS" AND "WITH ALL FAULTS."

Authority shall not be liable to District or any third party for any loss, damage, injury or expense of any kind or nature caused directly or indirectly by any of the Project or the use or maintenance thereof or any defect therein, the failure of operation thereof or by any interruption of service or loss of use thereof or for any loss of business or damage whatsoever and howsoever caused. Authority makes no warranty as to the treatment of this Loan Agreement for tax or accounting purposes or as to the compliance of the Project with applicable government regulations or requirements. District has selected both the Project and the Seller and acknowledges that Authority has not participated in any way in District's selection of the Project or the Seller. Authority has no obligation to install, erect, test, adjust, service or maintain the Project.

**Section 30. Seller's Warranties.** District may have rights under the contract evidencing the purchase of the Project; District is advised to contact the Seller for a description of any such rights. District hereby assigns to Authority during the Term hereof all warranties running from Seller to District. Authority hereby irrevocably appoints District its agent and attorney-in-fact during the Term, so long as District will not be in default hereunder, to assert from time-to-time whatever claims and rights (including without limitation warranties) related to the Project that Authority may have against the Seller. District agrees to look solely to the Seller for any claim arising from any defect, breach of warranty, failure or delay in delivery, mis-delivery or inability to use the Project for any reason whatsoever and District's obligations to Authority hereunder shall

not in any manner be affected thereby, including (without limitation) District's obligations to pay Authority all Loan Payments and other amounts payable hereunder. District's sole remedy for the breach of any such warranty, indemnification or representation will be against the Seller, and not against Authority. Any such matter will not have any effect whatsoever on the rights and obligations of Authority with respect to this Loan Agreement, including the right to receive full and timely payments hereunder. District expressly acknowledges that Authority makes, and has made, no representations or warranties whatsoever as to the existence or availability of such warranties by the Seller.

**Section 31. Purchase Option; Prepayment.** The Principal Components of the Loan Payments maturing on or before August 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturity dates. At its option, and upon thirty (30) days' notice to the Bank, the District may prepay the Principal Components maturing on or after August 1, 20\_\_, in whole or in part in integral multiples of \$50,000, pro rata among Principal Components, from any source of available funds, on any date on or after August 1, 20\_\_, at a redemption price equal to the principal amount of the Principal Components to be redeemed, plus accrued interest thereon to the date fixed for prepayment, without premium. The District shall give the Bank notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

At the District's option, and upon thirty (30) days' prior written notice to the Bank, the Principal Components of the Loan Payments shall be subject to prepayment as a whole or in part on any date, from the Net Proceeds of casualty insurance or a governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein, at a prepayment price equal to the sum of the principal prepaid plus accrued interest thereon to the date fixed for prepayment, without premium.

**Section 32. Determination of Fair Purchase Price.** District and Authority hereby agree and determine that the Loan Payments hereunder during the Term hereof represent the fair value of the use of the Project and that the amount required to exercise District's option to purchase the Project pursuant to **Section 31** represents the fair purchase price of the Project for each optional prepayment date set forth therein. District hereby determines that the Loan Payments do not exceed a reasonable amount so as to place District under a practical economic compulsion to pay the amounts set forth in this Loan Agreement or to exercise its option to purchase the Project hereunder. In making such determinations, District and Authority have given consideration to (a) the costs of the Project, (b) the uses and purposes for which the Project will be employed by District, (c) the benefit to District by reason of the acquisition of the Project and the use of the Project pursuant to the terms and provisions of this Loan Agreement, and (d) District's option to purchase the Project. District hereby determines and declares that the acquisition of the Project and the leasing of the Project pursuant to this Loan Agreement will result in Project of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition of the Project were performed by District other than pursuant to this Loan Agreement. District hereby determines and declares that the Term does not exceed the useful life of the Project.

**Section 33. Assignment by Authority.** Authority's interest in, to and under this Loan Agreement and the Project may be assigned in whole, but not in part (except as participation interests, as described below), without the necessity of obtaining the consent of District; provided that any assignment will not be effective against District until (a) District has received written notice of the name and address of the assignee, (b) such assignee is (i) an affiliate of Authority or (ii) a bank, insurance company or other financial institution, or an affiliate thereof, and (c) District receives a letter of representation from such assignee with representations as to its status, its sophistication, its review of District's finances and that it is acquiring the rights, title and interest of this Loan Agreement for its own account and not with a present view to resell, in substantially the form attached hereto. Nothing herein shall limit the right of Authority or its assignees to sell or assign participation interests in this Loan Agreement to one or more entities listed in the preceding clause (b). District will retain all such notices as a register of all assignees and will make all payments to the assignee designated in such register. District agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by Authority or any assignee to protect its interest in the Project and in this Loan Agreement and agrees to the filing of financing statements with respect to the Project and this Loan Agreement. District will not have the right to and will not assert against any assignee any claim, counterclaim, defense, set-off or other right District may have against Authority.



**Section 34. Assignment and Leasing by District.** None of District's right, title and interest in, to and under this Loan Agreement and the Project may be assigned or encumbered by District for any reason, except that District may lease all or part of the Project if District obtains the prior written consent of Authority and an opinion of Bond Counsel that such leasing will not adversely affect the exclusion of the interest components of the Loan Payments from gross income for federal income tax purposes. Any such lease of all or part of the Project will be subject to this Loan Agreement and the rights of Authority in, to and under this Loan Agreement and the Project.

**Section 35. Events of Default Defined.** Subject to the provisions of **Section 8**, any of the following will be "Events of Default" under this Loan Agreement:

(a) Failure by District to pay any Loan Payment or other payment required to be paid hereunder at the time specified herein;

(b) Failure by District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in **Section 35(a)**, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to District by Authority, unless Authority will agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by District within the applicable period and diligently pursued until the default is corrected;

(c) Default by the District under any Parity Debt Documents.

(d) Any statement, representation or warranty made by District in or pursuant to this Loan Agreement or its execution, delivery or performance will prove to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of this Loan Agreement will at any time for any reason cease to be valid and binding on District, or will be declared to be null and void, or the validity or enforceability thereof will be contested by District or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of Authority, or District will deny that it has any further liability or obligation under this Loan Agreement;

(f) District will (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of District, or of all or a substantial part of the assets of District, (ii) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against District in any bankruptcy, reorganization or insolvency proceeding; or

(g) An order, judgment or decree will be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of District or of all or a substantial part of the assets of District, in each case without its application, approval or consent, and such order, judgment or decree will continue unstayed and in effect for any period of 30 consecutive days.

**Section 36. Remedies on Default.** Whenever any Event of Default exists, Authority will have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to District, Authority may declare all Loan Payments and other amounts payable by District hereunder to the end of the Term to be due;

(b) With or without terminating this Loan Agreement, Authority may enter the premises where the Project is located and retake possession of the Project or require District at District's expense to promptly return any or all of the Project to the possession of Authority at a place specified by Authority, and sell or lease the Project or, for the account of

District, sublease the Project, holding District liable for the difference between (i) the Loan Payments and other amounts payable by District hereunder plus the applicable Purchase Price, and (ii) the net proceeds of any such sale, lease or sublease (after deducting all expenses of Authority in exercising its remedies under this Loan Agreement, including without limitation, all expenses of taking possession, storing, reconditioning and selling or leasing the Project and all brokerage, auctioneers' and attorneys' fees) provided that the amount of District's liability under this subparagraph (b) shall not exceed the Loan Payments and other amounts otherwise due hereunder plus the remaining Loan Payments and other amounts payable by District to the end of the Term, and provided further that any liabilities for such remaining Loan Payments and other amounts shall be required to be paid by District only at the times provided for the payment of such amounts under this Loan Agreement; and

(c) Authority may take whatever other action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the Project and to collect the Loan Payments then due or thereafter to become due during the Term of this Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Loan Agreement.

In addition, District will remain liable for all covenants and indemnities under this Loan Agreement and for all reasonable legal fees and other reasonable costs and expenses, including court costs, incurred by Authority with respect to the enforcement of any of the remedies listed above or any other remedy available to Authority.

**Section 36A. Application of Funds Upon Acceleration.** Upon the date of the declaration of acceleration as provided in Section 36, all Gross Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Authority, if any, in carrying out the provisions of hereof, including reasonable compensation to their respective accountants and counsel; and

Second, to the payment of the entire unpaid aggregate Principal Components of the Loan Payments, and the unpaid principal amount of any other Parity Debt secured by Gross Revenues, and the accrued interest thereon, with interest on the overdue payments at the rate or rates of interest applicable to the Loan Payments and such other Parity Debt obligations if paid in accordance with their respective terms.

**Section 37. No Remedy Exclusive.** No remedy herein conferred upon or reserved to Authority is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Authority to exercise any remedy reserved to it in this Loan Agreement it will not be necessary to give any notice, other than such notice as may be required in this Loan Agreement.

**Section 38. Tax Certifications.** District hereby represents as follows:

(a) The estimated total costs of the Project, together with any costs of entering into this Loan Agreement that are expected to be financed under this Loan Agreement, will not be less than the total principal portion of the Loan Payments.

(b) The Project has been ordered or is expected to be ordered within six months of the Commencement Date, and the Project is expected to be delivered, and the Seller fully paid, within eighteen months of the Commencement Date.

(c) District has not created or established, and does not expect to create or establish, any sinking fund or other similar fund (i) that is reasonably expected to be used to pay the Loan Payments, or (ii) that may be used solely to prevent a default in the payment of the Loan Payments.

(d) The Project has not been and is not expected to be sold or otherwise disposed of by District, either in whole or in major part, prior to the last maturity of the Loan Payments.

(e) To the best of our knowledge, information and belief, the above expectations are reasonable.

**Section 39. Notices.** All notices, certificates or other communications hereunder will be sufficiently given and will be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at the addresses immediately after the signatures to this Loan Agreement (or at such other address as either party hereto will designate in writing to the other for notices to such party), to any assignee at its address as it appears on the register maintained by District.

**Section 40. Binding Effect.** This Loan Agreement will inure to the benefit of and will be binding upon Authority and District and their respective successors and assigns.

**Section 41. Severability.** In the event any provision of this Loan Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

**Section 42. Entire Agreement.** This Loan Agreement constitutes the entire agreement between Authority and District.

**Section 43. Amendments.** This Loan Agreement may be amended, changed or modified in any manner by written agreement of Authority and District. Any waiver of any provision of this Loan Agreement or any right or remedy hereunder must be affirmatively and expressly made in writing and will not be implied from inaction, course of dealing or otherwise.

**Section 44. Series 2024B Loan Obligations Register.** The District will keep or cause to be kept, sufficient books for the registration and transfer of the Series 2024B Loan Obligations which shall be open at all reasonable times with reasonable prior notice during normal business hours of the District; and, upon presentation, the District shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Series 2024B Loan Obligations.

**Section 45. No CUSIP Numbers; No Rating; No DTC; No Offering Document.** The Series 2024B Loan Obligations shall not bear CUSIP numbers, shall not be rated by any rating agency, shall not be held by The Depository Trust Company, and shall not be offered pursuant to any offering document.

**Section 46. Applicable Law.** This Loan Agreement will be governed by and construed in accordance with the laws of the State.

**Section 47. Electronic Transactions.** The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 48. Role of Authority; No Liability.** Authority has not acted and will not act as a fiduciary for District or as District's agent or municipal advisor. Authority has not and will not provide financial, legal, tax, accounting or other advice to District or to any financial advisor or placement agent engaged by District with respect to this Loan Agreement. District, its financial advisor, placement agent or municipal advisor, if any, shall each seek and obtain its own financial, legal, tax, accounting and other advice with respect to this Loan Agreement from its own advisors (including as it relates to structure, timing, terms and similar matters). It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs associated with the Project, Project Costs or otherwise, and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Project Fund or otherwise are sufficient to cover all such costs and expenses.

**Section 49. District's Notice Filings Related to this Loan Agreement for SEC Rule 15c2-12.** In connection with District's compliance with any continuing disclosure undertakings (each, a "Continuing Disclosure Agreement") entered into by District on and after February 27, 2019, pursuant to SEC Rule 15c2-12 promulgated pursuant to the Securities and

Exchange Act of 1934, as amended (the “Rule”), Authority acknowledges that District may be required to file with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, or its successor (“EMMA”), notice that District has incurred obligations under this Loan Agreement and notice of certain subsequent events reflecting financial difficulties in connection with this Loan Agreement. District agrees that it shall not file or submit, or permit to be filed or submitted, with EMMA any documentation that includes the following unredacted sensitive or confidential information about Authority or its affiliates: address and account information of Authority or its affiliate, e-mail addresses, telephone numbers, fax numbers, names and signatures of officers, employees and signatories of Authority or its affiliates, unless otherwise required for compliance with the Rule or otherwise required by law. District acknowledges that Authority is not responsible for District’s compliance or noncompliance with the Rule or any Continuing Disclosure Agreement.

**Section 50. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

**Section 51. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

*[Signature Page to Follow on Next Page]*

**IN WITNESS WHEREOF**, Authority and District have caused this Loan Agreement to be executed in their corporate names by their duly authorized officers as of the date first above written.

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: 2108 N Street; Suite 5030  
Sacramento, CA 95816

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: 2149 Central Avenue  
McKinleyville CA 95519

**EXHIBIT A**

**SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT**

**PROJECT DESCRIPTION**

DESCRIPTION OF THE PROJECT: \_\_\_\_\_

The Project may also include any other public improvements items so long as the same are approved in writing by the Bank (which approval shall not be unreasonably withheld) and the payment of the costs of such capital addition or replacement with moneys in the Project Fund will not, in and of itself, adversely affect the tax-exempt status of Series 2024B Loan Obligations issued and outstanding under the Loan Agreement

PROJECT LOCATION: Arcata Fire Protection District (the "District"), including the District's principal location at 2149 Central Ave., McKinleyville CA 95519.

**EXHIBIT B**

**SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT**

**PAYMENT SCHEDULE**<sup>(1)(2)</sup>

Original Principal Amount: \$ \_\_\_\_\_ .00

Interest Rate: \_\_\_\_ %

Commencement Date: October \_\_, 2024

Loan Payments will be made in accordance with Section 7 of the Loan Agreement and this Payment Schedule.

<u>Loan Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Debt Service<sup>(1)</sup></u>	<u>Remaining Balance<sup>(2)</sup></u>	<u>Premium Amount</u>	<u>Total Payoff</u>
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Totals

<sup>(1)</sup> District's Loan Payments to Authority should be made from this **Exhibit B**.

<sup>(2)</sup> District's option to purchase is subject to provisions of Section 31 of the Loan Agreement.

**EXHIBIT C**

**SERIES 2024B INSTALLMENT LOAN PURCHASE AGREEMENT**

**FORM OF CERTIFICATION OF INSURANCE COVERAGE**

The undersigned, as Fire Chief of the Arcata Fire Protection District (the “District”), in connection with the execution of the Installment Loan Agreement, dated as of October 1, 2024 (the “Installment Loan Agreement”), by and between the District and the California Municipal Public Financing Authority (the “Authority”), the installment payments (the “Installment Payments”) of which secure the above-captioned \$ \_\_\_\_\_ aggregate principal amount of California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project) (the “Series 2024B Loan Obligations”), does hereby certify on behalf of the District that:

I have reviewed and am familiar with the insurance provisions of the Installment Loan Agreement and have compared the coverage provided by the District’s existing insurance policies (and existing self-insurance coverage, if any), with the provisions of the Installment Loan Agreement and certify that the insurance coverage carried by the District meets the requirements set forth in the Installment Loan Agreement and such insurance provides the required protection to the Authority and its successors or assignees.

IN WITNESS WHEREOF, I have duly executed this Certificate on behalf of the Arcata Fire Protection District in the State of California.

Dated: October \_\_, 2024

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_  
Chris Emmons, Fire Chief



**EXHIBIT D**

**ESSENTIAL USE CERTIFICATE**

California Municipal Public Financing Authority, and its successors and/or assigns  
20 South Santa Cruz Ave. Suite 300  
Los Gatos, CA 95030

Re: Series 2024B Installment Loan Purchase Agreement (the “Loan Agreement”), dated as of October 1, 2024, by and between the California Municipal Public Financing Authority (the “Authority”) and the Arcata Fire Protection District (the “District”)

I, Chris Emmons, the Fire Chief for District, am qualified to answer the questions set forth below regarding the Project to be acquired by District in connection with the above-referenced Loan Agreement:

1. *What is the specific use of the Project?*
  
2. *What increased capabilities will the Project provide?*
  
3. *Why is the Project essential to your ability to deliver governmental services?*

Very truly yours,

ARCATA FIRE PROTECTION DISTRICT

By: \_\_\_\_\_  
Name: Chris Emmons  
Title: Fire Chief

**EXHIBIT E**

**INCUMBENCY AND NO-LITIGATION CERTIFICATE**

The following certifications are made in connection with the execution and delivery of the above-captioned \$ \_\_\_\_\_ aggregate principal amount of California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project), (the “Series 2024B Loan Obligations”), representing the interest of the registered owner thereof in certain installment payments (the “Installment Payments”) to be made by the Arcata Fire Protection District (the “District”) to the California Municipal Public Financing Authority (the “Authority”), under the Installment Loan Agreement dated October 1, 2024 (the “Installment Loan Agreement”), by and between the District and the Authority, which Installment Payments have been assigned to \_\_\_\_\_ Bank, as the assignee therein (the “Assignee”), pursuant to the Assignment Agreement dated October 1, 2024, by and between the Authority and the Assignee (the “Assignment Agreement”).

Capitalized terms not defined herein have the meanings specified in the Installment Loan Agreement.

Each of the undersigned, on behalf of the District, hereby certify as follows:

1. **Organization and Authority.** The District is a fire protection district duly organized and validly existing under the laws of the State of California and has the authority to execute and deliver the Installment Loan Agreement.
2. **Incumbency and Signature.** Set forth below are the names, titles and genuine signatures of certain of the Authorized Representatives, and each such Authorized Representative hereby certifies that the signature appearing opposite the name of the other Authorized Representative is his or her genuine signature.

<u>Name</u>	<u>Signature</u>	<u>Office</u>
Eric Loudenslager	_____	Board President
Chris Emmons	_____	Fire Chief
Katie Hill	_____	Board Clerk / Secretary

3. **Execution of Documents.** The Board President, Fire Chief and the Board Clerk/Secretary were each jointly and severally authorized by the Board of Directors of the District (the “Board”), pursuant to Resolution No. 24-\_\_\_\_, adopted by the Board on September 10, 2024 (the “Resolution”), to act on behalf of the District as a designated “Authorized Representative” of the District for the purposes of executing and delivering any and all documents and certificates that may be required to be executed in connection with the purchase and sale of the Series 2024B Loan Obligations, and to do any and all things and take any and all actions which may be necessary or advisable, in his discretion, to effectuate the actions which the District approved in the Resolution.

4. **Receipt for the Purchase Price.** On the date hereof, the District hereby acknowledges constructive receipt of the sum of \$ \_\_\_\_\_, representing the purchase price of the Series 2024B Loan Obligations.

5. **No Litigation.** There is no litigation or proceeding pending with respect to which the District has been served or, to the best of our knowledge, threatened against the District (a) to restrain or enjoin the execution and delivery of the Installment Loan Agreement, the Assignment Agreement, or the Series 2024B Loan Obligations, (b) in any way contesting the validity of the Installment Loan Agreement, the Assignment Agreement, or the Series 2024B Loan Obligations, (c) in any way contesting the powers of the District in connection with any action contemplated by the Installment Loan Agreement, the Assignment Agreement, or the Series 2024B Loan Obligations, or (d) in which a final

adverse decision could materially adversely affect the operation of the District or its ability to perform its obligations under the Installment Loan Agreement, the Assignment Agreement, or the Series 2024B Loan Obligations.

6. Small Issuer Designation. The District does not expect that it (and including all entities that issue on behalf of, or that are subordinate to, the District) will issue tax-exempt obligations of more than \$10,000,000 (not to exceed) during calendar year 2024.

IN WITNESS WHEREOF, I have duly executed this Certificate on behalf of the Arcata Fire Protection District in the State of California.

Dated: October \_\_, 2024

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_  
Chris Emmons, Fire Chief

**EXHIBIT F**

**OPINION OF DISTRICT’S COUNSEL**

[Letterhead of District’s General Counsel]

October \_\_, 2024

California Municipal Public Financing Authority  
20 S. Santa Cruz Avenue, Suite 300  
Los Gatos, CA 95030

\_\_\_\_\_ Bank  
Attention: Public Finance  
\_\_\_\_\_ Avenue,  
\_\_\_\_\_, \_\_\_\_\_

Re: \$ \_\_\_\_\_  
**California Municipal Public Financing Authority  
(Arcata Fire Protection District)  
Series 2024b Loan Obligations  
(Fire Station Acquisition Project)**

Ladies and Gentlemen:

We have acted as counsel to the Arcata Fire Protection District (the “District”) in connection with the \$ \_\_\_\_\_ aggregate principal amount of California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project), (the “Series 2024B Loan Obligations”), representing the interest of the registered owner thereof in certain installment payments (the “Installment Payments”) to be made by the District to the California Municipal Public Financing Authority (the “Authority”), under the Series 2024B Installment Loan Purchase Agreement, dated October 1, 2024 (the “Loan Agreement”), by and between the District and the Authority, which Installment Payments have been assigned to \_\_\_\_\_ Bank, as the assignee therein (the “Assignee”), pursuant to the Assignment Agreement dated October 1, 2024, by and between the Authority and the Assignee (the “Assignment Agreement”), and the proceedings taken by the Board of Directors of the District (the “Board”) to authorize on behalf of the District the execution and delivery of the Loan Agreement. Capitalized terms not otherwise defined herein will have the meanings set forth in the Loan Agreement. Based upon the foregoing examination and upon an examination of such other documents and matters of law as I have deemed necessary or appropriate, I am of the opinion that:

1. The District is a political subdivision duly organized and existing under the laws of the State of California, and has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and/or (c) police power.
2. The Resolution (the “Resolution”) authorizing the execution and delivery of the Loan Agreement was adopted by the Board at a meeting that was held in compliance with all applicable laws relating to the holding of open and public meetings, with all public notice required by law and at which a quorum was present and acting throughout, and which is in full force and effect, and, has not been amended, modified, or supplemented.
3. The District has the requisite power and authority to purchase the Project and to execute and deliver the Loan Agreement and to perform its obligations thereunder.
4. No litigation or proceeding is pending or, to the best of my knowledge, threatened to restrain or enjoin the execution, delivery, or performance by the District of the Loan Agreement or in any way to contest the validity of the Loan Agreement, to contest or question the creation or existence of the District or the Board or the authority or ability of

the District to execute or deliver the Loan Agreement or to comply with or perform its obligations thereunder. There is no litigation pending or, to the best of my knowledge, threatened seeking to restrain or enjoin the District from annually paying the Loan Payments or other amounts contemplated by the Loan Agreement. The entering into and performance of the Loan Agreement do not and will not violate any judgment, order, law, or regulation applicable to the District or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest, or other encumbrance upon any assets of the District or on the Project pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement, or other instrument to which the District is a party or by which it or its assets may be bound.

5. The District has complied with any applicable public bidding requirements in connection with the Loan Agreement and the transactions contemplated thereby.

6. The Loan Agreement has been duly authorized, executed, and delivered by the District. Assuming due authorization, execution and delivery thereof by Authority, the Loan Agreement constitutes the legal, valid, and binding obligations of the District, enforceable against the District in accordance with its terms, subject to any applicable bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

This opinion may be relied upon by purchasers and assignees of Authority's interests in the Loan Agreement.

Respectfully submitted,

Firm Name

## EXHIBIT G

### POST-ISSUANCE TAX COMPLIANCE PROCEDURES CERTIFICATE

Dated: October \_\_, 2024

The following Post-Issuance Tax Compliance Procedures Certificate (the “Certificate”) is delivered in connection with the execution and delivery of the Series 2024B Installment Loan Purchase Agreement (the “Loan Agreement”), dated as of October 1, 2024, by and between the California Municipal Public Financing Authority (the “Authority”) and the Arcata Fire Protection District (the “District”). Capitalized terms used herein have the meanings defined in the Loan Agreement.

#### **Section 1. In General.**

1.1. This Certificate is executed for the purpose of establishing the reasonable expectations of District as to future events regarding the financing of the fire station headquarters building and facilities currently being occupied by the District (the “Project”) to be acquired by Authority and sold to District pursuant to and in accordance with the Loan Agreement (together with all related documents executed pursuant thereto and contemporaneously herewith, the “Financing Documents”). As described in the Financing Documents, the Authority shall apply \$\_\_\_\_\_ (the “Principal Amount”) toward the acquisition of the Project and closing costs, and District shall make Loan Payments under the terms and conditions as set forth in the Financing Documents.

1.2. The individual executing this Certificate on behalf of District is an Authorized Representative (as defined in the Loan Agreement) of District delegated with the responsibility of reviewing and executing the Financing Documents, pursuant to the resolution or other official action of District adopted with respect to the Financing Documents, a copy of which has been delivered to Authority.

1.3. The Financing Documents are being entered into for the purpose of providing funds for financing the cost of acquiring, equipping and installing the Project which is essential to the governmental functions of District.

1.4. District will timely file or cause to be filed, a Form 8038-G with the Internal Revenue Service in accordance with Section 149(e) of the Internal Revenue Code of 1986, as amended (the “Code”).

1.5. The Loan Agreement is a “qualified tax-exempt obligation” for the purposes and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

#### **Section 2. Non-Arbitrage Certifications.**

2.1. The Loan Payments due under the Financing Documents will be made with monies retained in District’s general operating fund (or an account or subaccount therein). No sinking, debt service, reserve or similar fund or account will be created or maintained for the payment of the Loan Payments due under the Financing Documents or pledged as security therefor.

2.2. There have been and will be issued no obligations by or on behalf of District that would be deemed to be (i) issued or sold within fifteen (15) days before or after the date of issuance of the Financing Documents, (ii) issued or sold pursuant to a common plan of financing with the Financing Documents and (iii) paid out of substantially the same source of funds as, or deemed to have substantially the same claim to be paid out of substantially the same source of funds as, the Financing Documents.

2.3. District does not and will not have on hand any funds that are or will be restricted, segregated, legally required or otherwise intended to be used, directly or indirectly, as a substitute, replacement or separate source of financing for the Project.

2.4. No portion of the Principal Amount is being used by District to acquire investments which produce a yield materially higher than the yield realized by Authority from Loan Payments received under the Financing Documents.

2.5. The Principal Amount does not exceed the amount necessary for the governmental purpose for which the Financing Documents were entered into. Such funds are expected to be needed and fully expended for payment of the costs of acquiring the Project.

2.6. District does not expect to convey, sublease or otherwise dispose of the Project, in whole or in part, at a date which is earlier than the final Payment Date under the Financing Documents.

**Section 3. Disbursement of Funds; Reimbursement to District.**

3.1 It is contemplated that the entire Principal Amount will be used to pay the acquisition cost of Project to the sellers thereof or for any legal, financial advisory or closing costs, provided that, if applicable, a portion of the principal amount may be paid to District as reimbursement for acquisition cost payments already made by it so long as the conditions set forth in Section 3.2 below are satisfied.

3.2 District shall not request that it be reimbursed for Project acquisition cost payments already made by it unless each of the following conditions have been satisfied:

(a) District adopted a resolution or otherwise declared its official intent in accordance with Treasury Regulation § 1.150-2 (the “Declaration of Official Intent”), wherein District expressed its intent to be reimbursed from the proceeds of a borrowing for all or a portion of the cost of the Project, which expenditure was paid to the Seller not earlier than sixty (60) days before District adopted the Declaration of Official Intent;

(b) The reimbursement being requested will be made by a written allocation before the later of eighteen (18) months after the expenditure was paid or eighteen (18) months after the items of Project to which such payment relates were placed in service;

(c) The entire payment with respect to which reimbursement is being sought is a capital expenditure, being a cost of a type properly chargeable to a capital account under general federal income tax principles; and

(d) District will use any reimbursement payment for general operating expenses and not in a manner which could be construed as an artifice or device under Treasury Regulation § 1.148-10 to avoid, in whole or in part, arbitrage yield restrictions or arbitrage rebate requirements.

**Section 4. Use and Investment of Funds; Temporary Period.**

4.1. District has incurred or will incur, within six (6) months from the date of issuance of the Financing Documents, binding obligations to pay an amount equal to at least five percent (5%) of the Principal Amount toward the costs of the Project. An obligation is not binding if it is subject to contingencies within District’s control. The ordering and acceptance of the items of Project will proceed with due diligence to the date of final acceptance of the Project.

4.2. An amount equal to at least eighty-five percent (85%) of the Principal Amount will be expended to pay the cost of the Project by the end of the three-year period commencing on the date of this Certificate. No portion of the Principal Amount will be used to acquire investments that do not carry out the governmental purpose of the Financing Documents and that have a substantially guaranteed yield of four (4) years or more.

4.3(a) District covenants and agrees that it will rebate an amount equal to excess earnings on the Principal Amount deposited under the Loan Agreement to the Internal Revenue Service if required by, and in accordance with, Section 148(f) of the Code, and make the annual determinations and maintain the records required by and otherwise comply with the regulations applicable thereto. District reasonably expects to cause the Project to be acquired by October \_\_, 2026, but not later than October \_\_, 2027.

(b) District will provide evidence to Authority that the rebate amount has been calculated and paid to the Internal Revenue Service in accordance with Section 148(f) of the Code unless (i) the entire Principal Amount is expended on the Project by the date that is the six-month anniversary of the Financing Documents or (ii) the Principal Amount is expended on the Project in accordance with the following schedule: At least fifteen percent (15%) of the Principal Amount and interest earnings thereon

will be applied to the cost of the Project within six months from the date of issuance of the Financing Documents; at least sixty percent (60%) of the Principal Amount and interest earnings thereon will be applied to the cost of the Project within 12 months from the date of issuance of the Financing Documents; and one hundred percent (100%) of the Principal Amount and interest earnings thereon will be applied to the cost of the Project prior to eighteen (18) months from the date of issuance of the Financing Documents.

(c) District hereby covenants that (i) District is a governmental unit with general tax powers; (ii) the Loan Agreement is not a “private activity bond” under Section 141 of the Code; and (iii) at least ninety-five percent (95%) of the Principal Amount is used for the governmental activities of District.

**Section 5. No Private Use; No Consumer Loan.**

5.1. District will not exceed the private use restrictions set forth in Section 141 of the Code. Specifically, District will not permit more than 10% of the Principal Amount to be used for a Private Business Use (as defined herein) if, in addition, the payment of more than ten percent (10%) of the Principal Amount plus interest earned thereon is, directly or indirectly, secured by (i) any interest in property used or to be used for a Private Business Use or (ii) any interest in payments in respect of such property or derived from any payment in respect of property or borrowed money used or to be used for a Private Business Use.

5.2. In addition, if both (A) more than five percent (5%) of the Principal Amount is used as described above with respect to Private Business Use and (B) more than five percent (5%) of the Principal Amount plus interest earned thereon is secured by Private Business Use property or payments as described above, then the excess over such five percent (5%) (the “Excess Private Use Portion”) will be used for a Private Business Use related to the governmental use of the Project. Any such Excess Private Use Portion of the Principal Amount will not exceed the portion of the Principal Amount used for the governmental use of the particular project to which such Excess Private Use Portion is related.

5.3. For purposes of paragraph 5.2 above, “Private Business Use” means use of bond proceeds or bond financed-property directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and excluding use as a member of the general public.

5.4. No part of the Principal Amount or interest earned thereon will be used, directly or indirectly, to make or finance any loans to non-governmental entities or to any governmental agencies other than District.

**Section 6. No Federal Guarantee.**

6.1. Payment of the principal or interest due under the Financing Documents is not directly or indirectly guaranteed, in whole or in part, by the United States or an agency or instrumentality thereof.

6.2. No portion of the Principal Amount or interest earned thereon shall be (i) used in making loans the payment of principal or interest of which are to be guaranteed, in whole or in part, by the United States or any agency or instrumentality thereof, or (ii) invested, directly or indirectly, in federally insured deposits or accounts if such investment would cause the financing under the Financing Documents to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

**Section 7. Miscellaneous.**

7.1. District shall keep a complete and accurate record of all owners or assignees of the Financing Documents in form and substance satisfactory to comply with the registration requirements of Section 149(a) of the Code unless Authority or its assignee agrees to act as District’s agent for such purpose.

7.2. District shall maintain complete and accurate records establishing the expenditure of the Principal Amount and interest earnings thereon for a period of five (5) years after payment in full under the Financing Documents.

7.3. To the best of the undersigned’s knowledge, information and belief, the above expectations are reasonable and there are no other facts, estimates or circumstances that would materially change the expectations expressed herein.



7.4. The District's Tax Identification Number is: =====

7.5. The District has adopted, or will adopt in a reasonable period post-closing, by resolution, separate written procedures regarding ongoing compliance with federal tax requirements necessary to keep, ensure and maintain the interest portions of the Loan Payments under the Loan Agreement as excluded from Authority's gross income for federal income tax purposes, and will, on an annual basis, conduct an audit of the Loan Agreement to ensure compliance with such procedures

**IN WITNESS WHEREOF**, this Post-Issuance Tax Compliance Procedures Certificate has been executed on behalf of District as of October \_\_, 2024.

ARCATA FIRE PROTECTION DISTRICT

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT H**

**BANK QUALIFIED CERTIFICATE**

The Arcata Fire Protection Districts (the “District”) under that certain Series 2024B Installment Loan Purchase Agreement (the “Loan Agreement”), dated as of October 1, 2024, by and between the California Municipal Public Financing Authority (the “Authority”) and the Arcata Fire Protection District (the “District”), hereby designates the Loan Agreement as a “qualified tax-exempt obligation” for the purposes and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The District hereby represents that the District reasonably anticipates that the District and other entities that the District controls will not issue tax-exempt obligations (including the Loan Agreement) the aggregate principal amount of which exceed \$10,000,000 during the calendar year in which the Loan Agreement is executed and delivered and interest commences to accrue thereunder.

This Certificate designating the Loan Agreement as a “qualified tax-exempt obligation” is attached to and made a part of the Loan Agreement and inures to the benefit of the parties to the Loan Agreement and their successors and/or assigns.

EXECUTED as of this \_\_th day of October, 2024.

ARCATA FIRE PROTECTION DISTRICT

By: \_\_\_\_\_  
Chris Emmons, Fire Chief

## EXHIBIT I

### DISTRICT'S CLOSING CERTIFICATE

The undersigned, as Fire Chief of the Arcata Fire Protection District (the "District"), in connection with the execution of the Series 2024B Installment Loan Purchase Agreement, dated as of October 1, 2024 (the "Installment Loan Agreement"), by and between the District and the California Municipal Public Financing Authority (the "Authority"), the installment payments (the "Installment Payments") of which secure the above-captioned \$ \_\_\_\_\_ aggregate principal amount of California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project) (the "Series 2024B Loan Obligations"), does hereby certify on behalf of the District that:

A. The District is a fire protection district, duly organized and validly existing pursuant to the Constitution and laws of the State of California (the "State").

B. Resolution No. 24-\_\_ was adopted by the Board of Directors (the "Board") of the District on September 10, 2024 (the "Resolution"), which Resolution authorized the execution and delivery of the Installment Loan Agreement as well as the issuance of the Series 2024B Loan Obligations, is in full force and effect and has not been amended, modified or supplemented since its adoption. Attached hereto is a true and correct copy of the resolution constituting such official action.

C. I have examined originals or copies certified or otherwise identified to my satisfaction of the Resolution, the Installment Loan Agreement, the Assignment Agreement, dated as of October 1, 2024 (the "Assignment Agreement"), by and between the Authority and the Assignee, the Tax Certificate, dated as of the date hereof (the "Tax Certificate"), and the Non-Charter Membership Agreement, by and between the District and the Authority.

D. The Series 2024B Loan Obligations and the Installment Loan Agreement (collectively, the "District Documents"), have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

E. The District has all requisite right, power and authority to enter into and perform its duties under the District Documents and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated thereby.

F. By official action of the District, the District has approved the execution and delivery of and the performance by the District of the obligations on its part contained in the District Documents.

G. The representations, warranties and covenants of the District contained in the District Documents are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the District has complied with all of the terms and conditions of the District Documents required to be complied with by the District at or prior to the date hereof.

H. (i) As of October \_\_, 2024 (the "Closing"), the District has taken all actions required to be taken by it to authorize the issuance and delivery of the Series 2024B Loan Obligations; (ii) the execution and delivery of the Series 2024B Loan Obligations and the District Documents, the adoption by the District of the Resolution, and the performance by the District of the obligations contained in the District Documents, have been duly

authorized and such authorization is in full force and effect as of the time of the Closing; (iii) the District Documents have been duly executed and delivered and constitute the valid and legally binding obligation of the District enforceable against the District in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; and (iv) the Board has duly authorized the consummation by the District of all transactions contemplated by the District Documents, the Assignment Agreement, the Tax Certificate and the Resolution.

I. No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated by the District Documents.

J. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory district, public board or body, pending or threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2024B Loan Obligations, the application of the proceeds thereof in accordance with the Resolution and the District Documents, or the collection or application of Installment Payments, pledged or to be pledged to pay the principal of and interest on the Series 2024B Loan Obligations, or in any way contesting or affecting the validity or enforceability of the Series 2024B Loan Obligations, the Resolution, the Assignment Agreement, the District Documents or any action of the District contemplated by any of said Resolution, Assignment Agreement or District Documents, or in any way contesting the completeness or accuracy of the District Documents or the powers of the District with respect to the Series 2024B Loan Obligations, the Resolution, the District Documents or any action of the District contemplated by said documents, or which would adversely affect the exclusion of interest paid on the Series 2024B Loan Obligations from gross income for federal income tax purposes or the exemption of interest paid on the Series 2024B Loan Obligations from California personal income taxation, nor, to my knowledge, is there any basis therefore.

K. The District acknowledges and agrees that (i) the purchase and sale of the Series 2024B Loan Obligations pursuant to the Installment Loan Agreement an arm's-length commercial transaction between the District and the Authority, (ii) in connection with such transaction the Authority has not assumed a fiduciary responsibility in favor of the District with respect to (x) the offering of the Series 2024B Loan Obligations or the process leading thereto (whether or not the Authority has advised or is currently advising the District on other matters) or (y) any other obligation to the District except the obligations expressly set forth in the Installment Loan Agreement, and (iii) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Series 2024B Loan Obligations.

L. Between the date of the Installment Loan Agreement and the date hereof, the District has not issued any bonds, notes or other obligations for borrowed money except the Series 2024B Loan Obligations.

M. I have reviewed and am familiar with the insurance provisions of the Installment Loan Agreement and have compared the coverage provided by the District's existing insurance policies (and existing self-insurance coverage, if any), with the provisions of the Installment Loan Agreement and certify that the insurance coverage carried by the District meets the requirements set forth in the Installment Loan Agreement and such insurance provides the required protection to the Authority and its successors or assignees.

N. The District covenants to comply with all other requirements contained in the Tax Certificate, and that it will not otherwise take any action which would cause interest with respect to the Series 2024B Loan Obligations to be subject to federal income taxation or California personal income taxes.

O. Any certificates, including this Certificate, signed by any official of the District and delivered to the Authority or Assignee shall be deemed a representation and warranty by the District as to the statements made therein (and herein) but not of the person signing the same.

P. The District will punctually pay or cause to be paid the principal of and interest to become due on the Series 2024B Loan Obligations in strict conformity with the terms of the Resolution and the District Documents, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Series 2024B Loan Obligations and the District Documents.

Q. The correct billing address for Installment Payments is as follows:

Arcata Fire Protection District  
2149 Central Ave.  
McKinleyville, CA 95519  
Attention: Fire Chief

R. The Resolution was legally adopted at a duly called and regularly convened meeting of the Board on September 10, 2024 by motion duly made, seconded and carried, in accordance with all requirements of law, of which meeting all of the members of the Board had due notice and at which a quorum was present and acting.

Dated: October \_\_, 2024

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_  
Chris Emmons, Fire Chief

**ATTACHMENT TO  
DISTRICT'S CLOSING CERTIFICATE**

**COPY OF AUTHORIZATION RESOLUTION  
(per Section 4)**

*(Please provide signed copy of authorizing resolution)*

## EXHIBIT J

### IRS FORM 8038-G QUESTIONNAIRE

Name of District: Arcata Fire Protection District  
Address of District: 2149 Central Ave., McKinleyville CA 95519  
Contact Person: Chris Emmons  
Telephone number: (707)825-2000  
Email address: [jmcdonald@arcatafire.org](mailto:jmcdonald@arcatafire.org)  
District's FEIN: 43-2054018

*The Form 8038-G (the form used by government agencies to report the issuance of a tax-exempt obligation) asks specific questions about written procedures to: (1) monitor private use of assets financed with proceeds of a tax-exempt obligation and, as necessary, to take remedial actions to correct any violations of federal tax restrictions on the use of financed assets; and (2) monitor the yield on the investment of gross proceeds of tax-exempt obligations and, as necessary, make payments of arbitrage rebate earned to the United States. In addition, the Form 8038-G asks government agencies to report whether any proceeds will be used to reimburse itself for an expenditure paid prior to issuance. This questionnaire is designed to obtain the information necessary to complete Form 8038-G upon execution and delivery of the above-captioned Series 2024B Loan Obligations.*

*At this time, the consequences of not having adopted written procedures to monitor private use of financed assets and yield on the investment of gross proceeds of tax-exempt obligations are unknown. If you have any questions, please consult your regular bond or legal counsel.*

#### **Part 1 – Written Tax Compliance Procedures**

*Note: If either of these questions is not answered, we will assume the District has not adopted the described procedures.*

1. Has the District established written procedures designed to monitor compliance with federal tax restrictions for the term of the Loan Obligations? Among other matters, the written procedures should identify a particular individual within District's organization to monitor compliance with the federal tax requirements related to use of the financed assets and describe actions to be taken in the event failure to comply with federal tax restrictions is contemplated or discovered.

Yes \_\_\_ No \_\_\_ **If Yes, please attach a copy.**

2. Has the District established written procedures to monitor the yield on the investment of proceeds of the Loan Obligations on deposit in an escrow account or similar fund prior to being spent and to ensure that any positive arbitrage rebate earned is paid to the United States?

Yes \_\_\_ No \_\_\_ **If Yes, please attach a copy.**

#### **Part 2 – Use of the Project**

1. **Leases.** Are there or are there expected to be any leases, (either short-term or long-term) that provide a Non-Qualified User (i.e., a private company, 501(c)(3) corporation, the federal government or any agency of the federal government) with legal rights to use, benefit from, or otherwise lease any portion of the Project?

Yes \_\_\_ No \_\_\_

If your response is "Yes" to the question above, please include a copy of each lease or use agreement or information about the proposed lease.

2. **Management and Service Agreements.** Are there or are there expected to be any agreements with Non-Qualified Users to provide management functions or any other services with the Project?

Yes \_\_\_ No \_\_\_

If your response is “Yes” to the question above, please include a copy of each management or service agreement or information about the proposed agreement.

**Part 3 – Reimbursement of Prior Expenditures**

1. As of the funding date, were any of the proceeds of the Loan Obligations used to reimburse District for expenditures paid to acquire the financed assets prior to the funding date of the Loan Obligations? **Yes** \_\_\_ **No** \_\_\_ *If yes, please attach a spreadsheet listing the expenditure(s) together with the date paid, Seller paid and purpose of the expenditure or other proof of the expenditure(s) containing this information (i.e. invoices, receipts, cancelled checks).*

**Items 2 and 3 need to be completed ONLY if the answer to item 1 above is YES.**

- 2. Please attach a copy of District’s resolution of intent to finance the financed assets, which includes date of adoption.
- 3. What is the amount of proceeds of the Loan Obligations reimbursed to District? \$ \_\_\_\_\_

Date: October \_\_, 2024.

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_  
Chris Emmons, Fire Chief



**EXHIBIT K**

§ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
(ARCATA FIRE PROTECTION DISTRICT)  
SERIES 2024B LOAN OBLIGATIONS  
(FIRE STATION ACQUISITION PROJECT)**

**REQUISITION NO. 1  
FOR DISBURSEMENT OF PROJECT COSTS**

The undersigned, as Fire Chief of the Arcata Fire Protection District (the “District”), in connection with the issuance, purchase, sale and delivery of the above-captioned \$\_\_\_\_\_ aggregate principal amount of California Municipal Public Financing Authority (Arcata Fire Protection District), Series 2024B Loan Obligations (Fire Station Acquisition Project) (the “Series 2024B Loan Obligations”), approved pursuant to Resolution No. 24-\_\_\_ (the “Resolution”), adopted by the Board of Directors of the District on September 10, 2024, and executed and delivered pursuant to the Series 2024B Installment Loan Purchase Agreement, dated as of October 1, 2024, by and between the California Municipal Public Financing Authority (the “Authority”) and the District (the “Installment Loan Agreement”), does hereby certify that:

(i) the undersigned is a duly Authorized Representative (as defined in the Resolution and Installment Loan Agreement) with authority to act on behalf of the District as necessary in connection with the execution and delivery of the Series 2024B Loan Obligations, and as such, is authorized to disburse proceeds of the Series 2024B Loan Obligations;

(ii) \_\_\_\_\_ Bank (the “Bank”), as assignee of the Authority under the Assignment Agreement, is hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties names, as authorized by Section 4 of the Installment Sale Agreement. These costs have been properly incurred, are each a proper charge under the Installment Loan Agreement against payment of either Costs of Issuance or Project Costs and have not been the basis of any previous disbursements;

(iii) all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Exhibit A attached hereto or in invoices submitted in accordance herewith, and the Authority and the Bank may rely on such payment instructions as though given by the District with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein; and

(iv) no event of default has occurred and is continuing.

Dated: October \_\_, 2024

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_  
Chris Emmons, Fire Chief

**EXHIBIT A**

**REQUEST NO. 1  
ACQUISITION FUND DISBURSEMENTS**

<b><u>Payee Name and Address</u></b>	<b><u>Purpose of Obligation</u></b>	<b><u>Amount</u></b>
Arcata Fire Protection District 2149 Central Ave. McKinleyville, CA 95519	Project Costs	\$ _____
California Municipal Advisors LLC 1401 21st Street, Suite 5778 Sacramento, CA 95811	Municipal Advisory Services	\$ _____
The Weist Law Firm 20 South Santa Cruz Avenue, Suite 300 Los Gatos, CA 95030	Bond Counsel Services	\$ _____
TBD	Bank Counsel Fees	\$ _____

**EXHIBIT L**

§ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
(ARCATA FIRE PROTECTION DISTRICT)  
SERIES 2024B LOAN OBLIGATIONS  
(FIRE STATION ACQUISITION PROJECT)**

**CERTIFICATE OF ACCEPTANCE**

To: \_\_\_\_\_ Bank, as assignee of California Municipal Public Financing Authority  
Email: \_\_\_\_\_ .com.

Ladies and Gentlemen:

In accordance with the Series 2024B Installment Loan Purchase Agreement (the “Agreement”), dated as of October 1, 2024, by and between the California Municipal Public Financing Authority (the “Authority”) and the Arcata Fire Protection District (the “District”), the undersigned, on behalf of the District, hereby certifies and represents to, and agrees with, \_\_\_\_\_ Bank (the “Bank”), as follows:

- (1) All of the Project (as defined in the Agreement) has been delivered and accepted on the date hereof.
- (2) The District has conducted such inspection and/or testing of the Project as it deems necessary and appropriate and hereby acknowledges that it accepts the Project for all purposes.
- (3) The District is currently maintaining the insurance coverage required by the Agreement.
- (4) No event or condition that constitutes, or with notice or lapse of time, or both, would constitute, an Event of Default (as defined in the Agreement) exists at the date hereof.

Dated: \_\_\_\_\_, 202\_.

**ARCATA FIRE PROTECTION DISTRICT**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\$ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
(ARCATA FIRE PROTECTION DISTRICT)  
SERIES 2024 LOAN OBLIGATIONS  
(EQUIPMENT ACQUISITION PROJECT)**

**IRREVOCABLE PAYMENT INSTRUCTIONS**

These IRREVOCABLE PAYMENT INSTRUCTIONS (the “Instructions”) are dated as of October 1, 2024, and are given to California Municipal Public Financing Authority (the “Authority”) and its assignee \_\_\_\_\_, a banking corporation (the “Bank”), by the Arcata Fire Protection District, a fire protection district, duly organized and validly existing under the laws of the State of California (the “District”);

**W I T N E S S E T H:**

**WHEREAS**, the District desires to work with the Authority, for the purpose of, among other things, procuring financing of the District’s Acquisition of the District’s present fire station headquarters building and facilities (the “Project”);

**WHEREAS**, the District has entered into a contract for the purchase of the Project from \_\_\_\_\_ (the “Seller”), for the total purchase price of \$ \_\_\_\_\_ (the “Purchase Contract”); and

**WHEREAS**, to finance the Project, the Board of Directors of the District (the “Board”) on September \_\_, 2024 adopted Resolution No. 24- \_\_, pursuant to which the District authorized and directed the execution and delivery of its California Municipal Public Financing Authority (Arcata Fire Protection District) Series 2024 Loan Obligations (Station Acquisition Project), (the “Series 2024 Loan Obligations”); and

**WHEREAS**, the Series 2024 Loan Obligations, in the amount of \$ \_\_\_\_\_ (the “Obligation Proceeds”), are being purchased by the Authority, in immediately available funds on October \_\_, 2024 (the “Closing Date”) pursuant to an Installment Loan Agreement, dated as of October 1, 2024, by and between the Authority and the District (the “Installment Loan Agreement”); and

**WHEREAS**, capitalized terms not otherwise defined herein will have the meanings ascribed to them in the Installment Loan Agreement; and

**WHEREAS**, on the Closing Date a portion of the Obligation Proceeds in the amount of \$ \_\_\_\_\_ will be transferred by the Authority directly to Seller (the “Designated Proceeds”); and

**WHEREAS**, the District has full legal right, power, and authority to enter into and perform its duties under these Instructions; and

**WHEREAS**, the Bank acknowledges that these Instructions constitute irrevocable instructions by the District to apply the Designated Proceeds as set forth herein.

**NOW, THEREFORE**, in consideration of the above the District agrees as follows:

**Section 1. Transfer and Application to Seller.**

The Authority is hereby irrevocably instructed to wire the Designated Proceeds in the amount of \$ \_\_\_\_\_ directly to Seller **on or before the morning of October \_\_, 2024**, in accordance with the instruction set forth in Exhibit A, which are summarized as follows:

WIRE INSTRUCTIONS:

Bank

Account Name:

Bank Routing:

Bank Account Number:

Upon release of the wire, the District shall send an email to the Seller contact, \_\_\_\_\_ at \_\_\_\_\_[.com](#) notifying Seller that the payment of \$ \_\_\_\_\_ has been wired in accordance with the Purchase Contract.

The District acknowledges that it has no right, title or interest in or to the Designated Proceeds paid to Seller, except as set forth herein. Under no circumstances shall the Designated Proceeds be paid or delivered to or for the order of the District, except as set forth herein. The District hereby waives any rights that it may have to give alternative instructions as to the Designated Proceeds.

**Section 4. Termination; Unclaimed Money.** These Instructions shall terminate when the Designated Proceeds have been transferred and received by the Seller, as provided herein.

**Section 5. Liabilities and Obligations of Bank.**

The Authority shall have no obligation to make any payment or disbursement of any type except from the Designated Proceeds, or from such other funds that the District may hereafter deposit, in strict accordance with these Instructions. The Authority shall have no obligation to incur any financial liability in the performance of its duties under these Instructions, and the Authority may rely and shall be fully protected in acting upon the written instructions of the District or its agents relating to any matter or action as Authority under these Instructions.

The Authority shall have only such duties as are expressly set forth herein and no implied duties shall be read into these Instructions against the Authority. The Authority shall not be liable for any act or omission of the District under these Instructions. The Authority shall not be liable for the accuracy of any calculations as to the sufficiency of moneys deposited with it with respect to the Designated Proceeds.

The Authority shall have no liability or obligation to the Seller or any other person or entity with respect to the payment for the Project or with respect to the observance or performance by the District of the other conditions, covenants and terms contained in the Purchase Contract, or with respect to the investment of any moneys in any fund or account established, held or maintained by the District.

The Authority may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on any certificate or opinion furnished to it in accordance with these Instructions.

**Section 6. Governing Law.** These Instructions shall be governed by and construed in accordance with the laws of the State of California.

**Section 7. Notices.** Notices hereunder shall be made in writing and shall be deemed to have been duly given when personally delivered or when deposited in the mail, first class postage prepaid, or delivered to an express carrier, charges prepaid, addressed to each party at its address below:

If to the District:           Arcata Fire Protection District  
  2149 Central Ave.  
  McKinleyville, CA 95519  
  Attention: Chris Emmons, Fire Chief

If to the Authority:       California Municipal Public Financing Authority  
  20 S. Santa Cruz Ave. Suite 300  
  Los Gatos, CA 95030

If to the Bank:             TBD

**Section 8. Counterparts.** These Instructions may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Instructions.

*[Signature Page to Follow on Next Page]*

IN WITNESS WHEREOF, the District has each executed these Irrevocable Payment Instructions as of the date first above written.

ARCATA FIRE PROTECTION DISTRICT

By: \_\_\_\_\_  
Chris Emmons, Fire Chief

Acknowledged and Agreed:

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Authorized Officer

Acknowledged and Agreed:

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**  
**PURCHASE CONTRACT**

[Attached]



# Correspondence & Communications

THANKS

Firefighters

for  
keeping us



From,

TOT CAMP



Dear Alyssa Alvarez,

On behalf of the 2024 Summer Algebra Institute team, we want to express our heartfelt gratitude for your crucial support. Whether through guest speaking, leading tours, providing staff, transportation, meals, or funding, your contributions were essential to our success.

With your help, we successfully engaged over 70 students in our STEAM program and provided valuable work experience to several high school TA interns from Blue Lake Rancheria.

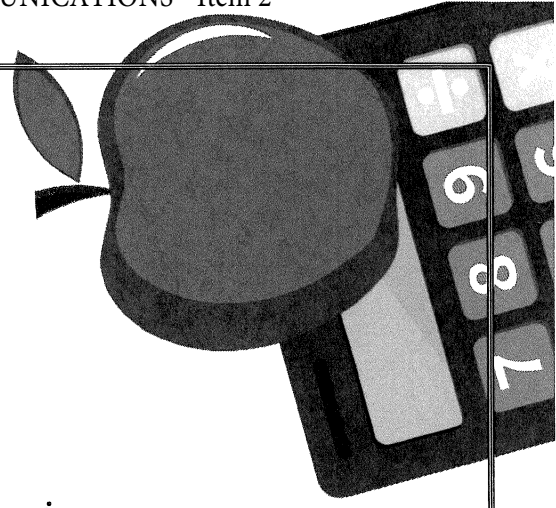
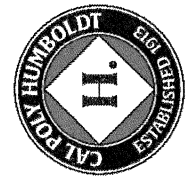
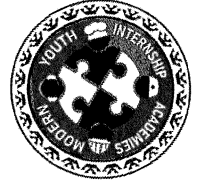
We deeply appreciate your partnership and look forward to future collaborations.

Best regards,

Melissa Donner and the TRIO Team



REDWOOD COAST K-16  
EDUCATIONAL COLLABORATIVE  
ASSOCIATION OF SCHOOLS



*Thank You*



CORRESPONDENCE & COMMUNICATIONS Item 3

**Date:** September 10, 2024  
**To:** Board of Directors, Arcata Fire District  
**From:** Chris Emmons, Fire Chief  
**Subject:** Fire Chief's Monthly Report

**Monthly Administrative Report**

We received payment from Rumble over the Redwoods for providing an engine for the event. The amount of the payment was \$9,210.84.

I would like to announce that Arly Allen was promoted to Captain effective September 1, 2024. Her experience and knowledge will serve our district well. Congratulations to Arly. With her promotion we now have two openings for Fire Engineer. We have opened the recruitment and posted the flyer on the website and social media.

We have extended a conditional offer to our Assistant Chief candidate. He is in the final phase of the process and we anticipate a start date in early to mid-October.

District personnel participated in this year's Annual Battle of the Badges Blood Drive with our own Katie Hill leading the coordination efforts for us. Our agency won 100% Department Participation where our name was added to a perpetual plaque housed at the Blood Bank.

The Berg Foundation funded a grant through the AVFA for a skidmount pump. We are researching which companies will be able to build the pump module to be mounted on one of the vehicles, possibly converting the use of the light rescue truck that the Logistics Unit currently uses.

The fire service has been re-branding "Fire Prevention" to a more holistic approach to Community Risk Reduction. Fire Prevention is a singular focus whereas Community Risk reduction takes into consideration issues such as slips, trips, and falls, child safety seats, disaster preparedness, as well as fuels reduction and fire prevention. Community Risk Reduction has more opportunity for grant funding. The Administrative Team is researching the concept to better serve the community.

The Fire Chief has been attending regular meetings with City Officials which has generated positive feedback between agencies. On-going projects within the City that impact the District are being identified early. For example, discussion on bike lanes and roadway/traffic re-configuring in high traffic areas.

Upcoming events: Fire Prevention Week Open House

## Notable Training:

Large Animal Rescue

## Monthly Incident Activity

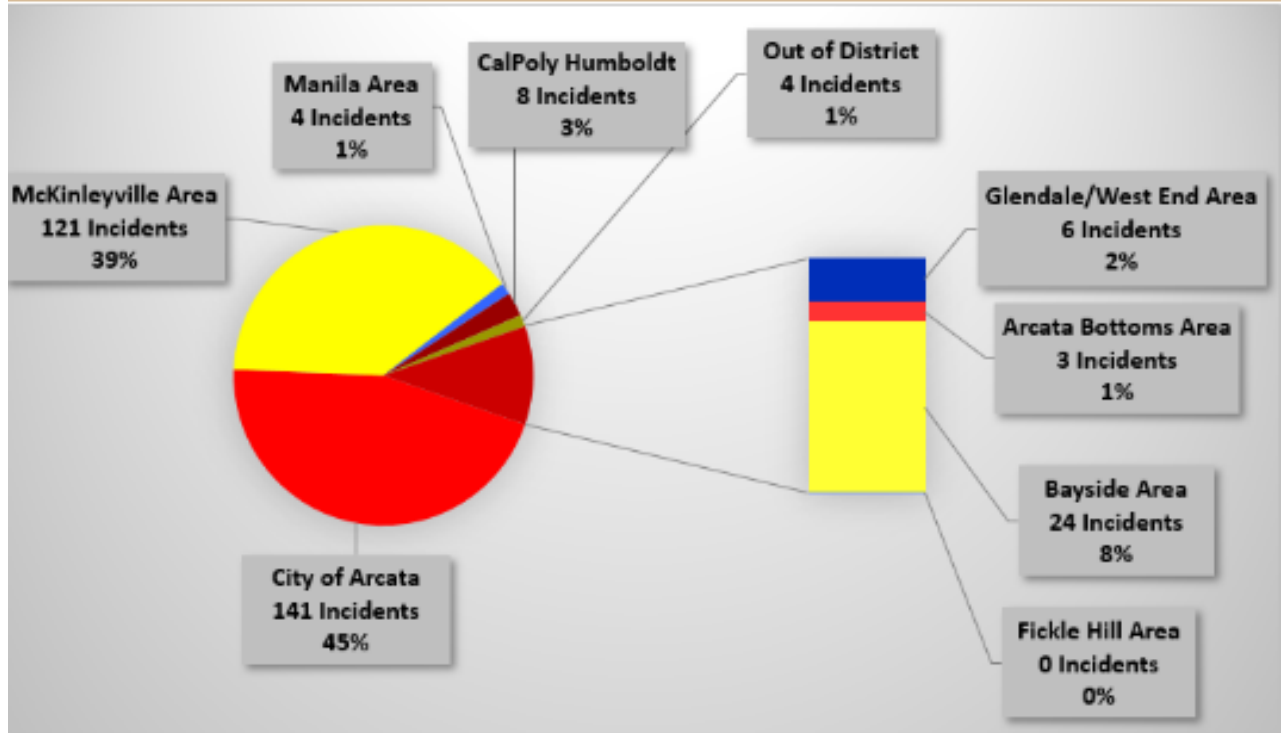
### August Notable Incidents

- 08/06/2024 Fire at the West Village Apartments on Valley West Blvd. Significant damage to one apartment with one occupant experiencing smoke inhalation. It was a large complex in which all of our Mutual Aid partners played a role. Arcata Police Officers were on scene and immediately evacuated the structure.
- 08/10/2024 Fire on the outside of a residence on Market Ave in McKinleyville, Exterior Damage.
- 08/17/2024 RV Fire on Daffodil Ave in McKinleyville with Burn Victim, total loss of RV and damage to a second RV on site.
- 08/17/2024 Major Medical McKinleyville Avenue. AED used.
- 08/27/2024 Electric Arcing at CPH Creekside Lounge Laundry. A laundry unit had a failure and smoked up the Creekside Lounge at the East end of Granite Ave. Evacuation was conducted, followed by smoke removal.

MUTUAL AID		
Aid Type	Total	
Aid Given	5	
Aid Received	2	
OVERLAPPING CALLS		
# OVERLAPPING	% OVERLAPPING	
81	25.00%	
LIGHTS AND SIREN - AVERAGE RESPONSE TIME (Dispatch to Arrival)		
Station Response Area	EMS	FIRE
Arcata	0:03:35	0:05:40
Mad River	0:05:29	0:05:48
McKinleyville	0:03:59	0:06:37
AVERAGE FOR ALL CALLS		0:04:26

MONTHLY INCIDENT COUNT		
Fires	20	6.17%
Overpressure rupture, explosion, overhear - no fire	0	0.00%
Rescue & Emergency Medical Service	166	51.23%
Hazardous Condition (No Fire)	5	1.54%
Service Call	35	10.80%
Good Intent Call	55	16.98%
False Alarm & False Call	30	9.26%
Severe Weather, Natural Disaster, & Other	0	0.00%
Incomplete	13	4.01%
<b>TOTAL</b>	<b>324</b>	<b>100.00%</b>

**INCIDENT COUNT BY ZONE**



**Apparatus and Equipment Report**

**Apparatus Out of Service Time**

Two front-line engines were out of service for a total of 120 hours in the month of August.

**Apparatus Major Repairs**

August preventative maintenance has been on hold with E8211 having a pump leak and needing all six of its batteries replaced. The batteries were beyond their lifespan and had degraded. The cost of the replacement was \$2,100. Engine 8219 had an electrical sensor in the door monitoring system fail causing alarms in the engine, however, the issue has continued. The local vendor is now working with the manufacturer to obtain equipment for repair.

## **Fire Prevention and Outreach**

### Notable events:

The Fire Inspector completed inspection of 428 units for the month of August. A 48-unit apartment complex was inspected, with all 48 units passing. This shows the importance of the inspection program, which is mandated by the state.

On-going Fire Prevention Bureau projects include direction to re-establish an effective County Fire Prevention Officers group and with regular attendance by Arcata Fire personnel. As part of the Fire Prevention Officers group, discuss county-wide standards with the various municipalities. The Fire Marshal was also assigned to conduct a needs assessment for administrative code enforcement needs and standards. This is relative to the frequent calls we receive for overgrown vegetation, trash dumping and vacant and abandoned structures to name a few.

### Public Outreach:

#### **Public Education (hours taught)**

-3 hours, 50 children, 43 adults

#### **Courtesy Inspections**

-2 inspection at Cafe Phoenix, Humboldt County Resource Conservation District McKinleyville.

#### **Civic Group Outreach**

-Fire Chief is attending Arcata Noon Rotary meetings.

**Car Seat Installation**-1 installation.