

Mission statement of McKinleyville Community Services District:
"Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, and library services in an environmentally and fiscally responsible manner."

**NOTICE IS HEREBY GIVEN THAT A REGULAR MEETING OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
WILL BE HELD AT:**

**Azalea Hall
1620 Pickett Road
McKinleyville, California**

Wednesday, September 3, 2014
7:00 P.M. (Closed Session)
7:30 PM (Open Session)

(Call to Order and Agenda Items A.1 – A.3, 7:00 PM through 7:05 PM)
(Closed Session, Item A.4: 7:05 PM through 7:30 PM)
(Open Session/Public Meeting (Agenda Items A.5 – G) Reconvenes at 7:30 PM)

AGENDA

A.1 CALL TO ORDER

A.2 ROLL CALL

**A.3 APPOINT REAL PROPERTY NEGOTIATORS: TEEN
CENTER/IMPROVEMENT PROJECT**

Property: Proposed Teen Center lot/site: Assessor's Parcel Number 510-401-015 et seq.

Proposed agency negotiators: MCSD Proposed Negotiators: Greg Orsini, General Manager, Albert Reyes (Nossaman, LLP) (MCSD Retained Special Counsel) and Russell Gans (MCSD General Counsel)

Party with Whom Negotiating: George Diesch, Dean Stephens or other Umpqua Bank

Under negotiation: Price and terms of payment for proposed Site Lease and Long Term Lease of subject real property to facilitate the lease and financing of the Teen Center site and improvement construction.

Pg.6

A.4 CLOSED SESSION DISCUSSION

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.

Conference with Real Property Negotiator

Property: Proposed Teen Center lot/site: Assessor's Parcel Number 510-401-015 et seq.

Agency negotiator: Greg Orsini, General Manager, Albert Reyes (Nossaman, LLP) (MCSD Retained Special Bond Counsel) and Russell Gans (MCSD General Counsel)

Negotiating parties: For MCSD: Greg Orsini, General Manager, Albert Reyes (Nossaman, LLP) (MCSD Retained Special Bond Counsel) and Russell Gans (MCSD General Counsel).

For Unpqua Bank: George Diesch, Dean Stephens or other

Under negotiation: Price and terms of payment for proposed Site Lease and Long Term Lease of subject real property to facilitate the lease and financing of the Teen Center site and improvement construction.

7:30 PM

*REPORT OUT OF CLOSED SESSION AND RECONVENE INTO
OPEN SESSION*

A.5 PLEDGE OF ALLEGIANCE

A.6 ADDITIONS TO AGENDA

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code (Brown Act), upon a determination by two-thirds vote of the members of the legislative body present at the time of the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the McKinleyville Community Services District after the Agenda was posted.

A.7 APPROVAL OF THE AGENDA

B. PUBLIC HEARINGS

These are items of a Quasi-Judicial or Legislative nature. Public comments relevant to these proceedings are invited.

NO PUBLIC HEARING SCHEDULED

C. PUBLIC COMMENT AND WRITTEN COMMUNICATIONS

Any person may address the Board at this time upon any subject not identified on this Agenda but within the jurisdiction of the McKinleyville Community Services District; however, any matter that requires action will be referred to staff for a report of action at a subsequent Committee or Board meeting. As to matters on the Agenda, an opportunity will be given to

address the Board when the matter is considered. **Comments are limited to 3 minutes.** Letters should be used for complex issues.

D. CONSENT CALENDAR

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board of Directors at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Consent Calendar, it shall be removed so that it may be acted upon separately.

- D.1 Consider approval of minutes of the Board of Directors' August 6, 2014 Regular Meeting **Pg. 8**

Attachment D.1 – Draft Board Minutes from August 6, 2014 **Pg. 9**

- D.2 Consider approval of July Treasurer's Report

Exhibit D.2 – July 2014 Treasurer's Report **Pg. 13**

- D.3 No DCV Violations this month.

- D.4 Consider approving Regular Board Meeting Dates, Time and Location for the 2015 Calendar Year. **Pg. 35**

Attachment 1 – Proposed MCSD 2015 Board Meeting Schedule **Pg. 36**

E. CONTINUED AND NEW BUSINESS

- E.1 Approve Resolution 2014-25 to adopt the Proposed Mitigated Negative Declaration and associated CEQA Findings; Mitigation, Monitoring and Reporting Program for the MCSD WWMF Improvements Project, approve the project and direct staff to file the Notice of Determination **Pg. 37**

Attachment 1 – Resolution 2014-25 w/ Exhibits **Pg. 39**

Attachment 2 – Cultural Resources Study Report **Pg. 49**

Attachment 3 – Power Point Presentation **Pg. 67**

- E.2 Approve Resolution 2014-26 Financing the acquisition, construction and installation of certain improvements to the Teen and Community Center including the leasing of certain property owned by the MCSD to the Public Property Financing Corporation of California pursuant to a Site Lease and the leasing back of the property by the Corporation to MCSD pursuant to a Lease Agreement. **Pg. 79**

Attachment 1 – Resolution 2014-26 w/ Exhibits **Pg. 82**

Attachment 2 – Private Placement Financing **Pg. 138**

- E.3 Consider Recreation Advisory Committee's recommendation to revise the Parks & Recreation Master Plan to include a trail system at Fischer Ranch **Pg. 142**

Attachment 1 – Chapter 4 of the Parks & Recreation Master Plan	Pg. 144
Attachment 2 - Chapter 5 of the Parks & Recreation Master Plan	Pg. 152
Attachment 3 – Tentative map of trail	Pg. 158

- E.4 Information pertaining to utilization of Percolation Ponds as salmonid habitat and development of a trail system and approve Board President to sign a letter of support for pursuit of grant funds for said project **Pg. 159**
 - Attachment 1 – Draft Letter of Support **Pg. 161**

- E.5 Adopt Resolution 2014-24 for the preparation and submission of an application for grant funding through the Habitat Conservation Fund **Pg. 162**
 - Attachment 1 – Resolution 2014-24 **Pg. 164**

- E.6 Consider approving update of the MCSD Records Retention Policy **Pg. 166**
 - Attachment 1 – Memo from Attorney Gans with recommended updates **Pg. 167**
 - Attachment 2 – Additional updates suggested by staff **Pg. 172**

- E.7 Consider cancelling the October 1, 2014 Regular Board Meeting **Pg. 175**

- E.8 Consider travel to the ACWA 2014 Fall Conference & Exhibition in San Diego, December 2-5, 2014 **Pg. 176**
 - Attachment 1 – ACWA 2014 Fall Conference Preliminary Agenda **Pg. 178**
 - Attachment 2 – ACWA 2014 Fall Conference Pricing Sheet **Pg. 179**

F. REPORTS

No specific action is required on these items, but the Board may discuss any particular item as required.

F.1. ACTIVE COMMITTEE REPORTS

- a. Recreation Advisory Committee (Wheeler/Couch (alternate))
- b. Area Fund (John Kulstad)
- c. Redwood Region Economic Development Commission (Mayo/Edwards (alternate))
- d. McKinleyville Senior Center Advisory Committee (Edwards)
- e. Audit (Corbett/Edwards)
- f. Employee Negotiations (Couch/Edwards)
- g. Water Task Force (Wheeler/Corbett (alternate))
- h. AdHoc No Drugs & Toxics Down the Drain (Wheeler/Couch (alternate))
- i. McKinleyville Municipal Advisory Committee (Edwards/Corbett (alternate))

F.2. STAFF REPORTS

- | | | |
|----|---|----------------|
| a. | Support Services Department (Colleen M.R.Trask) | Pg. 180 |
| b. | Operations Department (James Henry) | Pg. 181 |
| c. | Parks and Recreation Department (Jason Sehon) | Pg. 183 |
| d. | General Manager (Greg Orsini) | Pg. 185 |
| | Attachment 1 – WWMF July 2014 | Pg. 187 |

F.3. PRESIDENT'S REPORT

**F.4. BOARD MEMBERS' COMMENTS, ANNOUNCEMENTS, REPORTS
AND AGENDA ITEM REQUESTS**

G. ADJOURNMENT

Posted 5:00 pm on August 29, 2014

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: A.3. Appoint Real Property Negotiation Team to complete negotiating the lease, construction and installation of certain improvements to the Teen and Community Center including the leasing of certain property owned by the MCSD to the Public Property Financing Corporation of California pursuant to a Site Lease and the leasing back of the property by the Corporation to MCSD pursuant to a Lease Agreement.

PRESENTED BY: Greg Orsini and Russell S. Gans, District Counsel

TYPE OF ACTION: Roll Call Vote

Recommendation:

Staff recommends the Board review the information provided, air questions, take public comment and appoint Greg Orsini, Albert Reyes (MCSD Special Bond Counsel, Nossaman, LLP) and Russell Gans (MCSD General Counsel) to complete and finalize negotiations of a proposed Site Lease and a Lease Agreement for the leasing of certain property owned by the MCSD to the Public Property Financing Corporation of California to facilitate financing Teen Community Center improvement construction.

Discussion:

Funded by a local Bond Measure, the new McKinleyville Teen Center is an approx. 6,600 sf dedicated teen and community center addition to an existing community center. This Agenda item is related to Agenda Item E.2. of the September 3, 2014, Board Meeting, and that staff report should be referenced for further information.

In April 2014, the MCSD was provided a financing quote by the California Special Districts Association Finance Corporation ("CSDAFC"). In June, CSDAFC contacted Brandis Tallman LLC to assist in finding financing options for MCSD. CSDAFC and Brandis Tallman contacted the MCSD and recommended they try a direct placement for approximately \$1.4 million (the "Financing").

Brandis Tallman canvassed several lenders, and assisted in preparation of a proposed Site Lease and a Lease Agreement for the leasing of certain property owned by the MCSD to the Public Property Financing Corporation of

California to facilitate financing Teen Community Center improvement construction.

At this time, a real property negotiating team should be appointed for MCSD to complete review of the proposed Site Lease and interact with agents of the Public Property Financing Corporation to complete the potential transaction.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Discussed in Item E.2

Environmental Requirements:

Discussed in Item E.2

Exhibits/Attachments

N/A

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: D.1 **Consider Approval of Minutes from the Board of Directors' August 6, 2014 Regular Meeting**

PRESENTED BY: **Becky Schuette, Board Secretary**

TYPE OF ACTION: **Voice Vote-Consent Calendar**

Recommendation:

Staff recommends that the Board review the draft minutes from the August 6, 2014 Regular Board Meeting, recommend edits and provide staff with direction.

Discussion:

The Draft Minutes are attached for the above listed meetings.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment D.1-Draft Minutes from August 6, 2014 Board Meeting

**MINUTES OF THE REGULAR MEETING OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
HELD ON WEDNESDAY, AUGUST 6, 2014 AT 7:00PM
AZALEA HALL, 1620 PICKETT ROAD, MCKINLEYVILLE, CA**

AGENDA ITEM A.1 thru A.2 CALL TO ORDER And ROLL CALL: The regular meeting of the Board of Directors of McKinleyville Community Services District convened at 7:02pm with President Couch, Directors Corbett, Edwards, Mayo and Wheeler present.

David Couch, President
John Corbett, Vice President
Helen Edwards, Director
Dennis Mayo, Director
George Wheeler, Director

Gregory Orsini, General Manager
Colleen M.R. Trask, Finance Director
James Henry, Operations Director
Jason Sehon, Parks & Recreations Director
David Baldosser, Board Secretary

AGENDA ITEM A.3 CLOSED SESSION DISCUSSION: NO CLOSED SESSION SCHEDULED

AGENDA ITEM A.4 PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was led by Director Wheeler

AGENDA ITEM A.5 ADDITIONS TO THE AGENDA: There were no additions to the agenda. Director Corbett questioned when an item could properly be added to an agenda. GM Orsini stated that he had an opinion from legal counsel concerning “additions to an agenda” that he would forward to the Board.

AGENDA ITEM A.6 APPROVAL OF THE AGENDA:

MOTION: It was moved to approve the agenda.

Motion Corbett; second by Edwards

MOTION VOTE: Ayes, Corbett, Edwards, Mayo, Wheeler and Couch
Nays; None
Absent; None
Abstain; None

MOTION SUMMARY: Motion Passed – 5 Ayes; 0 Nays

AGENDA ITEM B PUBLIC HEARINGS:

B.1 Public Hearing—Consider and Adopt Resolution No. 2014-23, Declaring a Drought Emergency, Amending and Implementing MCSD Ordinance No. 10 and Imposing Water Conservation Measures and Penalties for Violations GM Orsini presented this item Director Wheeler questioned the need for this action if our water supply is currently sufficient. GM Orsini said that it was to be proactive and not be subject to a State Water Resources Control Board (SWRCB) blanket decree. Directors Mayo, Corbett and Edwards also commented. Public comment was provided by Orrin Plocher and Linda Doerflinger.

MOTION: It was moved to approve Item B.1 Adopt Resolution 2014-23, Declaring a Drought Emergency, Amending and Implementing MCSD Ordinance No. 10 and Imposing Water Conservation Measures and Penalties for Violations

Motion Edwards second by Corbett

MOTION ROLL CALL VOTE: Ayes, Corbett, Edwards, Mayo, Wheeler and Couch
Nays; None
Absent; None
Abstain; None

MOTION SUMMARY: Motion Passed – 5 Ayes; 0 Nays

AGENDA ITEM C PUBLIC COMMENT AND WRITTEN COMMUNICATIONS: President Couch opened public input and no members of the public commented.

AGENDA ITEM D CONSENT CALENDAR:

D.1 Consider approval of the minutes of the Board of Directors' Regular Meeting of July 2, 2014

D.2 Consider approval of June 2014 Treasurer's Report

D.3 DCV Violations this month

MOTION: It was moved to adopt the consent calendar item D.1 through D.3. No objections were made.

Motion Corbett; second by Edwards

MOTION VOTE: Ayes, Corbett, Edwards, Mayo, Wheeler and Couch

Nays; None

Absent; None

Abstain; None

MOTION SUMMARY: Motion Passed – 5 Ayes; 0 Nays

AGENDA ITEM E CONTINUED AND NEW BUSINESS:

Item E.1 Information related to Solar Feasibility Study for select MCSD sites for potential consideration

GM Orsini presented the item for discussion and introduced David Houseworth from Beutler Solar. Curt Wylie, General Manager from Beutler Solar Division was also in attendance. A power point presentation ensued and then a myriad of questions from the members of the Board followed. Public comment was requested and Jeff Dunk spoke. He was highly in favor of this project. No other members of the public commented.

This was an informational item only. No action was needed or taken.

E.2 Information related to Teen and Community Center Status Report Eric Wohle, from LDA Partners, presented the Board with status of the project. Directors Wheeler and Mayo commented. Public comment was requested and none was received

This was an informational item only. No action was needed or taken.

Item E.3 Adopt Resolution 2014-21 to accept the MCSD Conflict of Interest Code with no revisions

GM Orsini presented the item. This is to comply with the Political Reform Act requirement that governmental agencies review their Conflict of Interest Code biennially. MCSD last reviewed its Conflict of Interest code on September 5, 2012.

MOTION: It was moved to adopt Resolution 2014-21 accept the MCSD Conflict of Interest Code with no revisions

Motion: Edwards Second: Corbett

MOTION ROLL CALL VOTE:

Ayes: Corbett, Edwards, Mayo, Wheeler and Couch

Nays; None

Absent; None

Abstain; None

MOTION SUMMARY:

Motion Passed – 5 Ayes; 0 Nays

Item E.4 Central Avenue Landscape Policy This item was presented by Jason Sehon, Parks and Recreation Director. Much discussion concerning the lack of documentation from the initiation of the Central Avenue Landscape zone and the rights and responsibilities of the parties involved i.e. County of Humboldt, MCSD and property owners within the zone dimensions. Tom Mattson, Director of County Public Works, was unable to locate or provide any agreement that stipulates the any type of concrete agreement. In lieu of spending staff resources in trying to locate old documentation, Director Edwards suggested that GM Orsini and Parks and Recreation Director Sehon create a document detailing what MCSD wants in relationship to the maintenance of the Central Avenue Landscaping.

This was an informational item only. No action was needed or taken.

Item E.5 Approve Resolution 2014-22 Acknowledging STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2014-0038 TO ADOPT AN EMERGENCY REGULATION FOR STATEWIDE URBAN WATER CONSERVATION and commitment by MCSD to enact appropriate conservation measures consistent with state emergency regulations through Activation of Stage 2 of Ordinance 10 and drafting of a Water Shortage Contingency Plan GM Orsini presented this item. Director Wheeler questioned if MCSD would have to do this again should the SWRCB require agencies to implement stage 3 of their water shortage contingency plans. Public comment was requested. Orrin Plocher spoke regarding the SWRCB Resolution 2014-0038 and how this item addresses the requirements of that resolution. No other members of the public spoke. The item was brought back to the Board.

MOTION: It was moved to adopt Resolution 2014-22 Acknowledging STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2014-0038 TO ADOPT AN EMERGENCY REGULATION FOR STATEWIDE URBAN WATER CONSERVATION and commitment by MCSD to enact appropriate conservation measures consistent with state emergency regulations through Activation of Stage 2 of Ordinance 10 and drafting of a Water Shortage Contingency Plan

MOTION: Edwards SECOND: Corbett

MOTION ROLL CALL VOTE: Ayes: Corbett, Edwards, Mayo, Wheeler and Couch

Nays: None

Absent: None

Abstain: None

MOTION SUMMARY: Motion Passed – 5 Ayes; 0 Nays

AGENDA ITEM F REPORTS:

F.1.a Recreation Advisory Committee (Wheeler/Couch (alternate))

Did not meet.

F.1.b Area Fund (John Kulstad)

Did not meet

F.1.c Redwood Region Economic Development Commission (Mayo/Edwards (alternate))

Director Mayo mentioned that RREDC has acquired the property at the end Baird Road and it is listed with Jim Redd for over a million dollars. They will probably be keeping that one for a while. The Green Diamond “Chip Ship” has made its maiden voyage. He also praised boys from Bolt Bourbon and their enthusiasm and energy for their business and their social media skills in promoting and fundraising.

F.1.d McKinleyville Senior Center Advisory Committee (Edwards)

Did not meet.

F.1.e Audit (Corbett/Edwards)

Did not meet

F.1.f Employee Negotiations (Couch/Edwards)

Completed until next year.

F.1.g Water Task Force (Wheeler/Corbett (alternate))

Did not meet

F.1.h AdHoc No Drugs & Toxics Down the Drain (Wheeler/Couch (alternate))

Did not meet

F.1.i McKinleyville Municipal Advisory Committee (Edwards/Corbett (alternate))

Director Edwards said that the meeting with Area 1 Agency on Aging people went well and they discussed programs available for senior citizens. The Board of Supervisors is placing an item on the November 2014 ballot to ask the voters to approve an 1/2% additional sales tax. This would be in addition to any special "sales tax" increases that exist in cities within the County. The premise is that it would be earmarked for "public safety" i.e. police and fire services. Director Corbett stated that there is no mechanism to prevent the Board of Supervisors using the revenue in other ways.

F.2.a SUPPORT SERVICES DEPARTMENT:

The audit is in full swing. Nothing else to add.

F.2.b OPERATIONS DEPARTMENT: Operations Director Henry clarified that the pump was put back into service, not the rags removed from the pump, to respond to Director Edwards's reference to the item on page 127 of the board packet. Other than that, he had nothing to add.

F.2.c PARKS & RECREATION DEPARTMENT: Nothing to add

F.2.d GENERAL MANAGER: Nothing to add

AGENDA ITEM F.3 PRESIDENT'S REPORT: Speakers at the Association of California Water Agencies Committee meeting asked that their members support the Statewide Water Action Plan. That should be on the agenda for the September 3, 2014 meeting because this agenda was already packed.

AGENDA ITEM F.4 BOARD COMMENTS, ANNOUNCEMENTS, REPORTS AND AGENDA ITEM REQUESTS:

Director Wheeler stated that Friday would be "clean up day" for the area behind Safeway and that Clam Beach would be re-opened soon.

AGENDA ITEM G ADJOURNMENT:

MOTION: It was moved to adjourn the meeting at 9:59 pm
Motion by Mayo; second by Edwards

MOTION VOTE: Ayes: Corbett, Edwards, Mayo, Wheeler and Couch
Nays; None
Absent; None
Abstain; None

MOTION SUMMARY: Motion Passed –5 Ayes; 0 Nays

David Baldosser, Board Secretary

**McKinleyville Community Services District
Treasurer's Report
July 2014**

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**McKinleyville Community Services District
Investments & Cash Flow Report
As of July 31, 2014**

Petty Cash & Change Funds 940.00

Cash

Operating & Money Market - Beginning Balance		417,315.18
Cash Receipts:		
Utility Billings	428,575.48	
Money Market Account Interest	35.35	
Transfers from County Funds #2560, #4240	-	
Other Cash Receipts	151,243.85	
Total Cash Receipts		579,854.68
Cash Disbursements:		
Payroll Related Expenditures	(195,078.57)	
Debt Service	(69,033.48)	
Capital & Other Expenditures	(395,437.17)	
Total Cash Disbursements		(659,549.22)
Operating & Money Market - Ending Balance		337,620.64
Total Cash		338,560.64

Investments (Interest and Market Valuation will be re-calculated as part of the year-end close, if material)

LAIF - Beginning Balance	128,336.64	
Interest Income	70.78	
LAIF - Ending Balance		128,407.42
Humboldt Co. #2560 - Beginning Balance	984,775.24	
Property Taxes	-	
Transfer to/from Operating Cash	-	
Interest Income	492.39	
Humboldt Co. #2560 - Ending Balance		985,267.63
Humboldt Co. #4240 - Beginning Balance	4,694,266.86	
Property Taxes	-	
Transfer to/from Operating Cash	-	
Interest Income	2,075.91	
Humboldt Co. #4240 - Ending Balance		4,696,342.77
Humboldt Co. #9390 - Beginning Balance	204,597.07	
Reserves Recovery Deposits	23,661.90	
Interest Income	114.13	
Humboldt Co. #9390 - Ending Balance		228,373.10
USDA Bond Reserve Fund - Beginning Balance	160,817.02	
Bond Reserve Payment	15,291.66	
Debt Service Payment	-	
Interest Adjustment	3.91	
USDA Bond Reserve Fund - Ending Balance		176,112.59
Market Valuation Account		(180.00)

Total Investments 6,214,323.51

Total Cash & Investments - Current Month 6,552,884.15

Total Cash & Investments - Prior Month 6,590,868.01

Net Change to Cash & Investments This Month (37,983.86)

Cash & Investment Summary

Cash & Cash Equivalents	5,619,916.63
Davis-Grunsky Loan Reserve	597,782.63
Waste Water Capital Reserve	99,072.30
USDA Bond Reserve	176,112.59
I-Bank Loan Reserve	60,000.00
Total Cash & Investments	6,552,884.15

McKinleyville Community Services District
Consolidated Balance Sheet by Fund
As of July 31, 2014

	Governmental Funds			Proprietary Funds		
	Parks & General	Measure B	Streetlights	Water	Wastewater	Total (Memorandum Only)
ASSETS						
Current Assets						
Unrestricted cash & cash equivalents	\$ 848,289.28	\$ 270,249.70	\$ (169,647.81)	\$ 1,179,743.74	\$ 3,499,584.77	\$ 5,628,219.68
Accounts receivable	3,511.53	-	103,227.36	350,994.50	211,844.08	669,577.47
Prepaid expenses & other current assets	21,605.70	-	2,354.06	91,111.12	51,908.52	166,979.40
Total Current Assets	873,406.51	270,249.70	(64,066.39)	1,621,849.36	3,763,337.37	6,464,776.55
Noncurrent Assets						
Restricted cash & cash equivalents	176,826.92	-	-	657,782.63	275,184.89	1,109,794.44
Other noncurrent assets	4,454.00	-	-	-	-	4,454.00
Capital assets (net)	-	-	-	6,918,644.83	11,809,470.30	18,728,115.13
Total Noncurrent Assets	181,280.92	-	-	7,576,427.46	12,084,655.19	19,842,363.57
TOTAL ASSETS	\$ 1,054,687.43	\$ 270,249.70	\$ (64,066.39)	\$ 9,198,276.82	\$ 15,847,992.56	\$ 26,307,140.12
LIABILITIES & FUND BALANCE/NET ASSETS						
Current Liabilities						
Accounts payable & other current liabilities	\$ 96,453.64	\$ 652.12	\$ 2,782.17	\$ 241,668.29	\$ 134,814.67	\$ 476,370.89
Accrued payroll & related liabilities	81,141.36	-	-	36,451.18	36,451.18	154,043.72
Total Current Liabilities	177,595.00	652.12	2,782.17	278,119.47	171,265.85	630,414.61
Noncurrent Liabilities						
Long-term debt	-	-	-	3,172,721.92	994,430.00	4,167,151.92
Other noncurrent liabilities	4,454.00	-	-	204,042.01	205,498.16	413,994.17
Total Noncurrent Liabilities	4,454.00	-	-	3,376,763.93	1,199,928.16	4,581,146.09
TOTAL LIABILITIES	182,049.00	652.12	2,782.17	3,654,883.40	1,371,194.01	5,211,560.70
Fund Balance/Net Assets						
Fund balance	80,742.84	269,597.58	(66,848.56)	-	-	283,491.86
Net assets	791,895.59	-	-	1,797,470.51	3,661,758.25	6,251,124.35
Investment in capital assets, net of related debt	-	-	-	3,745,922.91	10,815,040.30	14,560,963.21
Total Fund Balance/Net Assets	872,638.43	269,597.58	(66,848.56)	5,543,393.42	14,476,798.55	21,095,579.42
TOTAL LIABILITIES & FUND BALANCE/NET ASSETS	\$ 1,054,687.43	\$ 270,249.70	\$ (64,066.39)	\$ 9,198,276.82	\$ 15,847,992.56	\$ 26,307,140.12
Difference in Reclass from Cap Assets to Net Assets:						
Investment in General Capital Assets	\$ 3,130,229.10					
General Long-term Liabilities						
OPEB Liability	147,783.23					
Accrued Compensated Absences	29,647.36					
TOTAL GENERAL LONG-TERM LIABILITIES	\$ 177,430.59					

McKinleyville Community Services District
Activity Summary by Fund, Original Budget
July 2014

Department Summaries	July	YTD	Original YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
<u>Water</u>						
Water Sales	317,522	317,522	244,452	73,070	29.89%	Budget is spread evenly across 12 months, but actuals vary with water use
Other Revenues	40,214	40,214	20,679	19,535	94.47%	Includes Capacity Fees of \$26,104
Total Operating Revenues	357,736	357,736	265,131	92,605	34.93%	
Salaries & Benefits	68,821	68,821	66,843	1,978	2.96%	
Water Purchased	67,158	67,158	71,981	(4,823)	-6.70%	
Other Expenses	27,508	27,508	32,546	(5,038)	-15.48%	Budget is spread evenly across 12 months, but actuals vary with payments
Depreciation	25,250	25,250	27,500	(2,250)	-8.18%	
Total Operating Expenses	188,737	188,737	198,870	(10,133)	-5.10%	
Net Operating Income	169,000	169,000	66,261	82,472		
Interest Income	705	705	409	296	72.49%	Interest rate higher than originally estimated
Interest Expense	(6,506)	(6,506)	(7,083)	(577)	-8.15%	
Net Income (Loss)	163,199	163,199	59,587	103,612		
<u>Sewer</u>						
Sewer Service Charges	187,444	187,444	158,333	29,111	18.39%	Budget is spread evenly across 12 months, but actuals vary with water use
Other Revenues	29,642	29,642	24,581	5,061	20.59%	Includes Capacity Fees \$23,190
Total Operating Revenues	217,086	217,086	182,914	34,172	18.68%	
Salaries & Benefits	71,947	71,947	66,640	5,307	7.96%	
Other Expenses	36,652	36,652	45,796	(9,144)	-19.97%	Budget is spread evenly across 12 months, but actuals vary with payments
Depreciation	38,550	38,550	40,000	(1,450)	-3.63%	
Total Operating Expenses	147,149	147,149	152,436	(5,287)	-3.47%	
Net Operating Income	69,936	69,936	30,478	39,458		
Interest Income	1,595	1,595	1,667	(72)	-4.33%	
Interest Expense	(3,602)	(3,602)	(3,460)	142	4.10%	
Net Income (Loss)	67,929	67,929	28,685	39,244		
Enterprise Funds Net Income (Loss)	231,128	231,128	88,272	142,856		

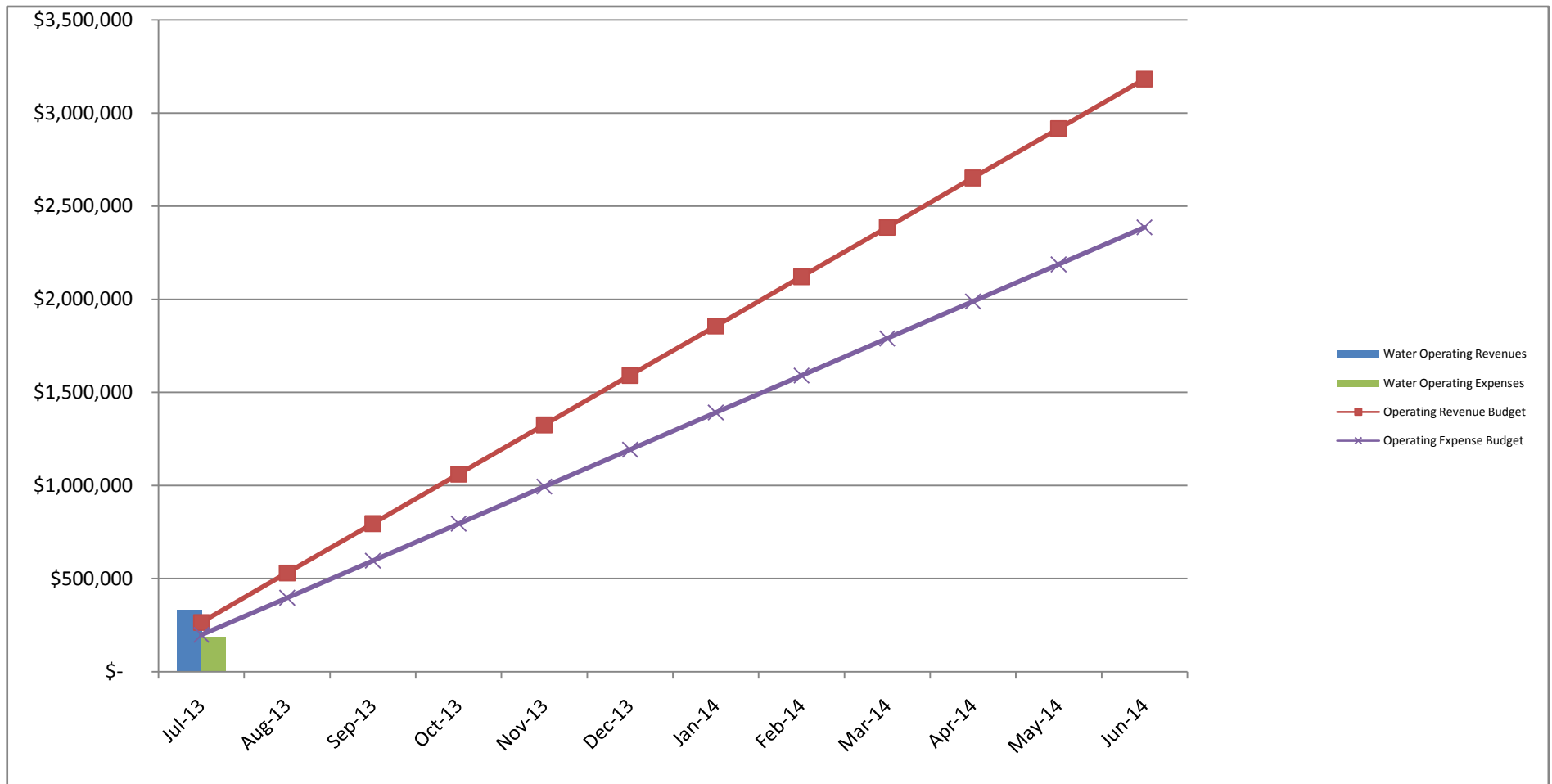
McKinleyville Community Services District
Activity Summary by Fund, Original Budget
July 2014

Department Summaries	July	YTD	Original YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
<u>Parks & Recreation</u>						
Program Fees	34,446	34,446	32,753	1,693	5.17%	
Rents & Related Fees	2,532	2,532	7,300	(4,769)	-65.32%	Budget is spread evenly across 12 months, but actuals vary with rentals
Property Taxes	-	-	42,500	(42,500)	-100.00%	County Tax remittance scheduled in December and April
Other Revenues	7,681	7,681	15,817	(8,136)	-51.44%	Budget is spread evenly across 12 months, but actuals vary
Interest Income	-	-	250	(250)	-100.00%	
Total Revenues	44,659	44,659	98,620	(53,961)	-54.72%	
Salaries & Benefits	72,752	72,752	70,988	1,764	2.48%	
Other Expenditures	21,915	21,915	17,990	3,925	21.82%	Budget is spread evenly across 12 months, but actuals vary with payments
Capital Expenditures	15,049	15,049	9,583	5,466	57.04%	New mower purchase - included in CIP budget
Total Expenditures	109,716	109,716	98,561	11,155	11.32%	
Excess (Deficit)	(65,056)	(65,056)	59	(65,115)		
<u>Measure B Assessment</u>						
Total Revenues	26	26	17,835	(17,809)	-99.85%	County Tax remittance scheduled in December and April
Salaries & Benefits	6,992	6,992	8,422	(1,430)	-16.98%	Facilities maintenance actuals will vary with maintenance schedule
Other Expenditures	652	652	500	152	30.42%	Facilities maintenance actuals will vary with maintenance schedule
Capital Expenditures	10,000	10,000	8,750	1,250	14.29%	Teen Center - actuals will vary with project progress
Total Expenditures	17,644	17,644	17,672	(28)	-0.16%	
Excess (Deficit)	(17,618)	(17,618)	163	(17,781)		
<u>Street Lights</u>						
Total Revenues	7,810	7,810	7,480	330	4.41%	
Salaries & Benefits	2,990	2,990	3,464	(474)	-13.69%	
Other Expenditures	2,963	2,963	4,006	(1,043)	-26.03%	Lower utility charges for LED fixtures
Capital Expenditures	-	-	-	-	#DIV/0!	
Total Expenditures	5,953	5,953	7,470	(1,517)	-20.31%	
Excess (Deficit)	1,857	1,857	10	(1,847)		
Governmental Funds Excess (Deficit)	(80,817)	(80,817)	232	(81,049)		

McKinleyville Community Services District

July 2014

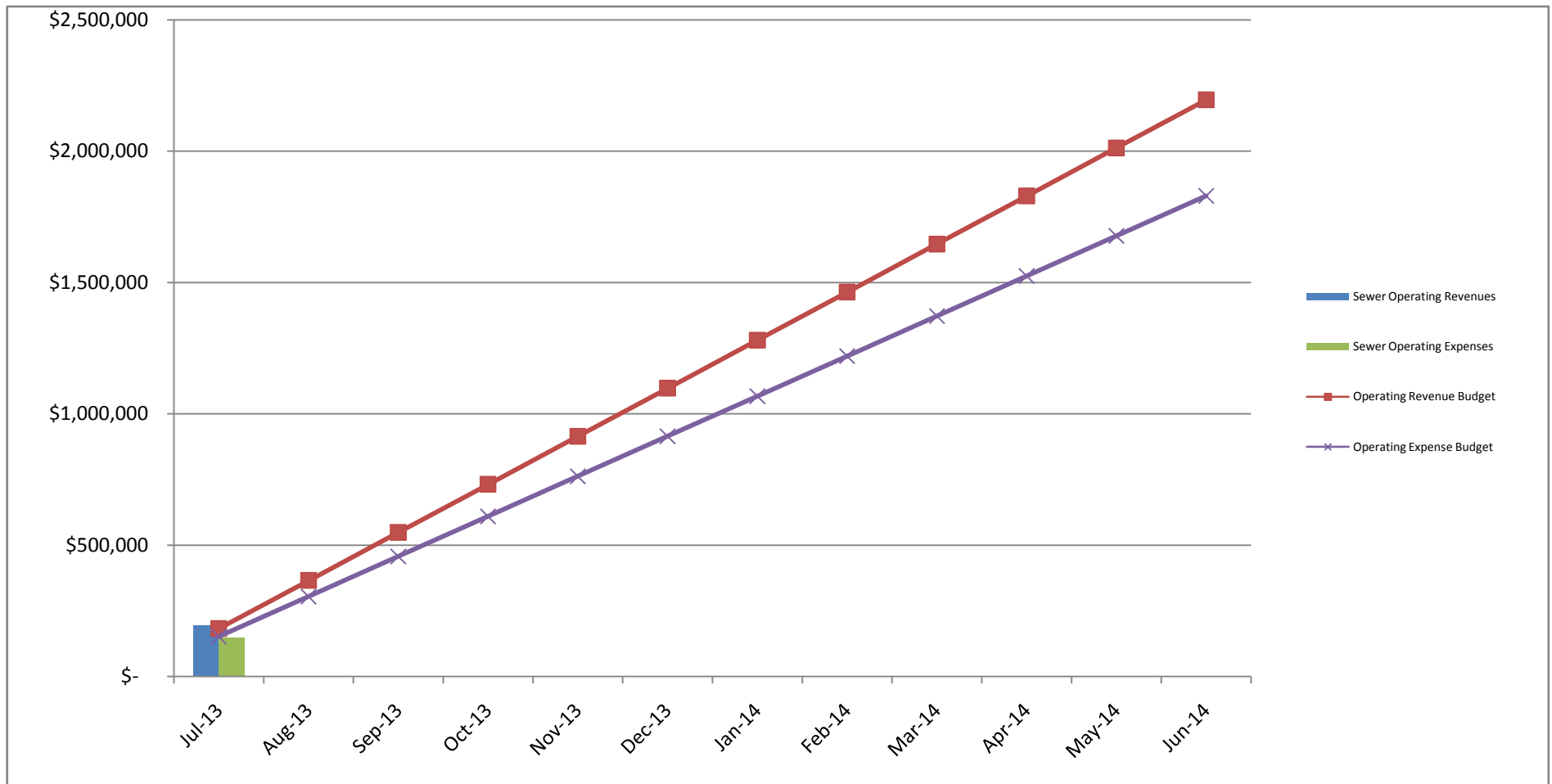
Comparison of Water Fund Operating Revenues & Expenses to Budget



McKinleyville Community Services District

July 2014

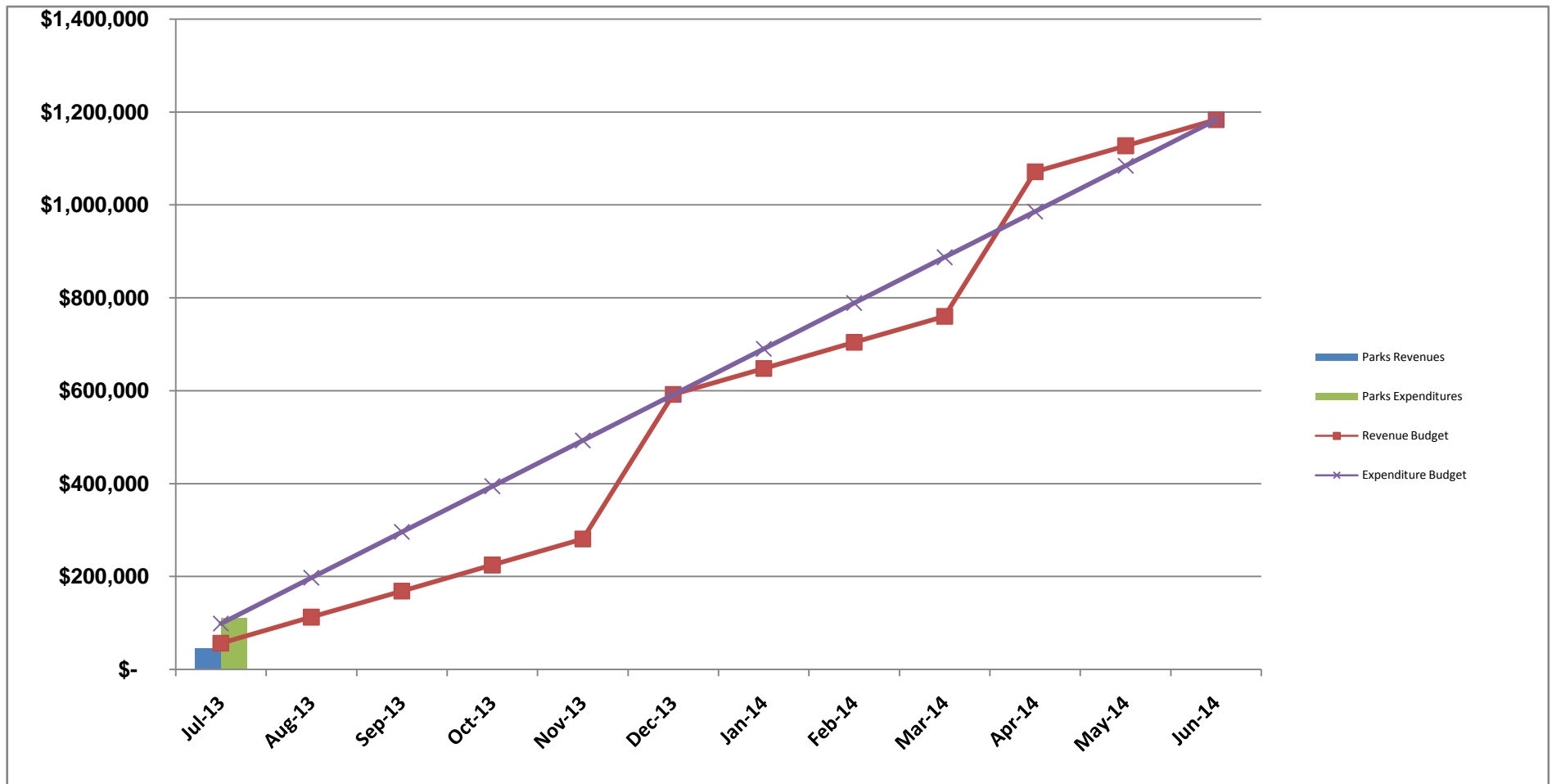
Comparison of Sewer Fund Operating Revenues & Expenses to Budget



McKinleyville Community Services District

July 2014

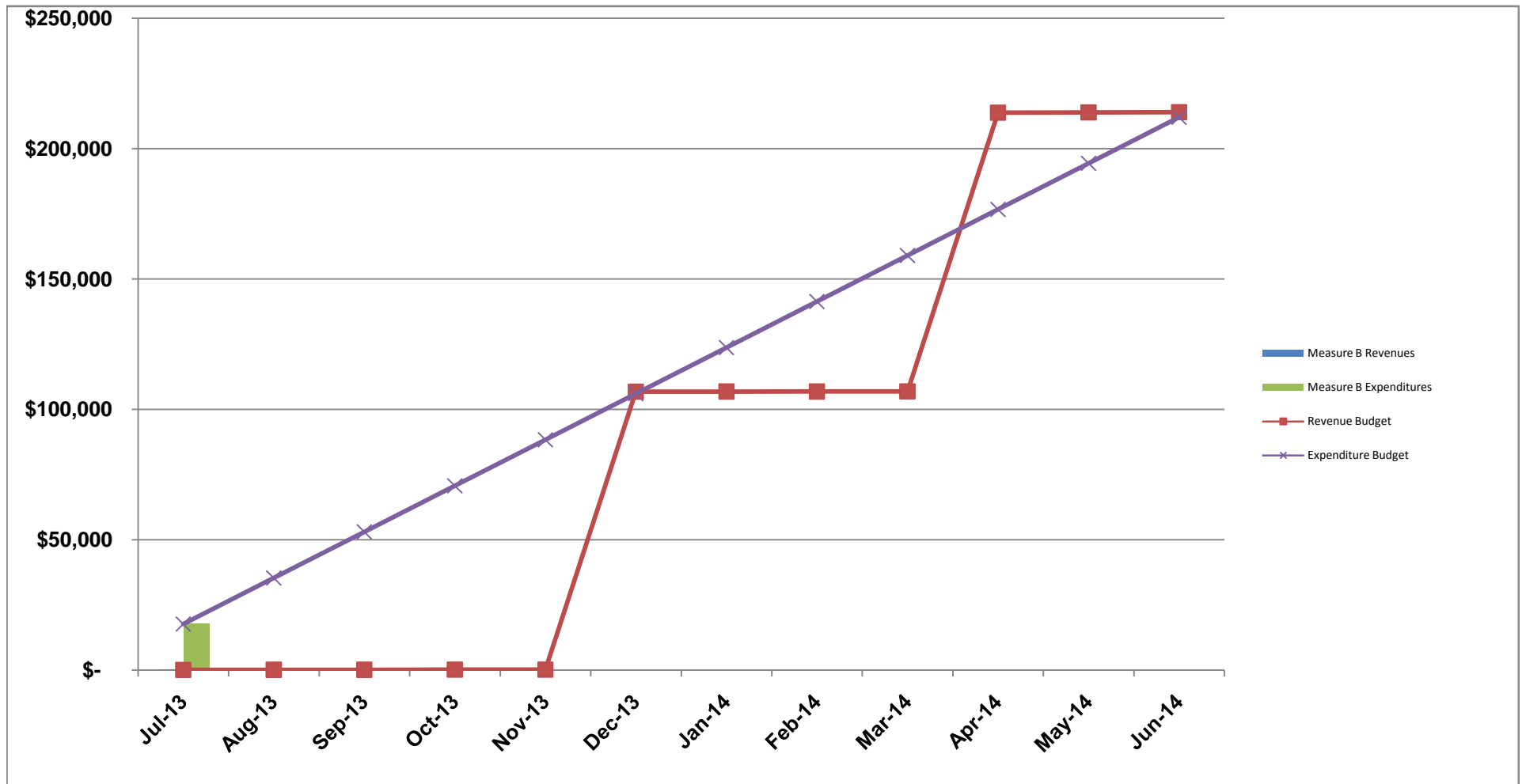
Comparison of Parks & Recreation Total Revenues & Expenditures to Budget



McKinleyville Community Services District

July 2014

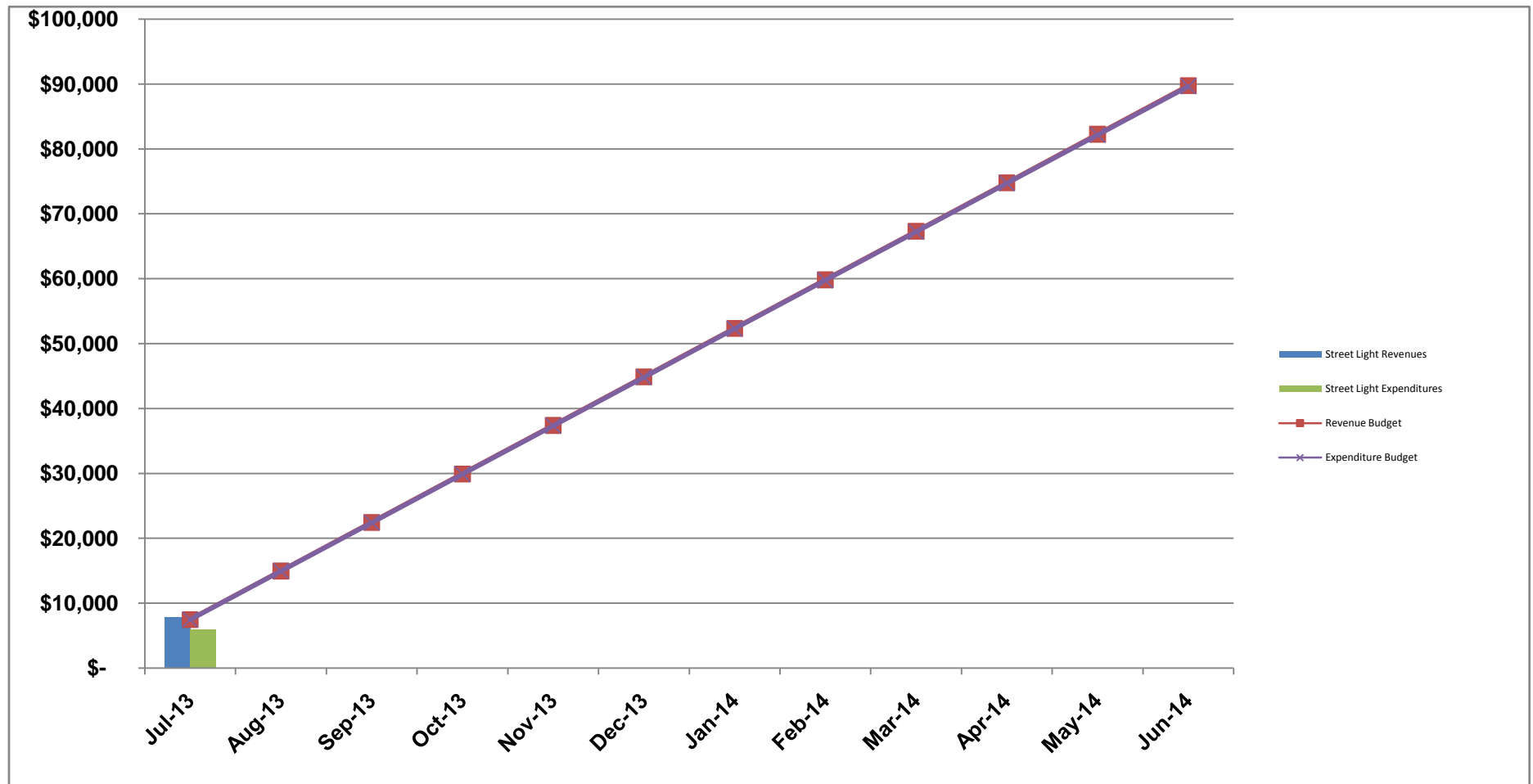
Comparison of Measure B Fund Total Revenues & Expenditures to Budget



McKinleyville Community Services District

July 2014

Comparison of Street Light Fund Total Revenues & Expenditures to Budget



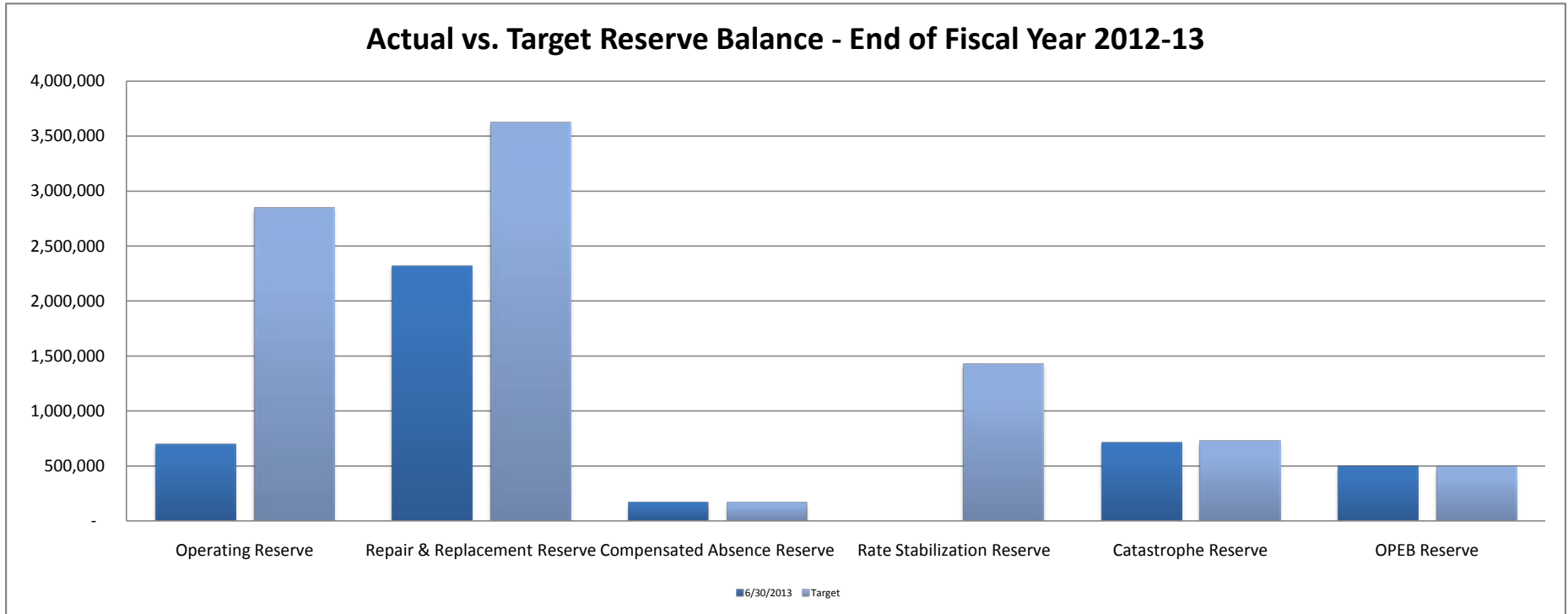
McKinleyville Community Services District
Capital Expenditure Report
As of July 31, 2014

	July	YTD Total	FY 14-15 Budget	Remaining		
				Budget \$	Budget %	Notes
Water Department						
Ramey Pump Upgrades		-	-	-	#DIV/0!	
Emergency Water Line River Crossing	293	293	150,000	149,707	100%	Emergency Line Intertie Proj
Water Tank Upgrade	-	-	350,000	350,000	100%	Tank Painting
Emergency Water Supply	1,240	1,240	100,000	98,760	99%	Emergency Water Supply
Fire Hydrant System Upgrade		-	9,000	9,000	100%	Fire Hydrant System Upgrade
Customer Radio Meter Replacements	240	240	90,000	89,760	100%	Radio meters purch/install
Water Main Rehab & Replacement			20,000	20,000	100%	Water Main Rehab
Property Purchase & Improvements		-	185,000	185,000	100%	Property Purch/Improvements
Subtotal	1,773	1,773	904,000	902,227	100%	
Sewer Department						
Sewer Main Rehab & Replacement	-	-	50,000	50,000	100%	Sewer Main Rehab
WWMF Biosolids Project	353	353	900,000	899,647	100%	Biosolids Project
WWMF & Fischer Lift Stn Grinder Upgrade		-	20,000	20,000	100%	WWMF/Fischer Lift Stn Grinder
WWMF Upgrade/CEQA/Permitting	57,251	57,251	5,000,000	4,942,749	99%	WWMF design & start construction
Radio Telemetry Upgrade		-	45,000	45,000	100%	Radio Telemetry upgrade
Customer Radio Meter Replacements		-	90,000	90,000	100%	Radio meters purch/install
Underground Locator Pipe & Camera		-	5,000	5,000	100%	
Subtotal	57,604	57,604	6,110,000	6,052,396	99%	
Water & Sewer Operations						
Heavy Equipment		-	100,000	100,000	100%	Dump Truck, Tractor attachmts
Utility Vehicles		-	60,000	60,000	100%	Car, 3/4 or 1-ton Pickup Truck
Office, Corporate Yard & Shops	-	-	20,000	20,000	100%	Facilities upgrade/sealcoat
Computers & Software	-	-	14,000	14,000	100%	File Server Upgrade
GIS/SEMS/CADD Equipment/Software		-	10,000	10,000	100%	SCADA, AutoCAD, GIS computer
Fischer Ranch -Disposal Site Upgrade		-	1,000,000	1,000,000	100%	Disposal Site Upgrade
Small Equipment & Other		-	20,000	20,000	100%	Ops Office Eq./Emergency Equip
Subtotal	-	-	1,224,000	1,224,000	100%	
Enterprise Funds Total	59,378	59,378	8,238,000	8,178,622	99%	
Parks & Recreation Department						
Pierson Park Upgrades	-	-	-	-	#DIV/0!	
Azalea Hall Projects		-	-	-	#DIV/0!	
McKinleyville Activity Center Upgrades		-	-	-	#DIV/0!	
Projects Funded by Quimby/Other Funds		-	75,000	75,000	100%	Covered Picnic Area
Projects Funded by Measure B Renewal	10,000	10,000	105,000	95,000	90%	Teen Center Project
Other Parks Projects & Equipment	23,549	23,549	40,000	16,451	41%	New Pk Improvmt, mower,truck
Subtotal	33,549	33,549	220,000	186,451	85%	
Streetlights						
LED		-	-	-	#DIV/0!	
Subtotal		-	-	-	#DIV/0!	
Governmental Funds Total	33,549	33,549	220,000	186,451	85%	
All Funds Total	126,475	92,927	8,458,000	8,365,074	99%	

McKinleyville Community Services District
Summary of Long-Term Debt Report
As of July 31, 2014

				Principal Maturities and Scheduled Interest				
		Maturity		Balance - June	Balance - July			
		%	Date	30, 2014	31, 2014	FY-15	FY-16	Thereafter
Water Fund:								
I-Bank		8/1/30	P	881,333.57	842,084.87	-	40,571.37	801,513.53
Interest	3.37%		I			14,189.13	27,694.63	219,225.52
State of CA Energy Commission (ARRA)		12/22/26	P	145,951.27	145,951.27	10,964.84	11,125.84	123,806.70
Interest	1.0%		I			1,425.12	1,325.20	6,926.83
State of CA (Davis Grunsky)		1/1/33	P	1,861,023.85	1,861,023.85	77,717.50	79,660.44	1,703,645.91
State of CA (Davis Grunsky) Deferred Interest		1/1/33	P	323,661.93	323,661.93	17,035.12	17,035.12	289,591.69
Interest	2.5%		I			46,525.60	44,582.66	408,486.72
Total Water Fund-Principal				3,211,970.62	3,172,721.92	105,717.46	148,392.77	2,918,557.83
Total Water Fund-Interest						62,139.85	73,602.49	634,639.07
Total Water Fund				3,211,970.62	3,172,721.92	167,857.31	221,995.26	3,553,196.90
Sewer Fund:								
State of CA WRCB (SCEP I)		4/15/16	P	81,840.20	81,840.20	40,920.10	40,920.10	-
Interest	0.0%		I			-	-	
State of CA WRCB (SCEP II)		3/27/18	P	104,695.85	104,695.85	25,184.26	25,838.70	53,686.60
Interest	2.6%		I			2,722.08	2,067.64	2,102.41
Umpqua Bank		12/4/17	P	176,728.31	172,893.95	43,352.36	49,848.42	79,721.79
Interest	5.5%		I			7,736.92	5,885.34	3,506.57
USDA (Sewer Bond)		8/1/22	P	635,000.00	635,000.00	60,000.00	60,000.00	515,000.00
Interest	5.0%		I			30,250.00	27,250.00	90,875.00
Total Sewer Fund-Principal				998,264.36	994,430.00	169,456.72	176,607.22	648,408.39
Total Sewer Fund-Interest						40,709.00	35,202.98	96,483.98
Total Sewer Fund				998,264.36	994,430.00	210,165.72	211,810.20	744,892.37
Total Principal				4,210,234.98	4,167,151.92	275,174.18	324,999.99	3,566,966.22
Total Interest						102,848.85	108,805.47	731,123.05
Total				4,210,234.98	4,167,151.92	378,023.03	433,805.46	4,298,089.27

McKinleyville Community Services District
Board Designated Reserve Balances
As of July 31, 2014



- Utility Accounts Receivable Turnover Days As of July 31, 2014 18.1 Days
- YTD Breakeven Revenue, Water Fund: 154,191.07 - YTD Actual Water Sales: 317,522.42
- Days of Cash on Hand - Operations Checking Account 25.9 Days

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
Accounts Payable Disbursements						
28309	7/1/2014	*0039	AZALEA HALL DEPOSIT REFUND SM	100.00	B40630	AZALEA HALL DEPOSIT REFUND SM
28310	7/1/2014	*0040	AZALEA HALL DEPOSIT REFUND DD	100.00	B40630	AZALEA HALL DEPOSIT REFUND DD
28311	7/1/2014	DEL05	DELL MARKETING L.P.	8,571.17	XJF6988P5	COMPUTERS, SOFTWARE & EQUIP
28312	7/1/2014	HUM07	HUMBOLDT BAY MARITIME MUSEUM	215.00	B40623	KIDS CAMP FIELD TRIP
28313	7/1/2014	JON04	ERIK M. JONES	177.94	B40701	SAFETY BOOTS REIMB
28314	7/1/2014	MCS01	MCSD C/O HUMBOLDT COUNTY	23,568.57	B40630	REVENUE RECOVERY
28315	7/1/2014	MEY01	SETH MEYNELL	239.75	B40630	SAFETY BOOTS REIMB
28316	7/1/2014	NOR35	NORTHERN HUMBOLDT	575.84	B40623	OPEN SPACE MAINTENANCE
28317	7/1/2014	NYL01	NYLEX.NET	144.00	75721	PROFESSIONAL SERVICES
28318	7/1/2014	ORS01	GREG ORSINI	173.00	B40630	GM LEADERHSIP SUMMIT
28319	7/1/2014	PIT01	PITNEY BOWES	374.07	JN14	POSTAGE METER RENTAL
28320	7/1/2014	PRO01	PROFESSIONAL CREDIT SERVICES	10.50	B40623	REC. BAD DEBTS
28321	7/1/2014	\B018	MQ CUSTOMER REFUND FOR BU	31.12	000B40701	MQ CUSTOMER REFUND FOR BU
28322	7/1/2014	\C007	MQ CUSTOMER REFUND FOR CA	55.58	000B40701	MQ CUSTOMER REFUND FOR CA
28323	7/1/2014	\C022	MQ CUSTOMER REFUND FOR CO	20.61	000B40701	MQ CUSTOMER REFUND FOR CO
28324	7/1/2014	\E004	MQ CUSTOMER REFUND FOR EL	29.59	000B40701	MQ CUSTOMER REFUND FOR EL

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28325	7/1/2014	\F001	MQ CUSTOMER REFUND FOR FI	20.81	000B40701	MQ CUSTOMER REFUND FOR FI
28326	7/1/2014	\F010	MQ CUSTOMER REFUND FOR FI	41.65	000B40701	MQ CUSTOMER REFUND FOR FI
28327	7/1/2014	\G006	MQ CUSTOMER REFUND FOR GO	69.08	000B40701	MQ CUSTOMER REFUND FOR GO
28328	7/1/2014	\L019	MQ CUSTOMER REFUND FOR LA	35.91	000B40701	MQ CUSTOMER REFUND FOR LA
28329	7/1/2014	\L028	MQ CUSTOMER REFUND FOR LO	31.15	000B40701	MQ CUSTOMER REFUND FOR LO
28330	7/1/2014	\M002	MQ CUSTOMER REFUND FOR MA	76.60	000B40701	MQ CUSTOMER REFUND FOR MA
28331	7/1/2014	\N010	MQ CUSTOMER REFUND FOR NA	59.84	000B40701	MQ CUSTOMER REFUND FOR NA
28332	7/1/2014	\N011	MQ CUSTOMER REFUND FOR NO	64.02	000B40701	MQ CUSTOMER REFUND FOR NO
28333	7/1/2014	\P026	MQ CUSTOMER REFUND FOR PL	66.73	000B40701	MQ CUSTOMER REFUND FOR PL
28334	7/1/2014	\R015	MQ CUSTOMER REFUND FOR RI	67.13	000B40701	MQ CUSTOMER REFUND FOR RI
28335	7/1/2014	\R016	MQ CUSTOMER REFUND FOR RO	47.72	000B40701	MQ CUSTOMER REFUND FOR RO
28336	7/1/2014	\S037	MQ CUSTOMER REFUND FOR SA	31.94	000B40701	MQ CUSTOMER REFUND FOR SA
28337	7/1/2014	\V001	MQ CUSTOMER REFUND FOR VI	82.26	000B40701	MQ CUSTOMER REFUND FOR VI
28338	7/1/2014	\W020	MQ CUSTOMER REFUND FOR WA	6.48	000B40701	MQ CUSTOMER REFUND FOR WA
28339	7/1/2014	\W022	MQ CUSTOMER REFUND FOR WO	38.18	000B40701	MQ CUSTOMER REFUND FOR WO
28340	7/1/2014	HAR03	HARPER MOTORS	31,382.63		UTILITY TRUCK, UNIT 8
28341	7/9/2014	*0038	AZALEA HALL DEPOSIT REFUND RS	100.00	B40707	AZALEA HALL DEPOSIT REFUND RS
28342	7/9/2014	*0039	REC PROGRAM CANCELLED DW	70.00	B40707	REC PROGRAM CANCELLED DW

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28343	7/9/2014	*0041	REC PROGRAM CANCELLED CS	70.00	B40707	REC PROGRAM CANCELLED CS
28344	7/9/2014	*0042	REC PROGRAM CANCELLED TM	70.00	B40707	REC PROGRAM CANCELLED TM
28345	7/9/2014	*0043	REC PROGRAM CANCELLED JH	70.00	B40707	REC PROGRAM CANCELLED JH
28346	7/9/2014	*0044	REC PROGRAM CANCELLED MS	70.00	B40707	REC PROGRAM CANCELLED MS
28347	7/9/2014	*0045	REC PROGRAM CANCELLED BW	70.00	B40707	REC PROGRAM CANCELLED BW
28348	7/9/2014	*0046	REC PROGRAM CANCELLED EV	75.00	2	REC PROGRAM CANCELLED EV
				75.00	B40707	REC PROGRAM CANCELLED EV
			Check Total:	<u>150.00</u>		
28349	7/9/2014	*0047	REC PROGRAM CANCELLED DM	70.00	B40707	REC PROGRAM CANCELLED DM
28350	7/9/2014	*0048	REC PROGRAM CANCELLED JM	75.00	B40707	REC PROGRAM CANCELLED JM
28351	7/9/2014	*0049	REC PROGRAM CANCELLED SL	70.00	B40707	REC PROGRAM CANCELLED SL
28352	7/9/2014	*0050	REC PROGRAM CANCELLED TL	70.00	B40707	REC PROGRAM CANCELLED TL
28353	7/9/2014	ACW01	CB&T/ACWA-JPIA	11,526.67	B40707	GRP. HEALTH INS
28354	7/9/2014	COA01	COASTAL BUSINESS SYSTEMS	328.46	15467470	SHARP COPIER LEASE AGREEMENT
28355	7/9/2014	COR01	CORBIN WILLITS SYSTEMS, INC.	858.42	B40630	MOMS SOFTWARE MAINTENANCE
28356	7/9/2014	COR07	JOHN W. CORBETT	125.00	B40703	DIRECTORS FEES
28357	7/9/2014	COU02	HUMBOLDT COUNTY ASSESSOR	6.50	B40702	MEASURE B MAPS
28358	7/9/2014	COU09	DAVID R. COUCH	125.00	B40703	DIRECTORS FEES

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28359	7/9/2014	DEP01	DEPARTMENT OF PARKS AND REC	100.00	B40702	REC PROGRAM FIELD TRIP
28360	7/9/2014	EDW01	HELEN L. EDWARDS	125.00	B40703	DIRECTORS FEES
28361	7/9/2014	FAS01	FASTENAL COMPANY	1,078.03	CAEUR6444	PIERSON PARK UPGRADE
28362	7/9/2014	HAR13	The Hartford - Priority A	1,329.81	B40702	GRP LIFE INSURANCE
28363	7/9/2014	HUB02	HUB INTERNATIONAL INSURANCE	115.66	B40702	SPECIAL EVENT INSURANCE
28364	7/9/2014	HUM01	HUMBOLDT BAY MUNICIPAL WATER DISTRICT	65,343.89	B40702	WATER PURCHASED IN JUNE 2014
28365	7/9/2014	HUM08	HUMBOLDT SANITATION	1,057.70	B40702	TRASH SERVICE
28366	7/9/2014	MAY02	DENNIS MAYO	125.00	B40703	DIRECTORS FEES
28367	7/9/2014	MCK04	MCK ACE HARDWARE	688.06	B40702	REPAIRS/SUPPLY
28368	7/9/2014	MES01	KIRSTEN MESSMER	35.56	B40703	REC PROGRAM SUPPLIES
28369	7/9/2014	MIL01	Miller Farms Nursery	632.33	B40702	REPAIRS/SUPPLY
28370	7/9/2014	NEC01	NEC FINANCIAL SERVICES,LLC	373.92	1721318	PHONE SYSTEMS
28371	7/9/2014	REN01	RENNER PETROLEUM	3,160.50	B40707	FUEL FOR JUNE 2014
28372	7/9/2014	SDR01	SDRMA	64,201.77	46758	PROPERTY/ LIABILITY INSURANCE
				6,894.00	47258	WORKERS COMPENSATION INS
			Check Total:	<u>71,095.77</u>		
28373	7/9/2014	USB01	U.S. BANK TRUST N.A.	7,645.83	B40709	SEWER BOND PAYMENT
28374	7/9/2014	WHE02	GEORGE A. WHEELER JR.	125.00	B40703	DIRECTORS FEES
28375	7/14/2014	A&L02	A & L FEED	137.57	B40707	REPAIRS/ SUPPLIES

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28376	7/14/2014	ADV01	ADVANCED SECURITY SYSTEM	450.00	267887	SECURITY SYSTEMS
28377	7/14/2014	BAY02	BAY WEST SUPPLY, INC.	877.19	B40701	JANITORIAL SUPPLIES FOR JUNE 2014
28378	7/14/2014	CAS01	CASH	94.35	B40710	REPLENISH PETTY CASH
28379	7/14/2014	CDW01	CDW GOVERNMENT, INC.	202.10	MP67784	OFFICE SUPPLIES
28380	7/14/2014	COS03	COSTCO WHOLESALE	711.28	B40702	SUPPLIES PURCHASED IN JUNE
28381	7/14/2014	KEN02	KENNEDY/JENKS CONSULTANTS	44,456.58	83580	WWMF UPGRADE
28382	7/14/2014	LDA01	LDA PARTNERS	16,315.30	19/635-1-	TEEN-COMMUNITY CENTER
28383	7/14/2014	LES01	LES SCHWAB TIRE CENTER	467.97	B40707	VEHICLE REPAIRS
28384	7/14/2014	MIL03	THE MILL YARD	2,032.80	B40701	P.PARK PICNIC AWNING
28385	7/14/2014	MIT01	Mitchell, Brisso, Delaney	2,328.92	34751	LEGAL SERVICES
28386	7/14/2014	NOR01	NORTH COAST LABORATORIES	4,099.00	B40707	LAB TESTS
28387	7/14/2014	NOR03	NO. COAST VETERINARY HOSPITAL	113.66	7601	GOAT CARE/ TREATMENT
28388	7/14/2014	PGE01	PG & E (Office & Field)	17,061.64	B40710	GAS & ELECTRIC-JUNE 2014
28389	7/14/2014	POI01	POINTS WEST SURVEYING CO.	1,677.50	10600	PROFESSIONAL SERVICES
28390	7/14/2014	PRE08	PRECISION INTERMEDIA	360.00	14-1763	WEB HOSTING FEE-12MONTH
28391	7/14/2014	S&S02	S & S WORLDWIDE, INC.	21.90	8139978	REC PROGRAM SUPPLIES
28392	7/14/2014	SAF04	SAFEWAY INC. FILE # 72905	20.61	B40710	REC PROGRAM SUPPLIES

**McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014**

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28393	7/14/2014	SEE01	ROBERT SEELHOFF	262.50	B40709	CONSTRUCTION EQUIP. REPAIR
28394	7/14/2014	STO06	P. KYLE STONE	61.00	B40709	TRAVEL/MEALS
28395	7/14/2014	SUD01	SUDDENLINK	159.90	B40709	INTERNET SERVICES
28396	7/14/2014	THO02	Thomas Home Center	177.37	B40710	REPAIRS/SUPPLY
28397	7/14/2014	THR02	THREE G'S HAY & GRAIN	14.20	B40710	REPAIRS/ SUPPLIES
28398	7/14/2014	UMP03	UMPQUA BANK--VISA	51.07	JUN-1	OFFICE SUPPLIES
				791.87	JUNE-2	EMPLOYEE FUND/ TRAVEL
				224.82	JUNE-3	TRAINING OFFICE SUPPLIES
				462.16	JUNE-4	REC PROGRAM SUPPLIES
				144.98	JUNE-5	ADS/ REPAIRS/ SUPPLIES
				91.67	JUNE-6	REPAIRS/ TRAVEL/ MEALS
			Check Total:	<u>1,766.57</u>		
28399	7/14/2014	VER01	VERIZON WIRELESS	96.41	B40710	CELL PHONES FOR JUNE 2014
28400	7/14/2014	WES01	WESTERN WOOD TANK CO. INC	725.00	1156	REPAIRS/ SUPPLIES
28401	7/14/2014	WES13	WESTERN WEB	1,131.04	14201	NEWSLETTER PRINTING
28402	7/21/2014	*0001	AZALEA HALL DEPOSIT REFUND PT	100.00	B40721	AZALEA HALL DEPOSIT REFUND PT
28403	7/21/2014	*0002	AZALEA HALL DEPOSIT REFUND DL	100.00	B40721	AZALEA HALL DEPOSIT REFUND DL
28404	7/21/2014	10102	101 NETLINK	80.00	20140701	INTERNET SERVICES
28405	7/21/2014	AIR01	AIRGAS USA, LLC.	370.40	902756240	SAFETY SUPPLIES
28406	7/21/2014	ATT01	AT&T	390.37	B40721	PHONE SYSTEMS FOR JULY 2014
28407	7/21/2014	CIT01	CITY OF EUREKA	145.00	B40707	REC PROGRAM FIELD TRIP

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28408	7/21/2014	COA01	COASTAL BUSINESS SYSTEMS	877.10	15552073	SHARP COPIER PAYMENT
28409	7/21/2014	CRO03	CROWN TROPHY PETALUMA	451.40	20022	OFFICE SUPPLIES
28410	7/21/2014	CWE01	CWEA	148.00	B40709	CERT RENEWAL
28411	7/21/2014	CWE03	CWEA NORTH COAST SECTION	80.00	B40721	TRAINING
28412	7/21/2014	EUR05	Eureka Oxygen Co	265.42	B40702	REPAIR/ SUPPLIES/ SAFETY
				29.03	B40707	SAFETY SUPPLIES
			Check Total:	<u>294.45</u>		
28413	7/21/2014	GHD01	GHD	16,712.75	83512	WWMF UPGRADE
				217.25	83781	WWMF UPGRADE
			Check Total:	<u>16,930.00</u>		
28414	7/21/2014	HUM06	HUMBOLDT BOTANICAL GARDEN	250.00	43	REC PROGRAM FIELD TRIP
28415	7/21/2014	IBA01	I-BANK WELLS FARGO BANK,	56,743.17	B40709	LOAN PAYMENT
28416	7/21/2014	IND02	Industrial Electric Serv	263.43	IN12576	WWMF UPGRADE-SO2/CHLORINE
28417	7/21/2014	MEN01	MENDES SUPPLY CO.	190.06	M061222	REPAIRS/SUPPLY
28418	7/21/2014	NOR13	NORTHERN CALIFORNIA SAFETY CONSORTIUM	80.00	20543	SAFETY TRAINING
28419	7/21/2014	NOR35	NORTHERN HUMBOLDT	585.82	B40710	OPEN SPACE MAINTENANCE
28420	7/21/2014	NOR36	NORTH COAST PARTS & SUPPLIES	35.16	B40703	VEHICLE REPAIRS/ REPAIRS
28421	7/21/2014	RCS01	RC SYSTEMS, INC.	6,250.00	16106	REC PRO ANNUAL SUBSCRIPTION
28422	7/21/2014	REM01	REMY, MOOSE AND MANLEY,LLC	1,707.36	98642	LEGAL SERVICES

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
28423	7/21/2014	RES05	RESERVE ACCOUNT	1,500.00	B40709	POSTAGE METER
28424	7/21/2014	SIE02	SIERRA CHEMICAL CO.	646.64	B40710	CHLORINE/ CONTAINER DEPOSIT
28425	7/21/2014	STA11	STAPLES CREDIT PLAN	1,031.53	B40721	OFFICE SUPPLIES
28426	7/21/2014	TEA01	TEAM INDUSTRIAL SERVICE,	3,583.56	1341612	PROFESSIONAL SERVICES
28427	7/21/2014	UPS01	UPS	32.98	B40721	LAB SHIPMENT
28428	7/21/2014	USP02	USPS: ARCATA BMEU	220.00	2	PERMIT 202 RENEWAL
				1,500.00	B40710	REFILL PERMIT 202
			Check Total:	<u>1,720.00</u>		
28429	7/21/2014	\B019	MQ CUSTOMER REFUND FOR BU	1,093.39	000B40701	MQ CUSTOMER REFUND FOR BU
28430	7/31/2014	BLA01	JOSEPH M. BLAINE	122.00	B40731P	TRAVEL ADVANCE
				425,090.16		
			Total Disbursements, Accounts Payable:	<u>425,090.16</u>		

Payroll Related Disbursements

12011-12041	7/7/2014	Various Employees	18,560.56		Payroll Checks
12042	7/7/2014	CALPERS 457 Plan	3,761.86	B40707	RETIREMENT
12043	7/7/2014	DIRECT DEPOSIT VENDOR- US	25,310.69	B40707	Direct Deposit
12044	7/7/2014	Employment Development	1,518.01	B40707	STATE INCOME TAX
			587.20	1B40707	SDI
		Check Total:	<u>2,105.21</u>		
12045	7/7/2014	Employment Dev Department	1,811.36	B40630	SUI

McKinleyville Community Services District
Cash Disbursement Report
For the Period July 1 through July 31, 2014

Check Number	Check Date	Vendor Number	Name	Amount	Invoice #	Description
12046	7/7/2014	HUM29	UMPQUA BANK--PAYROLL DEP.	5,263.77	B40707	FEDERAL INCOME TAX
				7,274.50	1B40707	FICA
				1,701.28	2B40707	MEDICARE
			Check Total:	<u>14,239.55</u>		
12047	7/7/2014	ACW01	CB&T/ACWA-JPIA	46,211.99	B40630	MED & DENTAL INSUR
12048	7/7/2014	AFL01	AFLAC	43.30	B40630	AFLAC (PRE-TAX)
12049	7/7/2014	PUB01	Public Employees PERS	16,485.65	B40630	PERS PAYROLL REMITTANCE
				56.08	1B40630	PERS CONTRIBUTION
			Check Total:	<u>16,541.73</u>		
12050-12078	7/24/2014		Various Employees	18,388.22		Payroll Checks
12079	7/24/2014	CAL12	CalPERS 457 Plan	4,483.78	B40724	RETIREMENT
12080	7/24/2014	DIR01	DIRECT DEPOSIT VENDOR- US	26,745.91	B40724	Direct Deposit
12081	7/24/2014	EMP01	Employment Development	1,617.10	B40724	STATE INCOME TAX
				604.49	1B40724	SDI
			Check Total:	<u>2,221.59</u>		
12082	7/24/2014	HUM29	UMPQUA BANK--PAYROLL DEP.	5,412.84	B40724	FEDERAL INCOME TAX
				7,488.60	1B40724	FICA
				1,751.38	2B40724	MEDICARE
			Check Total:	<u>14,652.82</u>		
				195,078.57		
			Total Disbursements, Payroll:	<u>195,078.57</u>		
Total Check Disbursements:				620,168.73		

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: D.4 **Consider Approving Regular Board Meeting Dates, Time and Location for the 2015 Calendar Year**

PRESENTED BY: **Becky Schuette, Board Secretary**

TYPE OF ACTION: **Voice Vote – Consent Calendar**

Recommendation:

At the July 2, 2014 Board Meeting, the Board Secretary provided the Directors with a 2015 Board Meeting Dates, Time and Location Calendar. Staff recommends the Board review and approve the 2015 Regular Board Meeting Calendar.

Discussion:

The MCSD Rules and Regulations addresses this topic under Regulation 61 – Board Meetings, Rule 61.01 Regular Meetings – The regular meetings of the Board of Directors of the McKinleyville Community Service District shall hereafter be held on the first Wednesday of each and every calendar month at the hour of 7:00 o'clock P.M. All meetings of the Board of Directors shall be held at Azalea Hall located at 1620 Pickett Road, unless they shall adjourn to or fix another place of meeting in a notice to be given thereof, or unless prevented and established at 1656 Sutter Road, McKinleyville, California.

It is in accordance with this regulation that the 2015 calendar is presented to the Directors as a consent calendar item as annually routine and non-controversial.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action
- Change the meeting dates

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – 2015 Proposed MCSD Regular Board Meeting Schedule

2015 PROPOSED MCSD Board Meetings

First Wednesday's of the month for year 2015 – In the event the first Wednesday fell on a Holiday the meeting was moved to the second Wednesday of the month.

DATE	LOCATION
January 7, 2015	Azalea Hall
February 4, 2015	Azalea Hall
March 4, 2015	Azalea Hall
April 1, 2015	Azalea Hall
May 6, 2015	Azalea Hall
June 3, 2015	Azalea Hall
July 1, 2015	Azalea Hall
August 5, 2015	Azalea Hall
September 2, 2015	Azalea Hall
October 7, 2015	Azalea Hall
November 4, 2015	Azalea Hall
December 2, 2015	Azalea Hall

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.1 **Approve Resolution 2014-25 to adopt the Proposed Mitigated Negative Declaration and associated CEQA Findings; Mitigation, Monitoring and Reporting Program for the MCSD WWMF Improvements Project, approve the project and direct staff to file the Notice of Determination**

PRESENTED BY: **Greg Orsini and James Alcorn, GHD Inc.**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends that the Board review the information provided, air questions, take public comment, discuss and reach consensus to adopt Resolution 2014-25, to adopt the Proposed Mitigated Negative Declaration and associated CEQA Findings; Mitigation, Monitoring and Reporting Program for the McKinleyville Community Services District (MCSD) Wastewater Management Facility (WWMF) Improvements Project, approve the project and authorize the General Manager to file the Notice of Determination within five days.

Discussion:

Environmental documentation is an integral component of the WWMF Improvement Project. MCSD enlisted the help of GHD to support us for this phase of the project.

1. Kennedy/Jenks Consultants prepared the Preliminary Design Report to set forth the basis of design of improvements for the MCSD WWMF Improvements Project, which would address the needs for the facility through the year 2030. The District's Wastewater Facilities Plan (Facilities Plan) finalized in January 2012, presented several treatment alternatives and recommended replacing the existing facultative lagoon system with an in-basin extended aeration system. Subsequently, two manufacturers of in-basin extended aeration systems, Bioworks and Parkson, have been chosen as the preferred vendors for the extended aeration system.
2. The objectives of the project are the development of a wastewater management system that addresses ammonia and toxicity of the treated effluent.
3. The proposed WWMF improvements include a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge (RAS/WAS) pumping; and a biosolids storage basin.

Analysis

1. An Initial Study and Proposed Mitigated Negative Declaration were prepared for the project in accordance with the California Environmental Quality Act (CEQA). All potential impacts were found to be less than significant or less than significant with mitigation.
2. In accordance with CEQA a Mitigation, Monitoring, and Reporting Program has been prepared for the project, Implementation of mitigation measures incorporated into the project will be monitored pursuant to the Mitigation, Monitoring, and Reporting Program.
3. The Initial Study and Proposed Mitigated Negative Declaration were submitted to the State Clearinghouse (SCH# 2014072049) and other applicable agencies for review. The 30-day review period was from July 18, 2014 to August 18, 2014. A public meeting was held at Azalea Hall, 1620 Pickett Road in McKinleyville at their normally scheduled Board meeting on August 6, 2014 at 7:00 pm.
4. Findings were prepared for the project pursuant to Title 14, California Code of Regulations, Section 15074.
5. No comments were received at the Public Meeting and one written comment letter was received from the State Water Resources Control Board. All comments received by the District were reviewed and responded to.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

To be determined

Environmental Requirements:

The Mitigated Negative Declaration satisfies the environmental requirements.

Exhibits/Attachments

- Attachment 1 – Resolution 2014-25 w/ Exhibits
- Attachment 2 - Cultural Resources Study Report
- Attachment 3 – Power Point presentation

*** A complete copy of the *Initial Study and Proposed Mitigated Negative Declaration* was emailed to the Director's for review. A copy was available at the Board Meeting. It can be viewed by the public in its entirety from the Documents Library on the MCSD website and a complete copy will be attached to "A final board packet" that will be saved in perpetuity with the scanned copy in docSTAR.

RESOLUTION 2014 - 25
RESOLUTION OF THE BOARD OF DIRECTORS OF THE MCKINLEYVILLE
COMMUNITY SERVICES DISTRICT ADOPTING A MITIGATED NEGATIVE
DECLARATION FOR THE DISTRICT'S WASTEWATER MANAGEMENT FACILITY
IMPROVEMENTS PROJECT

WHEREAS, the Board of Directors of the McKinleyville Community Services District (MCSD or District) hereby finds and determines as follows:

1. The MCSD proposes to adopt the Proposed Mitigated Negative Declaration for its Wastewater Management Facility Improvements Project.
2. A Proposed Mitigated Negative Declaration was prepared for this project by a qualified consultant (GHD Inc.) under the direction of the General Manager. The Proposed Mitigated Negative Declaration was prepared to meet the requirements of the California Environmental Quality Act (CEQA).
3. A Mitigation, Monitoring, and Reporting Program and CEQA Findings were prepared and are included as EXHIBIT 1 and EXHIBIT 2, respectively.
4. The Proposed Mitigated Negative Declaration was properly prepared, advertised, and circulated in accordance with the CEQA, having been:
 - a. advertised in a newspaper of general circulation in the project area;
 - b. circulated through the State Clearinghouse for the required 30 days (State Clearinghouse Number 2014072049);
 - c. noticed and available for public review for the required 30 days;
 - d. prepared using the current Initial Study checklist (CEQA Appendix G), so as to evaluate the potential for adverse environmental impacts under CEQA;
5. One written comment letter (State Water Resources Control Board) was received by the District in response to the Proposed Mitigated Negative Declaration. Responses to those comments were prepared and are included as EXHIBIT 3.
6. The District held a Board meeting on August 6, 2014 to describe and receive public comment on the project and Proposed Mitigated Negative Declaration. No public comments were received.
7. A public hearing was held for the project by the Board of Directors on September 3rd, 2014 to consider adoption and approval of the Proposed Mitigated Negative Declaration and project, respectively.
8. The Board of Directors has reviewed and considered the Proposed Mitigated Negative Declaration, public notice, correspondence, staff reports, and any comments received at the public hearing or in writing, which together constitute the whole record for this project.

9. Based on the whole record for this project, 1) there is no substantial evidence that the project may have a significant effect on the environment and 2) there is substantial evidence that no new information was added to the record after circulation of the Proposed Mitigated Negative Declaration or the Notice of Intent to Adopt the Proposed Mitigated Negative Declaration that warrants revision and recirculation.

10. The Proposed Mitigated Negative Declaration reflects the independent judgment and analysis of the Board of Directors.

NOW, THEREFORE, the Board of Directors of the McKinleyville Community Services District hereby resolves as follows:

1. The Board of Directors adopts the Proposed Mitigated Negative Declaration.
2. The Board of Directors adopts the Mitigation, Monitoring, and Reporting Program. The General Manager is directed to implement the mitigation measures adopted in the Mitigated Negative Declaration. This is to be accomplished by coordinating with the Superintendent and any contractors to ensure that the mitigation measures are implemented.
3. The General Manager is directed to maintain the whole record for this project at the office of the McKinleyville Community Services District.
4. The project is approved for implementation.
5. The General Manager is directed to file a Notice of Determination for the project within five (5) days.

ADOPTED, SIGNED AND APPROVED at a duly called meeting of the Board of Directors of the McKinleyville Community Services District on the September 3, 2014 by the following polled vote:

YES:

NOES:

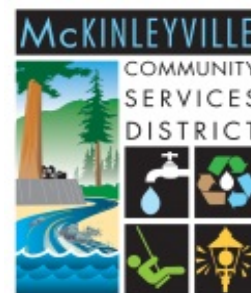
ABSENT:

ABSTAIN:

David R. Couch, Board President

Attest:

Becky Schuette, Board Secretary



McKinleyville Community Services District
Wastewater Management Facility Improvements Project
Mitigation, Monitoring and Reporting Program

September 2014

Mitigation, Monitoring and Reporting Program

Impact	Mitigation Measure	Monitoring Agency	Implementation Schedule	Sign-off
<i>Historical or Archaeological Resources</i>	<ul style="list-style-type: none"> Mitigation Measure CR-1: Identify and Avoid or Minimize Impacts to Unknown Historic and/or Archaeological Resources <p>MCSD shall ensure that if concentrations of prehistoric or historic-period materials are encountered as a result of ground-disturbing activity attributable to the project, all work in the immediate vicinity shall halt until a qualified archaeologist can evaluate the finds and make recommendations. The recommendations of the archaeologist shall be implemented. Prehistoric materials could include obsidian and chert debitage or formal tools, grinding implements, (e.g., pestles, handstones, bowl mortars, slabs), locally darkened midden, deposits of shell, faunal remains, and human burials. Historic materials could include ceramics/pottery, glass, metal, can and bottle dumps, cut bone, barbed wire fences, building pads, structures, and trails/roads.</p> <p>If such materials are encountered during construction, MCSD shall retain a qualified archaeologist who shall be present during subsequent surface and subsurface activities in the vicinity of the sensitive materials as determined necessary by the archaeologist. With respect to these areas of sensitive materials:</p> <ul style="list-style-type: none"> Ground disturbance shall be monitored by a qualified archaeologist with the authority to temporarily halt work and redirect equipment if cultural materials are discovered. If cultural materials are discovered, the archaeologist shall assess the discovery to determine if it constitutes either a unique archaeological resource or a historical resource for purposes of CEQA (CCR Title 14 §15064.5[a]). If the archaeologist determines that the materials do not 	MCSD/ Construction Manager	During construction	

Impact	Mitigation Measure	Monitoring Agency	Implementation Schedule	Sign-off
	<p>constitute either a unique archaeological resource or a historical resource, their presence shall be noted but need not be considered further (CCR Title 14 §15064.5[c] [3]).</p> <ul style="list-style-type: none"> ▪ If the archaeologist determines: (a) that the materials do constitute a unique archaeological resource or historical resource; and, (b) they are subject to substantial adverse change as defined in CCR Title 14 §15064.5[b], the archaeologist shall provide recommendations to MCSD for appropriate treatment which, among other options, may include preservation in place or archaeological data recovery. Preservation in place is preferred, if it is feasible. 			

CALIFORNIA ENVIRONMENTAL QUALITY ACT
FINDINGS IN CONNECTION WITH PROJECT APPROVAL OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT, WASTEWATER MANAGEMENT FACILITY
IMPROVEMENTS PROJECT AND
ADOPTION OF THE PROPOSED MITIGATED NEGATIVE DECLARATION
SEPTEMBER 3, 2014

In accordance with the California Environmental Quality Act (CEQA) as provided for in Public Resources Code Section 21000 et seq. and California Code of Regulations, Title 14, Section 15000 et seq., the McKinleyville Community Services District (MCSD) hereby finds that the Initial Study and Proposed Mitigated Negative Declaration prepared for the Wastewater Management Facility Improvements Project (project) have been completed in compliance with CEQA. The MCSD further finds that the Initial Study and Proposed Mitigated Negative Declaration, comments received during the public review process, and responses to these comments were presented to the MCSD, and that the MCSD reviewed and considered the information contained in these items prior to approving the project. The MCSD hereby finds that the Proposed Mitigated Negative Declaration reflects the independent judgment and analysis of the MCSD, and that the MCSD adopts the Proposed Mitigated Negative Declaration.

I. FINDINGS

The following Findings are hereby adopted by the MCSD pursuant to Title 14, California Code of Regulations, Section 15074, in conjunction with the approval of the project.

A. Project Description (Summary)

The project includes a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge pumping; and a biosolids storage basin within the existing WWMF footprint.

B. Environmental Review Process

An Initial Study and Proposed Mitigated Negative Declaration were prepared for the project in accordance with CEQA. The Initial Study and Proposed Mitigated Negative Declaration were submitted to the State Clearinghouse (SCH# 2014072049) and other applicable agencies for review. The 30-day review period was from July 18, 2014 to August 18, 2014.

C. Mitigation, Monitoring, and Reporting Program

CEQA requires the Lead Agency approving a project to adopt mitigation, monitoring program to reduce potentially significant impacts to a less than significant level. A Mitigation, Monitoring and Reporting Program has been prepared for the project. Implementation of mitigation measures incorporated into the project will be monitored pursuant to the Mitigation, Monitoring and Reporting Program.

D. Record of Proceedings

The documents that constitute the record of proceedings upon which the MCSD bases its findings and decisions contained herein are located at the MCSD office located at 1656 Sutter Road, McKinleyville, California.

E. Summary

Based on the foregoing Findings and the information contained in the record, the MCSD has made the following Findings with respect to the project:

1. Changes or alterations have been required in, or incorporated into, the Approval for the project. These changes or alterations mitigate to a less-than-significant level or avoid the potentially significant environmental effects of the project as identified in the Initial Study and Proposed Mitigated Negative Declaration.

2. There is no substantial evidence in the record as a whole that the project as proposed and mitigated may have a significant effect on the environment.

II. APPROVAL

The MCSD Board of Directors hereby takes the following actions:

A. Adopts the Proposed Mitigated Negative Declaration for the project as described in Section I, above.

B. Approves and incorporates into the project all project elements, project-specific environmental protection actions, and the project-specific Mitigation, Monitoring and Reporting Program.

C. Adopts the Findings in their entirety as set forth in Section I, above.

D. Approves the MCSD, Wastewater Management Facility Improvements Project.

McKinleyville Community Services District
Mailing Address:
P.O. Box 2037
McKinleyville, CA 95519
Physical Address:
1656 Sutter Road
McKinleyville, CA 95519

August 18, 2014

Ahmad Kashkoli
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812-0100

INITIAL STUDY/MITIGATED NEGATIVE DECLARATION (IS/MND) FOR MCKINLEYVILLE COMMUNITY SERVICES DISTRICT (DISTRICT); WASTEWATER MANAGEMENT FACILITY IMPROVEMENTS PROJECT (PROJECT); HUMBOLDT COUNTY; STATE CLEARINGHOUSE NO. 2014072049

Dear Mr. Kashkoli,

The following is in response to the State Water Resources Control Board (SWRCB) letter to the McKinleyville Community Services District (MCSD or District) dated August 6, 2014, regarding the Initial Study/ Mitigated Negative Declaration IS/MND for MCSD's Wastewater Management Facility Improvements project (Project). Specifically, the following responds to page three of the letter which has specific comments on the District's draft IS/MND. The numbers below correspond with the numbers on page three of your letter.

1. Project construction and operation will have no effect on adjacent wetlands because all construction and operational activities will be within the existing WWMF footprint.
2. As noted on page 3-38 of the IS/MND, numerous laws and regulations ensure the safe transportation, use, storage and disposal of hazardous materials. Worker safety regulations cover hazards related to exposure to hazardous materials. Regulations and criteria for the disposal of hazardous materials mandate disposal at appropriate landfills. Because the MCSD, contractors, and other construction service providers would be required to comply with existing hazardous materials laws and regulations for the transport, use, and disposal of hazardous materials, the impacts associated with the Project having the potential to create a significant hazard to the public or the environment would be less than significant. Additional mitigation measures are not necessary because adherence to existing regulations is adequate to reduce any potentially significant impact associated with hazards and hazardous materials to a less than significant level.
3. According to the 50% Design Specifications for the project the washing of concrete containers where wastewater may reach adjacent property or natural water courses shall not be permitted. Temporary, lined, concrete washout stations will be used per the SWPPP. Any excess concrete will be removed and sent to a sanitary landfill. The temporary concrete washout station(s) would be removed with completion of the project.
4. According to the Geotechnical Report prepared for the Project and included as Appendix A in the IS/MND, granular fills on site are suitable for use as structural fill as long as they meet the

gradation requirements of the Geotechnical Report. The Project will implement the design recommendations in the Geotechnical Report (page 3-31 and 3-44).

MCSD will provide the SWRCB the following upon adoption of the MND: the resolution adopting the IS/MND, comments received on the IS/MND and responses to those comments, the adopted Mitigation Monitoring and Reporting Program, a date-stamped copy of the Notice of Determination, and a copy of the adopted IS/MND. A copy of the draft IS/MND was sent to Christine Day with the SWRCB on July 16, 2014 at her request. The adoption hearing for the IS/MND is on September 3rd, 2014 at 1620 Pickett Road in McKinleyville at or shortly after 7:00 PM.

Regards

Greg Orsini
General Manager

cc: Christine Day, SWRCB
Elysar Naja, SWRCB

James Alcorn, AICP, Planner
 GHD
 718 Third Street
 Eureka, CA 95501

August 27, 2014

Subject: Cultural Resources Study for McKinleyville Community Services District (MCSD), Wastewater Management Facility (WWMF) Improvements Project
 McKinleyville, Humboldt County, California

Dear Mr. Alcorn,

During August of 2014, Roscoe and Associates (RA) conducted a cultural resources study for the McKinleyville Community Services District (MCSD), Wastewater Management Facility (WWMF) Improvements Project in McKinleyville, California on behalf of GHD. The objective of this study was to assess the presence of known cultural resources in the project area through a record search and Native American consultation.

The project is subject to the requirements of the California Environmental Quality Act (CEQA) and Section 106 of the National Historic Preservation Act (NHPA). The CEQA Lead Agency is the MCSD, while the State Water Resources Control Board (SWRCB) is responsible for compliance with Section 106.

Project Description

The project is located within the unincorporated community of McKinleyville within MCSD's WWMF, in Humboldt County, California. The WWMF is located off Hiller Road between the Pacific Ocean to the west and Highway 101 to the east. The WWMF is within Section 36, Township 7 North, Range 1 West, Humboldt Meridian within the USGS 7.5' Arcata North topographic quadrangle map at approximately 50 feet above sea level (Attachment A-Figure 1). Primary access to the project site is off Hiller Road.

The proposed project will take place within the existing footprint of the WWMF and includes a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge pumping; and a biosolids storage basin (Attachment A-Figure 2). All ground disturbance will take place within existing pond areas that are proposed to be filled. These areas are already impacted by the construction of the existing WWMF. No ground disturbing activities are proposed outside of this area (Attachment A-Figure 3).

Northwest Information Center Record Search

The results of the NWIC record search were received by RA on July, 31, 2014 (File No. 14-0125). The NWIC indicates that no resources are recorded within the project area or a 1/4 mile buffer. The project area was, however, included in a past overview investigation conducted by Benson et al. in 1977 (NWIC S #886). Within a 1/4 mile, two surveys were

completed by Fredrickson et al. in 1975 (NWIC S#143), and Roscoe in 1990 (NWIC S#12236). These past cultural resources survey reports were obtained and reviewed.

- James R. Benson, David A. Fredrickson, and Karen C. McGrew (Northwest Indian Cemetery Protective Association, McKinleyville, California; Winzler & Kelly, Consulting Engineers)
1977 Humboldt Bay Wastewater Authority, Regional Water Pollution Control Board Facility: Archaeological Resource Analysis.
NWIC Report S-000886 - No resources identified
- David A. Fredrickson, Sonia Tamez, and Pamela R. Roberts (The Anthropology Laboratory, California State College, Sonoma)
1975 An Archaeological Survey of the Proposed McKinleyville Sewage Collection and Treatment Facility Treatment Facility.
NWIC Report S-000132- No resources identified
- James M. Roscoe
1990 A Cultural Resources Study of the Massae Property, McKinleyville, Humboldt County, California.
NWIC Report S-012236- No resources identified

Background Research

Background research indicates the project is within the traditional territory of the Patawat division of the Wiyot Indian tribe. This group controlled the lands from Little River to south of Mad River, while two other divisions of the tribe inhabited areas farther south and east. Although no villages or specific use areas are known in the project area, there are several named Patawat Wiyot village sites, along the north bank of the Mad River and Mill Creek, within one mile to the south.

Historic maps that depict the record search area were reviewed. These include the General Land Office township plat maps (1854 and 1890), Denny's Official Map of Humboldt County (1910), Belchers Atlas of Humboldt County (1921-1922), and various historic air photos from the Shuster Collection at the Humboldt State University (HSU) Library Humboldt Room and the Decadal Air Photo Collection at the HSU Cultural Resources Facility.

These maps show that the alignment of School Road, south of the project area, was designated as the boundary between Klamath and Trinity counties from 1851 to 1853 and between Klamath and Humboldt counties between 1853 and 1876. The line was described as an arbitrary point three miles west of Mad River's mouth, out in the Pacific Ocean. By 1905, the Dolbeer & Carson Lumber Company built a rail line called the Humboldt Northern Railway north from Humboldt Bay, crossing approximately 1/5 of a mile south of the project area. No historic buildings or features were noted within the project area during the review of historic maps and air photos.

Consultation

Consultation with local Tribal Historic Preservation Officer's (THPO) was also completed, beginning with a request to the Native American Heritage Commission (NAHC) for a sacred land database search and a current list of Native Americans to contact. The NAHC responded on August 12, 2014 indicating no sacred lands at this project Area of Potential effect (APE) and suggesting further contact with the Blue Lake Rancheria, Bear River Band of Rohnerville Rancheria, and the Wiyot Tribe (Attachment B). Anticipating this response, project information letters were emailed and mailed to the THPO's on August 7, 2014. Dr. Tom Torma, THPO, for the Wiyot Tribe responded on August 11, 2014 stating that the tribe knows of no known resources in the project area (Attachment B). Follow up phone conversations were held on August 21, 2014 with Janet Eidsness, THPO of the Blue Lake Rancheria, and Erika Cooper, THPO of the Bear River Band of Rohnerville Rancheria. Neither had any concerns with the project as currently proposed.

Conclusions

The records search revealed that no prehistoric or historic sites were previously recorded within the project APE and that the WWMF had been previously included in a large overview investigation with negative results (Benson et al. 1977). Considering that the project will be taking place within the existing WWMF footprint, and specifically, all new construction will be occurring on filled wastewater ponds, it is the opinion of Roscoe and Associates that a finding of "No Historic Properties Affected" according to 36 CFR 800.4(d)(1) is appropriate.

James Roscoe, M.A.
Roscoe and Associates
3781 Brookwood Drive
Bayside, CA 95524
707-845-5239

Attachment A
Figures

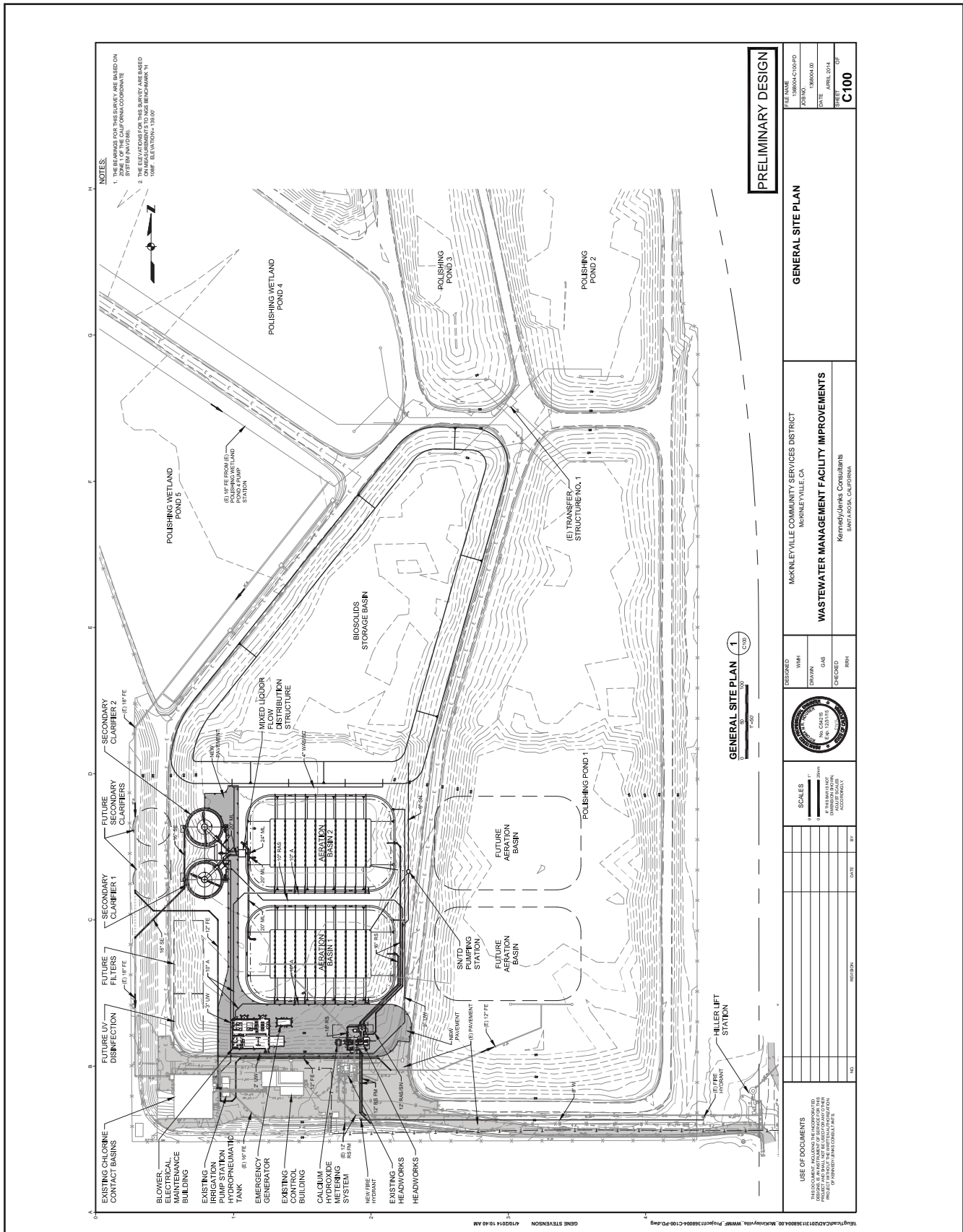


Figure 2. Design Map for the WWMF Improvements Project (courtesy of GHD).

Attachment B
Consultation

FAX COVER SHEET

DATE: August 5, 2014

TO: Katy Sanchez
Native American Heritage Commission

FAX: 916-373-5471

FROM: James Roscoe, M.A.

SUBJECT: Sacred Lands Database Search: **McKinleyville Community Services District- Wastewater Management Facility (WWMF) Improvements Project (MCSD)**

PAGES: 2 (cover and 1 map)

Dear Katy,

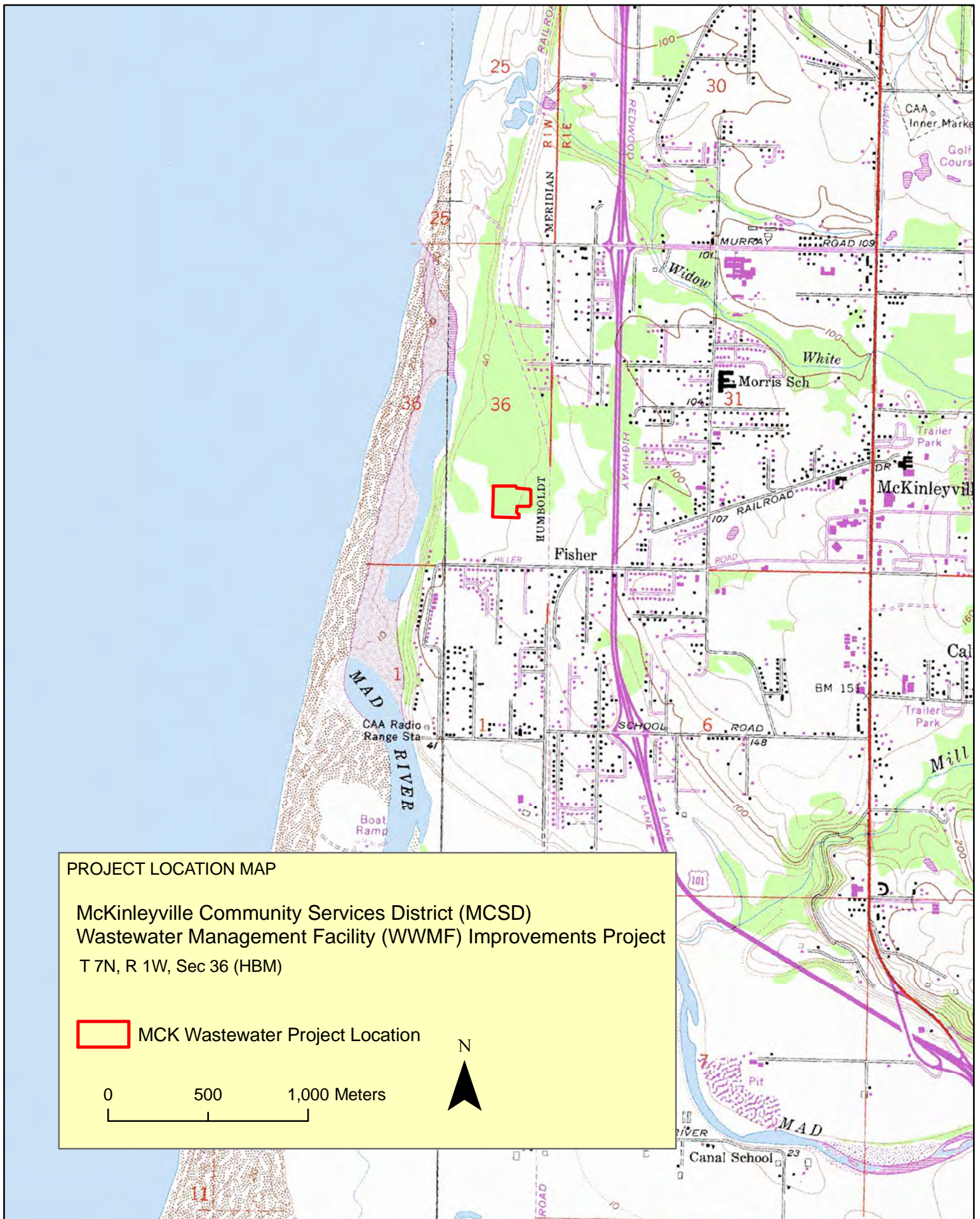
Roscoe and Associates-Cultural Resources Consultants have been retained to conduct a cultural resources investigation for the **McKinleyville Community Services District- Wastewater Management Facility (WWMF) Improvements Project (MCSD)** in Humboldt County, California. The project is located in McKinleyville, California Township 7 North, Range 1 West, Section 36(HB&M) and is shown on the 7.5 USGS Topographic Quadrangle Map, Arcata North, California 1959 (1972 PR). The project area is indicated on the accompanying map.

I would greatly appreciate a list of Native American contacts and the results of a search of the sacred lands database for previously identified sites of concern within the project area or a one-half mile radius.

Many thanks in advance for your assistance.


Sincerely,

James Roscoe, M.A.
Roscoe and Associates
3781 Brookwood Dr.
Bayside, CA 95524
ph. (707) 845-5239; fax (707) 826-4336



PROJECT LOCATION MAP

McKinleyville Community Services District (MCSD)
Wastewater Management Facility (WWMF) Improvements Project
T 7N, R 1W, Sec 36 (HBM)

 MCK Wastewater Project Location

0 500 1,000 Meters



STATE OF CALIFORNIA

Edmund G. Brown, Jr., Governor

NATIVE AMERICAN HERITAGE COMMISSION

1550 Harbor Blvd., ROOM 100
West SACRAMENTO, CA 95691
(916) 373-3710
Fax (916) 373-5471



August 12, 2014

James Roscoe
Roscoe and Associates
3781 Brookwood Drive
Bayside, CA 95524

Sent by Fax: (707) 826-4336
Number of Pages: 3

Re: McKinley Community Services District-Wastewater Management Facility (WWMF)
Improvements Project (MCSD), Humboldt County.

Dear Mr. Roscoe,

A record search of the sacred land file has failed to indicate the presence of Native American cultural resources in the immediate project area. The absence of specific site information in the sacred lands file does not indicate the absence of cultural resources in any project area. Other sources of cultural resources should also be contacted for information regarding known and recorded sites.

Enclosed is a list of Native Americans individuals/organizations who may have knowledge of cultural resources in the project area. The Commission makes no recommendation or preference of a single individual, or group over another. This list should provide a starting place in locating areas of potential adverse impact within the proposed project area. I suggest you contact all of those indicated, if they cannot supply information, they might recommend others with specific knowledge. By contacting all those listed, your organization will be better able to respond to claims of failure to consult with the appropriate tribe or group. If a response has not been received within two weeks of notification, the Commission requests that you follow-up with a telephone call to ensure that the project information has been received.

If you receive notification of change of addresses and phone numbers from any of these individuals or groups, please notify me. With your assistance we are able to assure that our lists contain current information. If you have any questions or need additional information, please contact me at (916) 373-3712.

Sincerely,

Katy Sanchez
Associate Government Program Analyst

Native American Contact List
Humboldt County
August 11, 2014

Blue Lake Rancheria
Claudia Brundin, Chairperson
P.O. Box 428
Blue Lake, CA 95525
brmobbs@blue.lakerancheria-nsn.
(707) 668-5101
(707) 668-4272 Fax

Wiyot
Yurok
Tolowa

Wiyot Tribe
Brian Mead Tribal Administrator
1000 Wiyot Drive
Loleta, CA 95551
Brian@wiyot.us
(707) 733-5055
(707) 733-5601 Fax

Bear River Band of Rohnerville Rancheria
William Sand, Chairperson
266 Keisner Road
Loleta, CA 95551
(707) 733-1900
(707) 733-1727 Fax

Wiyot
Mattole

Wiyot Tribe
Stephen Kullman, Environmental Coordinator
1000 Wiyot Drive
Loleta, CA 95551
stephen@wiyot.us
(707) 733-5055
(707) 733-5601 Fax

Wiyot Tribe
Ted Hernandez, Chairperson
1000 Wiyot Drive
Loleta, CA 95551
(707) 733-5055
(707) 733-5601 Fax

Wiyot

Bear River Band of Rohnerville Rancheria
Edwin Smith, Environmental Coordinator/Cultural
266 Keisner Road
Loleta, CA 95551
edwin.smith@brb-nsn.gov
(707) 733-1900 ext 218
(707) 733-1727 Fax

Wiyot
Mattole

Wiyot Tribe THPO
Tom Torma, Tribal Historic Preservation Officer
1000 Wiyot Drive
Loleta, CA 95551
tom@wiyot.us
(707) 733-5055, Ext. 107
(707) 733-5601 Fax

Wiyot

Blue Lake Rancheria
Arla Ramsey, Tribal Administrator
P.O. Box 428
Blue Lake, CA 95525
(707) 668-5101
(707) 668-4272 Fax

Wiyot
Yurok
Tolowa

Bear River Band of Rohnerville Rancheria
Erika Collins, THPO
266 Keisner Road
Loleta, CA 95551
erikacollins@brb-nsn.gov
(707) 733-1900 ext 233
(707) 733-1727 Fax

Wiyot
Mattole

Blue Lake Rancheria THPO
Janet Eidsness, Historic Preservation Officer
P.O. Box 428
Blue Lake, CA 95525
jeidsness@blue.lakerancheria-nsn.gov
(707) 668-5101
(530) 623-0663 - Cell
707-668-4272 - Fax

Wiyot
Yurok
Tolowa

This list is current only as of the date of this document.

Distribution of this list does not relieve any person of the statutory responsibility as defined in Section 7050.5 of the Health and Safety Code, Section 5097.94 of the Public Resources Code and Section 5097.98 of the Public Resources Code.

This list is only applicable for contacting local Native Americans with regard to the proposed McKinleyville Community Service District Wastewater Management Facility (WWMF) Improvements project (MCSD), Humboldt County.

Native American Contact List
Humboldt County
August 11, 2014

Blue Lake Rancheria
Diane Holliday

P.O. Box 645

Blue Lake, CA 95525
(707) 668-5635

Wiyot
Yurok
Tolowa

This list is current only as of the date of this document.

Distribution of this list does not relieve any person of the statutory responsibility as defined in Section 7050.5 of the Health and Safety Code, Section 5097.94 of the Public Resources Code and Section 5097.98 of the Public Resources Code.

This list is only applicable for contacting local Native Americans with regard to the proposed McKinleyville Community Service District Wastewater Management Facility (WWMF) Improvements project (WCSD), Humboldt County.

August 7, 2014

Distribution List

1. Blue Lake Rancheria – Arla Ramsey, Tribal Administrator; Claudia Brundin, Chairperson; Janet Eidsness, THPO; Diane Holliday
2. Wiyot Tribe – Brian Mead, Tribal Administrator; Ted Hernandez, Chairperson; Tom Torma, THPO; Stephen Kullmann, Environmental Coordinator
3. Bear River Band of Rohnerville Rancheria – William Sand, Chairperson; Edwin Smith, Environmental Coordinator/Cultural; Erika Collins, THPO

Dear Tribal Representative,

Roscoe and Associates is conducting a preliminary cultural resources assessment for a proposed Wastewater Management Facility (WWMF) Improvements Project in McKinleyville, Humboldt County, California. The project includes a new headworks facility; aeration basins; blower/ electrical/ maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge pumping; and a biosolids storage basin within the existing WWMF footprint.

A record search for this project area was conducted by the Northwest Information Center on July 31, 2014 under IC File #14-0125. The results of that search indicate that no resources are recorded within the project area or a ¼ mile buffer. The project area was however included in a past overview investigation conducted by Benson, Fredrickson and McGrew in 1977 (S#886). Within a ¼ mile, two surveys were completed by Fredrickson, Tamez and Roberts in 1975 (S#132), and Roscoe in 1990 (S#12236).

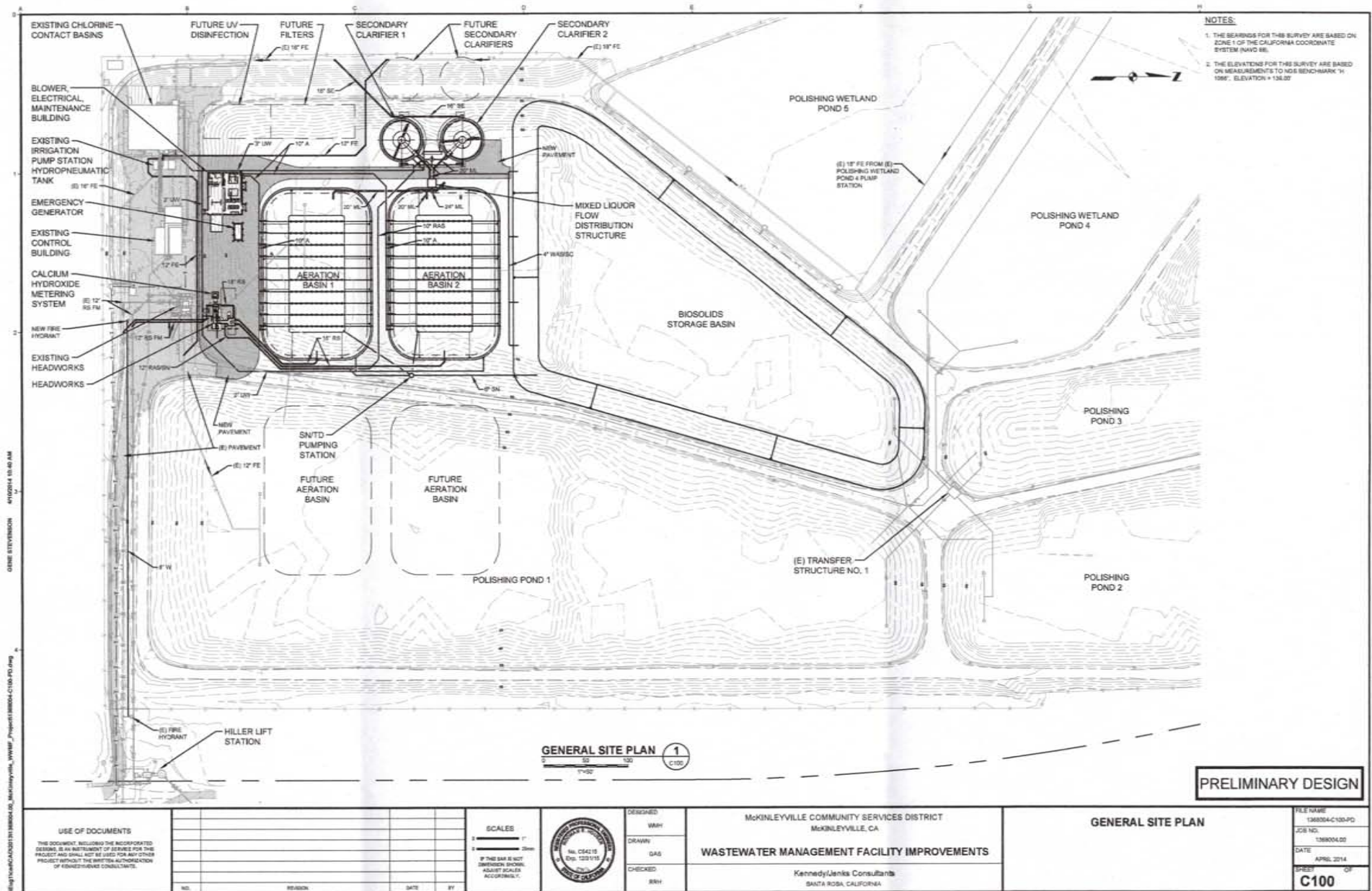
No field survey is planned at this time, as the project is still in its design phase and all new construction will be occurring on filled wastewater ponds. We would, however appreciate any information the tribe might be willing to share regarding Native American cultural resources in or near to this project area. Any culturally sensitive information that you may disclose to Roscoe and Associates or any Native American cultural sites that may be identified during any future field inspection will be held under strict confidentiality and will not be made available to the public.

Sincerely,



James Roscoe, M.A.





From: "Tom" <tom@wiyot.us>
Subject: RE: Roscoe -McKinleyville- Cultural Resources Assessment
Date: Mon, August 11, 2014 9:42 am
To: "'william rich'" <wcr@2xtreme.net>, jpeidsness@yahoo.com, jeidsness@bluelakerancheria-nsn.gov, erikacollins@brb-nsn.gov

Hi Bill,

Thank you for both this notification and the letter dated August 5th for the cultural resource investigation near Sunnybrae. Our records do not show any known resources in either of these project areas. Good luck with your research on these projects and please let us know of any significant findings that might come from it.

Thank you,
Tom

-----Original Message-----

From: william rich [<mailto:wcr@2xtreme.net>]
Sent: Friday, August 08, 2014 11:48 AM
To: jpeidsness@yahoo.com; jeidsness@bluelakerancheria-nsn.gov; erikacollins@brb-nsn.gov; tom@wiyot.us
Subject: Roscoe -McKinleyville- Cultural Resources Assessment

Hello,

Attached is a letter regarding a preliminary cultural resources investigation for the McKinleyville Wastewater Facility. Jamie will follow-up with a phone call next week and hard copies are in the mail.

Thank you!

Bill

McKinleyville Community Services District

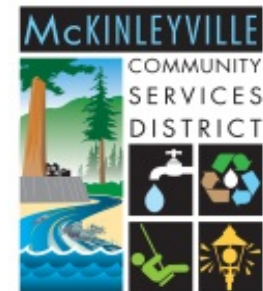
Wastewater Management Facility Improvements Project

California Environmental Quality Act

Initial Study & Proposed Mitigated Negative Declaration

Board of Directors Adoption Meeting

September 3, 2014 | 1620 Pickett Road, McKinleyville, CA



- Lead Agency, MCSD
 - Greg Orsini
- Design, Kennedy/Jenks Consultants
 - Rod Houser
- Environmental Consultants, GHD
 - James Alcorn, Rebecca Crow

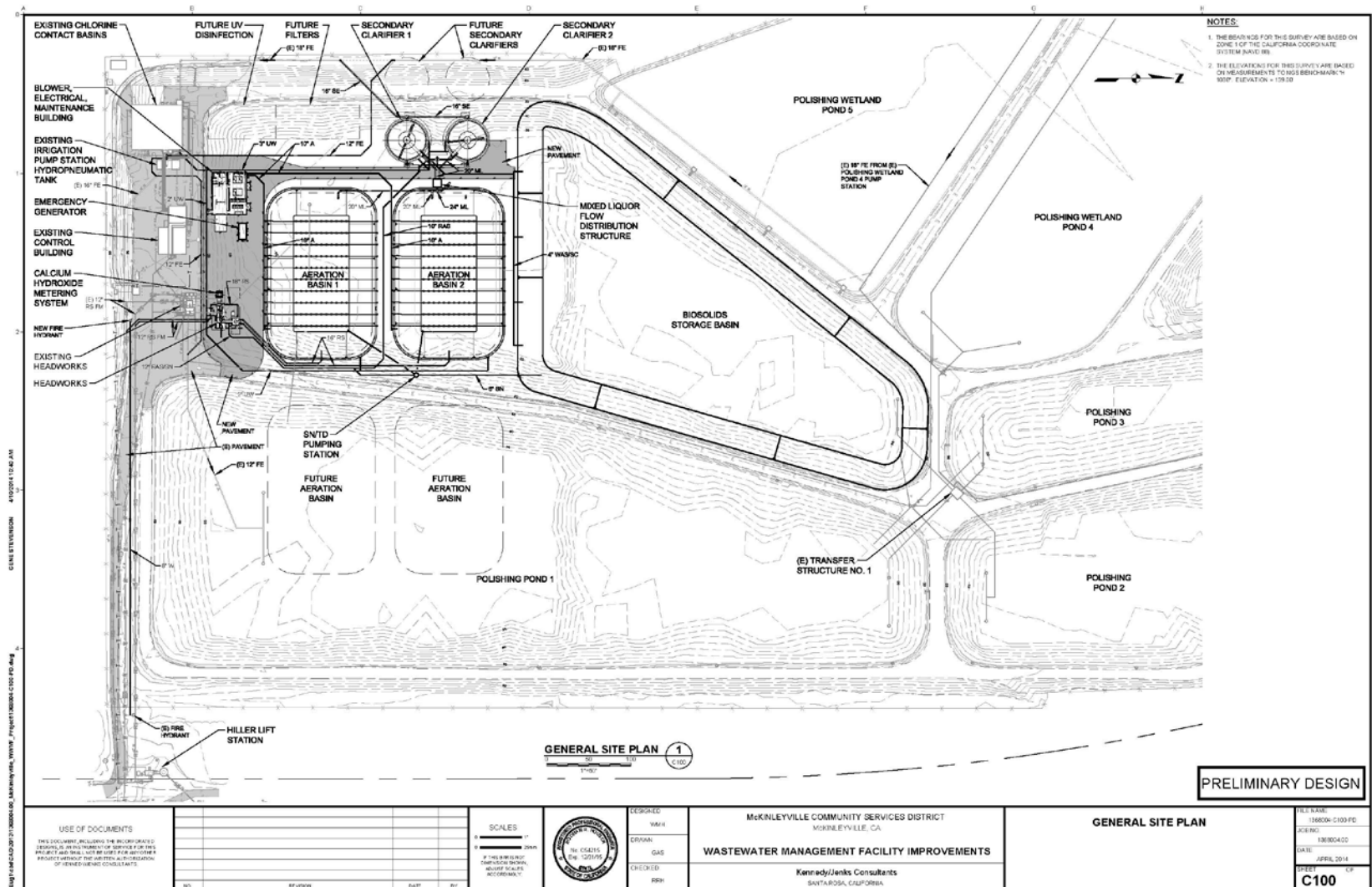
Agenda

- Proposed Project
- Site Plan
- CEQA Compliance Process
 - What is CEQA
 - IS/MND
 - Impacts & Mitigation Measures
 - Circulation
 - Next Steps

Proposed Project

- The project includes a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge pumping; and a biosolids storage basin within the existing WWMF footprint.

Site Plan



California Environmental Quality Act Compliance

- CEQA is a statute that requires jurisdictions, and state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible
- Mitigated Negative Declaration
 - MND was prepared because any potentially significant impacts from the project can be mitigated to a less than significant level

CEQA Resource Categories

Aesthetics

Greenhouse Gas Emissions

Population/Housing

Agricultural & Forestry Resources

Hazards & Hazardous Materials

Public Services

Air Quality

Hydrology/Water Quality

Recreation

Biological Resources

Land Use/Planning

Transportation/Traffic

Cultural Resources

Mineral Resources

Utilities/Service Systems

Geology/Soils

Noise

Mandatory Findings of Significance

CEQA Compliance

- All impacts are less than significant or less than significant with mitigation
- Mitigation Measures (Cultural Resources)
 - Identify and Avoid or Minimize Impacts to Unknown Historic and/or Archaeological Resources
- Environmental Protection Actions
 - Implement Air Quality Emission Control Actions During Construction
 - Procedures for Encountering Human Remains
 - Erosion Control
 - SWPPP
 - Construction Dewatering Reduction
 - Noise Reduction Actions

CEQA Compliance

- MND was sent to State Clearinghouse
- 30 Day circulation period MND was from 7/18/14 – 8/18/14
- Written comments accepted through 5 pm on Monday, August 18, 2014
- Comments received from SWRCB

SWRCB Comments

Specific Comments on ISMND

1. Wetlands-any adverse impact?
2. Hazardous materials-any specific regulations or mitigation to ensure no effect?
3. Concrete washout area and how managed?
4. Any precautionary measures to address high groundwater?

Next Steps

- BOD adopts MND, Findings, Mitigation Monitoring Reporting Program then makes decision on project
- MCSD submits Notice of Determination to the County Recorder and Files with the State Clearinghouse
- MCSD also pays the CDFW filing fee to County Recorder
- Filing of NOD starts 30-day statute of limitations
- CEQA compliance process finished

Thank You



McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.2 **Approve Resolution 2014-26 Financing the acquisition, construction and installation of certain improvements to the Teen and Community Center including the leasing of certain property owned by the MCSD to the Public Property Financing Corporation of California pursuant to a Site Lease and the leasing back of the property by the Corporation to MCSD pursuant to a Lease Agreement.**

PRESENTED BY: **Greg Orsini and Russ Gans, District General Counsel**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends the Board participate in the presentation of information, air questions, take public comment, discuss and adopt Resolution 2014-26 Approving a Site Lease and a Lease Agreement; Making Certain Determination Relating Thereto and Authorizing Certain Other Actions in Connection Therewith and to authorize execution of agreements to hire Nossaman LLP as bond counsel and Brandis Tallman LLC as placement agent.

Discussion:

Funded by a local Bond Measure, the new McKinleyville Teen Center is an approx. 6,600 sf dedicated teen and community center addition to an existing community center. Through an integrated collaborative approach input was gathered from the teens and the community at large. The collaboration process included: teen brainstorming sessions; meetings with community service organizations; meetings with the general public; presentations at local junior high school; polling the youth offline and online via social media; and presenting the design to the McKinleyville Municipal Advisory Committee.

In addition to the getting the input of the teens, LDA met with the local school districts and other community business leaders to ensure that their needs and expectations would be met.

As a result, the teens and community at large in McKinleyville will be able to take advantage of a 6,600 square-foot center that will include a quiet study

room, a divisible multi-purpose room, a sound-proof music room, a central game room that can be used for multiple activities, a teen cafe, a covered outdoor performance area, and a community commercial kitchen where cooking classes can be held. The center has been designed so that up to 7 distinct and separate activities could be happening at the same time without programmatic overlap.

In April 2014, the MCSD was provided a financing quote by the California Special Districts Association Finance Corporation ("CSDAFC"). In June, CSDAFC contacted Brandis Tallman LLC to assist in finding financing options for MCSD. CSDAFC and Brandis Tallman contacted the MCSD and recommended they try a direct placement for approximately \$1.4 million (the "Financing").

Brandis Tallman canvassed several lenders, subsequently, selecting Umpqua Bank based on their favorable rates and terms. Umpqua Bank proposed the following two options to the District:

- A. 18-year term to match the sunset of Measure B; and
- B. 15-year term

At the end of July, Brandis Tallman had a conference call with staff to discuss the proposed options. Staff selected the 15-year scenario and directed the financing team to prepare documents and related items for the upcoming Board meeting on September 3rd.

FINANCING STRUCTURE & RESULTS

The proposed financing involves the leasing of Township 7 North, Range 1 East, Section 32 (further described in the documents) owned by the District to the Public Property Financing Corporation of California (the "Corporation") pursuant to a Site Lease and the leasing back of the property by the Corporation to the District pursuant to a Lease Agreement. Each are briefly described below. Under the Lease Agreement the District will make semi-annual lease payments to the Corporation on each May 1 and November 1. The Lease Payments will be secured by legally available funds in the District's General Fund, along with a pledge of 50% of the annual assessment revenues received by the District pursuant to Measure B and deposited into the Measure B Fund. The Corporation will assign the lease payments to Umpqua Bank pursuant to an assignment agreement (an agreement the District is not a party to). Umpqua Bank is providing the moneys to the District to finance the Project via a private placement.

The average annual debt service for the Financing is approximately \$127,437 and total debt service is \$1,911,561.31.

NEXT STEPS

If the Resolution is adopted, the financing plan and related documents will be finalized. The Financing is scheduled to close on October 7, 2014.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

See Attachment 2 – Private Placement Financing Report

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Attachment 1 – Resolution 2014-26 w/ Exhibits
- Attachment 2 – Private Placement Financing

RESOLUTION 2014 - 26
RESOLUTION OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF
DIRECTORS APPROVING A SITE LEASE AND A LEASE AGREEMENT; MAKING CERTAIN
DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER
ACTIONS IN CONNECTION THEREWITH

WHEREAS, the McKinleyville Community Services District (the "District") is a special district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District has determined that it is in its financial interests at this time to finance its acquisition, construction and installation of certain improvements to its teen/ community center (the "Project"); and

WHEREAS, in order to provide funds to finance the Project, the District will lease certain real property owned by the District (the "Site") to the Public Property Financing Corporation of California (the "Corporation") under a Site Lease, currently dated as of October 1, 2014, (the "Site Lease") and the Corporation will lease the Site to the District under a Lease Agreement, currently dated as of October 1, 2014 (the "Lease Agreement"); and

WHEREAS, as set forth in the Lease Agreement, the District has pledged to the payment of the lease payments due under the Lease Agreement, 50% of all property owner assessments collected and received by the District each Fiscal Year pursuant to Measure B and deposited into the District's Measure B Fund (the "Assessment Revenues"); and

WHEREAS, there have been presented at this meeting forms of the Site Lease and the Lease Agreement; and

WHEREAS, Umpqua Bank (the "Bank") has issued a term sheet to the District offering to provide moneys to finance the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the McKinleyville Community Services District as follows:

Section 1. Approval of Site Lease. The form of Site Lease, as presented to the District at this meeting, is hereby approved. The President of the Board of Directors, the General Manager, the or any other officers duly designated by the District (the "Officers") are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Site Lease, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of District General Counsel and Nossaman LLP ("Special Counsel"), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Approval of Lease Agreement. The form of Lease Agreement, as presented to the District at this meeting, along with the Memorandum of Lease, and the pledge of Assessment Revenues pursuant to the Lease Agreement, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Lease Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of District General Counsel and Special Counsel, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the aggregate principal component of the portion of the Lease Payments due under the Lease Agreement shall not

exceed \$1,500,000, the scheduled term of the financing does not exceed November 1, 2029 and the interest rate is not greater than 4.00% per annum

Section 3. Approval of Private Placement. The District hereby approves the assignment of the Lease Payments by the Corporation to the Bank, by a private placement pursuant to and in accordance with an assignment agreement.

Section 4. Approval of Consultants. The Board of Directors hereby appoints the firm of Brandis Tallman LLC, as placement agent, and Nossaman LLP, as bond counsel, in connection with the proposed transactions described herein. The Board hereby authorizes and directs the President of the Board or the General Manager to execute and deliver an agreement with said firms for their respective services, provided that any and all compensation to such firm under the agreement is payable solely from the proceeds derived from the transactions described herein.

Section 5. Approval of Placement Agent Agreement. The District hereby approves a private placement agreement (the "Placement Agent Agreement") with Brandis Tallman LLC, as placement agent (the "Placement Agent"), in substantially the form on file with the Secretary together with any additions thereto or changes therein approved by the Officers, the execution thereof to be conclusive evidence of such approval.

Section 6. Official Actions. The General Manager and Board President of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein in connection with the financing of the Project, including but not limited to, entering into a purchase agreement or similar agreement with the Bank and a custodian agreement with a financial institution to be selected by the District.

Section 7. Effective Date. This Resolution shall take effect immediately upon adoption and the District Secretary shall certify to its adoption.

ADOPTED, SIGNED AND APPROVED at a duly called meeting of the Board of Directors of the McKinleyville Community Services District on the 3 September 2014 by the following polled vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

David R. Couch, Board President

Attest:

Becky Schuette, Board Secretary

AFTER RECORDATION PLEASE RETURN TO:

Nossaman LLP
18101 Von Karman Avenue, Suite 1800
Irvine, CA 92612
Attention: Jeff A. Stava. Esq.

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

SITE LEASE

Dated as of October 1, 2014

between the

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT, as Lessor

and the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Lessee

SITE LEASE

THIS SITE LEASE (the "Site Lease"), dated as of October 1, 2014, is between the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT, a community services district organized and existing under and by virtue of the laws of the State of California (the "District"), as lessor, and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation organized and existing under and by virtue of the laws of the State of California (the "Corporation"), as lessee;

WITNESSETH:

WHEREAS, pursuant to this Site Lease, the District proposes to lease certain real property situated in the County of Humboldt, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the "Site"), and those certain improvements thereon (the "Facility" and, with the Site, the "Property"), to the Corporation, all for the purpose of assisting the District in financing the acquisition, construction and installation of certain improvements to certain real property owned by the District, as described in Exhibit A to the Lease Agreement (defined below) (the "Project");

WHEREAS, the Corporation proposes to lease the Property back to the District pursuant to that certain Lease Agreement, dated as of October 1, 2014, a memorandum of which is recorded concurrently herewith (the "Lease Agreement") and to assign all of its rights, title and interest in, to and under this Site Lease and the Lease Agreement, including its right to receive lease payments under the Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under the Lease Agreement in the event of a default thereunder by the District, to Umpqua Bank (the "Assignee") pursuant to that certain Assignment Agreement, dated as of October 1, 2014, between the Corporation and the Assignee, and recorded concurrently herewith;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

Section 1. Definitions. Capitalized terms used, but not otherwise defined, in this Site Lease shall have the meanings ascribed to them in the Lease Agreement.

Section 2. Site Lease. The District hereby leases to the Corporation and the Corporation hereby leases from the District, on the terms and conditions hereinafter set forth, the Property.

Section 3. Term. The term of this Site Lease shall commence on the date of recordation of this Site Lease in the Office of the County Recorder of the County of Humboldt, State of California, and shall end on November 1, 2029, unless such term is extended or sooner terminated as hereinafter provided. If, on November 1, 2029, the aggregate amount of Lease Payments (as defined in and as payable under the Lease Agreement) shall not have been paid by reason of abatement, default or otherwise, or provision shall not have been made for their payment in accordance with the Lease Agreement, then the term of this Site Lease shall be extended until such Lease Payments shall be fully paid or provision made for such payment, but

in no event later than November 1, 2036. If, prior to November 1, 2036, all Lease Payments shall be fully paid or provision made for such payment in accordance with the Lease Agreement, the term of this Site Lease shall end.

Section 4. Advance Rental Payment. The District agrees to lease the Property to the Corporation in consideration of the payment by the Corporation of an advance rental payment of \$_____. The District and the Corporation agree that by reason of the assignment of the Lease Payments to the Assignee under and pursuant to the Assignment Agreement, the advance rental payment referenced in the preceding sentence shall be deemed to have been paid.

Section 5. Purpose. The Corporation shall use the Property solely for the purpose of leasing the Property to the District pursuant to the Lease Agreement and for such purposes as may be incidental thereto; *provided, however*, that in the event of default by the District under the Lease Agreement, the Corporation and its assigns may exercise the remedies provided in the Lease Agreement.

Section 6. District's Interest in the Property. The District covenants that it is the owner in fee of the Property.

Section 7. Assignments and Subleases. Unless the District shall be in default under the Lease Agreement, the Corporation may not assign its rights under this Site Lease or sublet the Property, except as provided in the Lease Agreement and the Assignment Agreement, without the written consent of the District and the Assignee. If the District is in default under the Lease Agreement, the Assignee (including its successors and assigns under the Lease Agreement) may fully and freely assign and sublease the Property or any portion thereof, subject to this Site Lease.

Section 8. Right of Entry. The District reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 9. Termination. The Corporation agrees, upon the termination of this Site Lease, to quit and surrender the Property in the same good order and condition as the same were in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Site at the time of the termination of this Site Lease shall remain thereon and title thereto shall vest in the District.

Section 10. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the District may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease Agreement shall be deemed to occur as a result thereof and the District shall have no right to terminate this Site Lease as a remedy for such default. Notwithstanding the foregoing, so long as the Lease Agreement remains in effect, the District will continue to pay the Lease Payments to the Assignee.

In the event of the occurrence of an Event of Default under the Lease Agreement, the Corporation may (i) exercise the remedies provided in the Lease Agreement, (ii) use the Property for any lawful purpose, subject to any applicable legal limitations or restrictions, and (iii) exercise all options provided herein.

Section 11. Quiet Enjoyment. The Corporation, at all times during the term of this Site Lease, shall peaceably and quietly have, hold and enjoy all of the Property subject to the provisions of the Lease Agreement.

Section 12. Waiver of Personal Liability. All liabilities under this Site Lease on the part of the Corporation are solely liabilities of the Corporation and the District hereby releases each and every board member, director, officer, employee and agent of the Corporation of and from any personal or individual liability under this Site Lease. No board member, director, officer, employee or agent of the Corporation shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Corporation hereunder.

Section 13. Taxes. All assessments of any kind or character and all taxes, including possessory interest taxes, levied or assessed upon the Property or the Corporation's interest in the Property created by this Site Lease (including both land and improvements) will be paid by the District in accordance with the Lease Agreement.

Section 14. Eminent Domain. In the event the whole or any part of the Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is hereby determined to be the amount of the then unpaid principal component of the Lease Payments, any then unpaid interest component of the Lease Payments and any premium due with respect to the prepayment of Lease Payments to the date such amounts are remitted to the Corporation or its assignee, and, subject to the provisions of the Lease Agreement, the balance of the award, if any, shall be paid to the District. The District hereby waives, to the extent permitted by law, any and all rights that it has or may hereafter have to acquire the interest of the Corporation in and to the Property through the eminent domain powers of the District. However, the District hereby agrees, to the extent permitted by law, that the compensation to be paid in any condemnation proceedings brought by or on behalf of the District with respect to the Property shall be in an amount not less than the total unpaid principal component of Lease Payments, the interest component of Lease Payments accrued to the date of payment of all Lease Payments and any premium due with respect to the prepayment of Lease Payments under the Lease Agreement.

Section 15. Use of the Proceeds. The District and the Corporation hereby agree that the lease to the Corporation of the District's right and interest in the Property pursuant to Section 2 serves the public purposes of the District.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall, to any extent, be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding, order or decree of which becomes final, none of the remaining terms, provisions, covenants and

conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, at the addresses set forth in the Lease Agreement, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 18. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the District and the Corporation and their respective successors and assigns. The Assignee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 19. Amendment. This Site Lease may not be amended except as permitted under the Lease Agreement.

Section 20. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

Section 21. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

Section 22. No Merger. Neither this Site Lease, the Lease Agreement nor any provisions hereof or thereof shall be construed to effect a merger of the title of the District to the Property under this Site Lease and the District's leasehold interest therein under the Lease Agreement.

Section 23. Execution in Counterparts. This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the District and the Corporation have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**MCKINLEYVILLE COMMUNITY
SERVICES DISTRICT**

By: _____
General Manager

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Representative

State of California)
)
County of Humboldt)

On _____ before me, _____ personally
[Date] [Notary Name]

appeared _____
[Name(s) of Signers]

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

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Witness my hand and official seal.

Signature: _____
[Signature of Notary Public]

Place Notary Seal Above

State of California)
)
County of _____)

On _____ before me, _____ personally
[Date] [Notary Name]

appeared _____
[Name(s) of Signers]

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

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Witness my hand and official seal.

Signature: _____
[Signature of Notary Public]

Place Notary Seal Above

EXHIBIT A

DESCRIPTION OF THE SITE

The land referred to in this Site Lease is situated in the County of Humboldt, State of California, and is described as follows:

All that real property in Township 7 North, Range 1 East, Section 32, more particularly describe as follows:

TRACT ONE

Parcel 3 of Parcel Map No. 231 filed in the Office of the County Recorder of said Humboldt County in Book 2 of Parcel Maps, Pages 139 and 140.

Together with those lands described in the Quitclaim Deed from Ernest Pierson and Louise Pierson to the County of Humboldt recorded December 17, 1992 as Instrument No. 1992-36347-2, Humboldt County Official Records.

TRACT TWO

PARCEL ONE

Parcel 4 as shown on Parcel Map No. 2988 on file in the Office of the County Recorder in Book 27 of Parcel Maps, Pages 89 and 90.

PARCEL TWO

A non-exclusive easement within a strip of land 40 feet wide, the centerline of which is described as follows:

BEGINNING at a point located 1270 West and 336 feet North of the quarter section corner on the South line of Section 32, Township 7 North, Range 1 East, Humboldt Meridian; thence West parallel with the section line, 46 feet; thence North 48 degrees 45 minutes West, 280 feet.

EXCEPTING THEREFROM that portion thereof which lies Easterly of the Southerly extension of the East line of Parcel One above described.

Being a portion of the easement granted in the deed from Henry Babler to Donald W. Gwin, et al, dated July 12, 1956 and recorded July 30, 1956 in Book 403 of Official Records at page 166, under Recorder's File No. 12058.

PARCEL THREE

A non-exclusive right of way for ingress and egress and public utility purposes within a strip of land 40 feet in width, the centerline of which is described as follows:

BEGINNING at the Northwesterly terminus of the centerline of Parcel Two above described; thence North 48 degrees 45 minutes West, 49.7 feet.

Being the same right of way as granted in Parcel 1 of the Deed from Ernest Pierson and wife, to Donald W. Gwin, et al, dated April 2, 1965 and recorded April 8, 1965 in Book 831 of Official Records at page 559, under Recorder's File No. 5323.

PARCEL FOUR

A non-exclusive right of way for ingress and egress and public utility purposes within a strip of land 50 feet in width, the centerline of which is described as follows:

BEGINNING at the Northwesternly terminus of the centerline of Parcel Three above described; thence North 89 degrees 50 minutes 30 seconds West, 220.94 feet to Central Avenue, formerly Highway 101.

Being the same right of way as granted in Parcel 2 of the deed from Ernest Pierson and wife, to Donald W. Gwin, et al, dated April 2, 1965, and recorded April 8, 1965 in Book 831 of Official Records, at page 559, under Recorder's File No. 5323.

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Site Lease, dated as of October 1, 2014, from the McKinleyville Community Services District, as lessor (the “District”), to the Public Property Financing Corporation of California (the “Corporation”), as lessee, is hereby accepted by the undersigned officer on behalf of the Corporation, pursuant to authority conferred by the Board of Directors of the Corporation adopted on September 3, 2014, and the lessee consents to recordation thereof by its duly authorized officer.

Dated: October 1, 2014

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Representative

LEASE AGREEMENT

Dated as of October 1, 2014

between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Sublessor

and the

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT, as Sublessee

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease Agreement"), dated as of October 1, 2014, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation organized and existing under the laws of the State of California, as lessor (the "Corporation"), and the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT, a community services district organized and existing under and by virtue of the laws of the State of California, as lessee (the "District");

WITNESSETH:

WHEREAS, the District has determined that it is in the interests of the District at this time to provide for the financing of the acquisition, construction and installation of certain improvements to certain real property owned by the District, as described in Exhibit A hereto (the "Project"); and

WHEREAS, pursuant to that certain Site Lease, dated as of October 1, 2014 (the "Site Lease"), the District has leased that certain real property situated in Humboldt County, State of California, more particularly described in Exhibit B attached hereto and made a part hereof (the "Site"), and those certain improvements thereon (the "Facility" and, with the Site, the "Property"), to the Corporation, all for the purpose of enabling the District to finance the Project;

WHEREAS, the Corporation proposes to lease the Property back to the District pursuant to this Lease Agreement and to assign all of its rights, title and interest in, to and under this Lease Agreement, including its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the District and its rights under the Site Lease, to Umpqua Bank, (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of October 1, 2014, by and between the Corporation and the Assignee; and

WHEREAS, the District and the Corporation have agreed to enter into this Lease Agreement providing for Lease Payments with an aggregate principal component in the amount of \$_____ for the purpose of implementing the financing transactions described above.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I DEFINITIONS; RULES OF INTERPRETATION

Section 1.1. Definitions. All terms defined in this Section 1.1 have the meanings herein specified for all purposes of this Lease Agreement.

“Additional Payments” means the amounts specified as such in Section 4.3(b) of this Lease Agreement.

“Assessment Revenues” means fifty percent (50%) of all property owner assessments collected and received by the District each Fiscal Year pursuant to Measure B (passed on March 16, 2011) and deposited into the District’s Measure B Fund.

“Assignee” means (a) initially, Umpqua Bank, as assignee of all rights, title and interests of the Corporation hereunder, and (b) any other entity to whom the rights of the Corporation hereunder are assigned, including subsequent assignees of the Assignee, as provided in Section 7.4.

“Assignment Agreement” means the Assignment Agreement, dated as of October 1, 2014, between the Corporation, as assignor of its rights under the Site Lease and this Lease Agreement, and the Assignee, as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

“Bond Counsel” means (a) Nossaman LLP, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

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

“Closing Date” means October __, 2014.

“Corporation” means Public Property Financing Corporation of California, a non-profit public benefit corporation, organized and existing under the laws of the State.

“Corporation Representative” means the President, Vice President, Administrator or the designee of any such official, or any other person authorized by resolution of the Corporation delivered to the Assignee to act on behalf of the Corporation under or with respect to the Site Lease, the Lease Agreement and the Assignment Agreement.

“Default Rate” means [5]% plus the interest rate equal to the interest component of Lease Payments.

“Determination of Taxability” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue, or any court of competent jurisdiction, to the effect that an Event of Taxability shall have occurred; provided,

however, that the District shall have the opportunity to take such remedial action necessary to restore the tax-exempt status of the interest component of Lease Payments under the Lease Agreement. A Determination of Taxability also shall be deemed to have occurred on the date when the District files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred.

“District” means the McKinleyville Community Services District, a community services district organized and existing under the laws of the State.

“District Representative” means the President, Vice President, General Manager, Finance Director, or the designee of any such official, or any other person authorized by resolution delivered to the Corporation and the Assignee to act on behalf of the District under or with respect to the Site Lease and this Lease Agreement.

“Event of Default” means any of the events of default as defined in Section 8.1.

“Event of Taxability” means, with respect to the Lease Agreement: (a) the application of the proceeds of the advance rental payment by the Corporation pursuant to the Site Lease in such manner that the Lease Agreement becomes an “arbitrage bond” within the meaning of Tax Code Sections 103(b)(2) and 148, and with the result that interest component of the Lease Payments is or becomes includable in a recipient’s gross income (as defined in Tax Code Section 61); or (b) if as the result of any act, failure to act or use of the proceeds of the advance rental payment or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in the Lease Agreement or the Site Lease by the District the interest component of Lease Payments is or becomes includable in a recipient’s gross income (as defined in Tax Code Section 61); and (c) with respect to (a) and (b), the District does not undertake any remedial action afforded to it by the Internal Revenue Service.

“Facility” means those certain facilities existing on the Site.

“Federal Securities” means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

“Fiscal Year” means each twelve-month period during the Term of this Lease Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the District as its fiscal year period.

“Governmental Corporation” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Gross Up Rate” means an interest rate equal to the interest component of Lease Payments applicable to this Lease Agreement plus a rate sufficient such that the total interest to be paid on any Lease Payment Date would, after such interest was reduced by the amount of any federal income tax and state personal income tax (including any interest or penalties) actually payable thereon, equal the amount of interest due with respect to this Lease Agreement.

“Lease Agreement” means this Lease Agreement, dated as of October 1, 2014, between the Corporation and the District.

“Lease Payment Date” means May 1 and November 1 in each year, commencing May 1, 2015, and continuing to and including the date on which the Lease Payments are paid in full.

“Lease Payments” means all payments required to be paid by the District under Section 4.4, including any prepayment thereof under Section 9.1 or 9.2.

“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 Lease Agreement or to meet or perform its obligations under this Lease Agreement on a timely basis, (c) the validity or enforceability of this Lease Agreement, or (d) the exclusion of the interest component of the Lease Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“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 Corporation, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seek to restrain or enjoin any of the transactions contemplated by this Lease Agreement, or (iii) may adversely affect (A) the exclusion of the interest component of the Lease Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the District to perform its obligations under this Lease Agreement.

“Net Proceeds” means any insurance or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Permitted Encumbrances” means, as of any time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under Article VI of this Lease Agreement; (b) the Site Lease, this Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy issued with respect to the Property issued as of the Closing Date; and (e) any easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Property for its intended purposes.

“Property” means, collectively, the Site and the Facility.

“Rental Period” means each period during the Term of the Lease commencing on and including November 2 in each year and extending to and including the next succeeding November 1. The first Rental Period begins on the Closing Date and ends on November 1, 2015.

“Site” means that certain real property more particularly described in Exhibit A to the Site Lease and in Exhibit B to the Lease Agreement.

“Site Lease” means the Site Lease, dated as of October 1, 2014, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

“State” means the State of California.

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

“Term of this Lease Agreement” or “Term” means the time during which this Lease Agreement is in effect, as provided in Section 4.2.

Section 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.1. Covenants, Representations and Warranties of the District. The District makes the following covenants, representations and warranties to the Corporation as of the date of the execution and delivery of this Lease Agreement:

(a) *Due Organization and Existence.* The District is a community services district, organized and existing under and by virtue of the laws of the State, has full legal right, power and authority under the laws of the State to enter into the Site Lease and this Lease Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the District has duly authorized the execution and delivery by the District of the Site Lease and this Lease Agreement.

(b) *Due Execution.* The representative of the District executing the Site Lease and this Lease Agreement has been fully authorized to execute the same by a resolution duly adopted by the Board of Directors of the District.

(c) *Valid, Binding and Enforceable Obligations.* The Site Lease and this Lease Agreement have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding agreements of the District enforceable against the District in accordance with their respective terms.

(d) *No Conflicts.* The execution and delivery of the Site Lease and this Lease Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a material violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease or this Lease Agreement or the financial condition, assets, properties or operations of the District.

(e) *Consents and Approvals.* 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 Corporation is necessary in connection with the execution and delivery of the Site Lease and this Lease Agreement, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* To the best knowledge of the District, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other Governmental Corporation pending and notice of which has been served on the District or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease Agreement or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of

any federal, state, municipal or other Governmental Corporation, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, or the financial condition, assets, properties or operations of the District.

(g) *Sufficient Funds.* The District reasonably believes that sufficient funds , including the Assessment Revenues, can be obtained to make all Lease Payments and all other amounts required to be paid pursuant to this Lease Agreement.

(h) *No Defaults.* The District has never non-appropriated or materially defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Lease Agreement, or under any of its bonds, notes, or other debt obligations.

(i) *Fee Title.* The District is the owner in fee of title to the Property. No lien or encumbrance on the Property materially impairs the District's use of the Property for the purposes for which it is, or may reasonably be expected to be, held.

(j) *Use of the Property.* During the term of this Lease Agreement, the Property will be used by the District only for the purpose of performing one or more governmental or proprietary functions of the District consistent with the permissible scope of the District's authority.

(k) *Change in Financial Condition.* The District has experienced no material change in its financial condition since June 30, 2013.

(l) *Flooding Risk.* The Property is not located in a flood hazard area and has never been subject to material damage from flooding.

(m) *Value of Property.* The value of the Property (real property replacement cost) is not less than \$_____.

(n) *Essential to District Operations.* The Property is essential to the District's efficient and economic operations and the lease thereof for use by the District is in the best interest of the District.

(o) *Financial Statements.* The statement of financial position of the District as of June 30, 2013, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Assignee, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the District at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the period of such statements, there has been no (i) change which would have a Material Adverse Effect, and (ii) no material increase in the indebtedness of the District.

(p) *Compliance with Seismic Building Code Requirements.* To the best knowledge of the District, and without independent investigation, the improvements on the Property were built in compliance with seismic building code requirements of the State of California at the time such improvements were constructed.

(p) *No Material Adverse Change.* Since the most current date of the information, financial or otherwise, supplied by the District to the Assignee:

(i) 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.

(ii) The District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.

(iii) The District has not (A) incurred any material indebtedness on, or lease obligations payable from, its general fund, other than the Lease Payments, and trade accounts payable arising in the ordinary course of the District's business and not past due, or (B) guaranteed the indebtedness of any other person.

(q) *Accuracy of Information.* All information, reports and other papers and data furnished by the District to the Assignee were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Assignee a true and accurate knowledge of the subject matter and were provided in expectation of the Assignee's reliance thereon in entering into the transactions contemplated by this Lease Agreement. No fact is known to the District which has had or, 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 Assignee or in other such information, reports, papers and data or otherwise disclosed in writing to the Assignee prior to the Closing Date. Any financial, budget and other projections furnished to the Assignee 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 represented, and as of the date of this representation, represent the District's best estimate of its future financial performance. No document furnished nor any representation, warranty or other written statement made to the Assignee in connection with the negotiation, preparation or execution of this Lease Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

Section 2.2. Covenants, Representations and Warranties of the Corporation. The Corporation makes the following covenants, representations and warranties to the District as of the date of the execution and delivery of this Lease Agreement:

(a) *Due Organization and Existence.* The Corporation is a non-profit public benefit corporation, duly organized and existing under the laws of the State, has full legal right, power

and authority to enter into the Site Lease, this Lease Agreement and the Assignment Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the Corporation has duly authorized the execution and delivery by the Corporation of the Site Lease, this Lease Agreement and the Assignment Agreement.

(b) *Due Execution.* The representative of the Corporation executing the Site Lease, this Lease Agreement and the Assignment Agreement is fully authorized to execute the same under official action taken by the Board of Directors of the Corporation.

(c) *Valid, Binding and Enforceable Obligations.* The Site Lease, this Lease Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(d) *No Conflicts.* The execution and delivery of the Site Lease, this Lease Agreement and the Assignment Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a material violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, this Lease Agreement and the Assignment Agreement or the financial condition, assets, properties or operations of the Corporation.

(e) *Consents and Approvals.* No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Corporation is necessary in connection with the execution and delivery of the Site Lease, this Lease Agreement or the Assignment Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* To the best knowledge of the Corporation, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other Governmental Corporation pending and notice of which has been served on the Corporation or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease, this Lease Agreement or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state,

municipal or other Governmental Corporation, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, this Lease Agreement or the Assignment Agreement or the financial condition, assets, properties or operations of the Corporation.

(g) *Continued Existence of the Corporation.* The Corporation will take or cause to be taken all actions reasonably necessary to continue its existence until such time as the Lease Payments have been paid in full.

ARTICLE III DEPOSIT AND APPLICATION OF FUNDS

Section 3.1. Deposit of and Application of Funds. The amount of \$_____ shall be derived from amounts paid by the Assignee under the Assignment Agreement. On the Closing Date, the Corporation shall cause the amount of \$_____ to be transferred to the District. In addition, a portion of the amounts paid by the Assignee under the Assignment Agreement (including amounts retained by the Assignee for its fees) shall be applied by the Assignee, at the request of the District, to pay financing costs of the transaction in the amount of \$_____. To the extent any of such amount remains unpaid as of December 1, 2014, the Assignee shall apply such amount as a credit to the Lease Payment of the District due May 1, 2015. Any financing costs in excess of \$_____ shall be paid by the District.

ARTICLE IV LEASE OF PROPERTY; LEASE PAYMENTS

Section 4.1. Sublease of Property by the Corporation Back to the District.

(a) The Corporation hereby subleases the Property to the District, and the District hereby subleases the Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement.

(b) The leasing of the Property by the District to the Corporation pursuant to the Site Lease shall not affect or result in a merger of the District's subleasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Site Lease.

Section 4.2. Term. The Term of this Lease Agreement commences on the Closing Date and ends on November 1, 2029, or the date on which all of the Lease Payments have been paid in full. If on November 1, 2029, the Lease Payments payable hereunder shall have been abated at any time and for any reason and not otherwise paid from rental interruption insurance or other sources, or the District shall have defaulted in its payment of Lease Payments hereunder or any Event of Default has occurred and continues without cure by the District, then the term of this Lease Agreement shall be extended for the actual period of abatement or for so long as the default remains uncured, as necessary to accommodate the final payment of all Lease Payments due hereunder, not to exceed seven (7) years. The provisions of this Section 4.2 are subject to

the provisions of Section 6.1 relating to the taking in eminent domain of the Property or any portion thereof.

Section 4.3. Lease Payments.

(a) *Obligation to Pay.* Subject to the provisions of Sections 6.1 and 6.3 and the provisions of Article IX, the District agrees to pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the amounts specified in Exhibit C attached hereto (including any supplements thereto) and by this reference incorporated herein, to be due and payable in immediately available funds on each of the respective Lease Payment Dates specified in Exhibit C. The Lease Payments payable in any Rental Period with respect to the Property shall be for the use of the Property during such Rental Period. The interest component of the portion of the Lease Payments has been calculated based on an interest rate of [3.55]% per annum, on the basis of a 360-day year of twelve 30-day months. The District understands that the Assignee will send an invoice to the District in advance of each Lease Payment Date. In the event the District does not make any Lease Payment within ten (10) Business Days following the applicable Lease Payment Date, the interest component of the portion of the Lease Payment shall be calculated based on the Default Rate.

(b) *Additional Payments.* In addition to the Lease Payments set forth herein, the District agrees to pay as Additional Payments all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Property or upon any interest of the Corporation therein or in this Lease Agreement; provided, however, the District may, at the District's expense and in its name, in good faith contest any such taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Corporation shall notify the District that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any portion thereof, will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes and assessments or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation;

(ii) insurance premiums, if any, on all insurance required under the provisions of Article V hereof;

(iii) any other reasonable fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Lease Agreement or any of the transactions contemplated hereby or related to the Property, including, without limitation, any amounts which may become due; provided, however, the District shall not be responsible for any costs incurred by the Corporation associated with any assignment made by the Assignee;

(iv) any amounts required to be paid as rebate to the United States pursuant to the Tax Certificate; and

(v) upon the occurrence of a Determination of Taxability with respect to this Lease Agreement, the District shall, with respect to future Lease Payments, make Additional Payments resulting from the application of the Gross Up Rate thereto directly to the Corporation equal to the difference between the interest component of the Lease Payments calculated at the interest rate provided in this Lease Agreement and the interest component of the Lease Payments calculated at the Gross Up Rate; provided, however, in no event shall the total of the Lease Payments and the aggregate Additional Payments for any Fiscal Year exceed the annual fair rental value of the Property. In addition, the District shall make immediately upon demand of the Corporation an Additional Payment to the Corporation sufficient to indemnify the Corporation for any prior Lease Payments determined to be taxable as a consequence of a Determination of Taxability such that the taxable prior Lease Payments will be calculated at the Gross Up Rate instead of the interest rate set forth in this Lease Agreement; provided, however, in no event shall the total of the Lease Payments and the aggregate Additional Payments for any Fiscal Year exceed the annual fair rental value of the Property. To the extent that all such Additional Payments have not been paid to the Corporation at the end of the term of the Lease Agreement, the Term shall be extended in accordance with Section 4.2 hereof.

Amounts constituting Additional Payments payable hereunder shall be paid by the District directly to the person or persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Corporation to the District stating the amount of Additional Payments then due and payable and the purpose thereof.

(c) *Effect of Prepayment.* If the District prepays all Lease Payments in full under Section 9.1 or 9.2, the District's obligations under this Section will thereupon cease and terminate. If the District prepays the Lease Payments in part but not in whole under Section 9.1 or 9.2, the principal components of the remaining Lease Payments will be reduced on a pro rata basis; and the interest component of each remaining Lease Payment will be reduced on a pro rata basis.

(d) *Rate on Overdue Payments.* If the District fails to make any of the payments required in this Section 4.3, the payment in default will continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment at the Default Rate per annum .

(e) *Fair Rental Value.* The Lease Payments coming due and payable during each Rental Period constitute the total rental for the Property for such Rental Period, and will be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments due during each Rental Period are not in excess of the fair rental value of the Property during such Rental Periods. In

making this determination, consideration has been given to the estimated fair market value of the Property, the estimated replacement cost of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

(f) *Source of Payments; Budget and Appropriation.* The Lease Payments and Additional Payments are payable from any source of legally available funds of the District, including Assessment Revenues, subject to the provisions of Sections 6.1 and 6.3. The District covenants to take such action as may be necessary to include all Lease Payments and Additional Payments in each of its annual budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Additional Payments. The covenants on the part of the District herein contained constitute duties imposed by law and it is the duty of officials of the District vested with the authority to execute the terms of this Lease Agreement to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the District.

(g) *Allocation of Lease Payments.* All Lease Payments received shall be applied first to the interest components of the Lease Payments due hereunder, then to the principal components of the Lease Payments due hereunder, but no such application of any payments that are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

(h) *No Offsets.* Notwithstanding any dispute between the Corporation, or Assignee as the Corporation's assignee, and the District, the District shall make all Lease Payments when due without deduction or offset of any kind and shall not withhold any Lease Payments pending the final resolution of such dispute.

(i) *Assignment Agreement.* The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Assignee under the Assignment Agreement executed concurrently herewith, and the District hereby consents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Assignee (or to its assignees as directed pursuant to Section 7.4 hereof) all payments payable by the District under this Section 4.3 and all amounts payable by the District under Article IX. Lease Payments shall be paid to the Assignee as follows:

Payments by check (by overnight delivery only to this address):

Umpqua Bank
[]
Re: McKinleyville Community Services District

Payments by wire:

Umpqua Bank
[]

ABA No.:

Account Number:

Attention:

Reference: McKinleyville Community Services District

Section 4.4. Quiet Enjoyment. Throughout the Term of this Lease Agreement, the Corporation will provide the District with quiet use and enjoyment of the Property and the District will peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation will, at the request of the District and at the District's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation and the Assignee have the right to inspect the Property as provided in Sections 5.12(c) and 7.2.

Section 4.5. Title. At all times during the Term of this Lease Agreement, the District shall hold title to the Property, including all additions which comprise fixtures, repairs, replacements or modifications thereto, subject to Permitted Encumbrances and subject to the provisions of Section 7.2.

Upon the termination of this Lease Agreement (other than under Section 8.2(b) hereof), all right, title and interest of the Corporation in and to the Property shall be transferred to and vested in the District. Upon the payment in full of all Lease Payments allocable to the Property, all right, title and interest of the Corporation in and to the Property shall be transferred to and vested in the District. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer.

Section 4.6. Release of Excess Property. The District may, at any time and from time to time, release any portion of the Property (the "Released Property") from the Lease, with the prior written consent of the Assignee, which consent shall be at the Assignee's sole discretion, and upon satisfaction of all of the following requirements which are conditions precedent to such release:

(a) The District shall certify to the Corporation and the Assignee that no Event of Default has occurred and is continuing, and no event giving rise to an abatement of Lease Payments under Section 6.3 has occurred or is continuing with respect to the Property to be remaining following release of the Released Property;

(b) The District shall file with the Corporation and the Assignee, and cause to be recorded in the office of the Humboldt County Recorder, an amendment to this Lease Agreement which deletes the Released Property from the description of the Property;

(c) The District shall file with the Corporation and the Assignee a written certificate of the District stating the District's determination that the estimated value of the real property which will remain leased under this Lease Agreement following such release is at least equal to the

original principal components of the Lease Payments and upon request of the Assignee, the District shall provide to the Assignee additional information and documents to evidence the value of the remaining portion of the Property;

(d) The District shall file with the Corporation and the Assignee a written certificate of the District stating the District's determination that the estimated fair rental value, for each remaining Rental Period and in the aggregate, of the Property remaining after release of the Released Property is at least equal to the remaining Lease Payments for each remaining Rental Period and in the aggregate;

(e) The District shall furnish the Corporation and the Assignee with a written opinion of Bond Counsel stating that the release of the Released Property does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State; and

(f) The District shall file with the Corporation and the Assignee such other information, documents and instruments as the Corporation or the Assignee shall reasonably request, including (if requested by the Assignee) evidence of the insurable value of the Property to be remaining following release of the Released Property, indicating that such value is in excess of the then unpaid principal component of the Lease Payments and such endorsements to the title policy delivered on the Closing Date.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the District shall execute, deliver and cause to be recorded all documents required to discharge this Lease Agreement of record against the Released Property.

Section 4.7. Substitution of Property. (a) In the event of damage or destruction of the Property due to earthquake or other uninsured casualty for which rental interruption insurance is not available or in the event that following the condemnation of all or a portion of the Property the fair rental value of the Property remaining after such condemnation is less than the remaining Lease Payments due under this Lease Agreement, the District shall substitute under the Site Lease and this Lease Agreement one or more parcels of unimpaired and unencumbered real property, the fair rental value of which, for each remaining Rental Period and in the aggregate, shall be at least equal to the remaining unpaid principal components of the Lease Payments hereunder.

(b) If for any reason the District is unable to so substitute real property for the Property with a fair rental value at least equal to the remaining unpaid principal components of the Lease Payments hereunder, the District shall use its best efforts to obtain other financing in an amount necessary to prepay the principal component of the Lease Payments not supported by the fair rental value of the substituted property, if any.

(c) The District, with Assignee's prior written consent, which consent shall be at the Assignee's sole discretion, has the option at any time and from time to time, to substitute other

real property (the “Substitute Property”) for the Property or any portion thereof (the “Former Property”), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The District has filed with the Corporation and the Assignee, and caused to be recorded in the office of the Humboldt County Recorder sufficient memorialization of an amendment hereof which adds the legal description of the Substitute Property to Exhibit B and deletes therefrom the legal description of the Former Property.
- (c) The District has obtained a CLTA or ALTA policy of title insurance insuring the District’s leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the remaining Lease Payments.
- (d) The District has certified in writing to the Corporation and the Assignee that the Substitute Property serves the public purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.
- (e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made herein.
- (f) The District has filed with the Corporation and the Assignee a written certificate of the District or other written evidence stating that (i) the value of the Property after such substitution is at least equal to the remaining unpaid principal components of the Lease Payments, (ii) the fair rental of the Property after such substitution is at least equal to the Lease Payments thereafter coming due and payable, and (iii) the useful life of the Substitute Property at least extends to November 1, 2029.
- (g) The District shall furnish the Corporation and the Assignee with a written opinion of Bond Counsel stating that the Substitute Property does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Corporation and the District will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of

record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease Agreement and the Assignment Agreement.

Section 4.8. Pledge of Assessment Revenues. The District hereby irrevocably pledges all of the Assessment Revenues to the punctual payment of the Lease Payments, and such Assessment Revenues, except as otherwise permitted herein, shall not be used for any other purpose while any of the Lease Payments remain outstanding. This pledge shall constitute a first lien on the Assessment Revenues for the payment of the Lease Payments.

The District covenants and agrees that all Assessment Revenues, when and as received, will be received and held by, or on behalf of, the District in trust hereunder and will be accounted for and held in the District's Measure B Fund. All Assessment Revenues, shall nevertheless be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

ARTICLE V MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property are the sole responsibility of the District and the District will maintain the Property in good condition. The District will pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Property, as hereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the District under the terms of this Lease Agreement.

The District will pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District is obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss

or forfeiture, in which event the District will promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall promptly notify the Assignee of any tax, assessment, utility or other charge it elects to contest.

Section 5.2. Modification of Property. The District has the right, at its own expense, to make additions, modifications and improvements to the Property or any portion thereof. All additions, modifications and improvements to the Property will thereafter comprise part of the Property and become subject to the provisions of this Lease Agreement. Such additions, modifications and improvements may not in any way damage the Property, prevent the District's beneficial use of the property, or cause the Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

Section 5.3. Commercial General Liability Insurance. The District shall maintain or cause to be maintained throughout the Term of this Lease Agreement a standard commercial general liability insurance policy or policies in protection of the District, the Assignee and their respective members, officers, agents, employees and assigns, and shall name the Assignee as an additional insured. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Such policy or policies must provide coverage with limits and subject to such deductibles as the District shall deem adequate and prudent, and in all events in form and amount (including any deductibles) satisfactory to the Assignee. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District (including, with Assignee's prior written consent, a self insurance program), and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District will apply the proceeds of such liability insurance toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

Section 5.4. Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Property and owned by the District, in an amount at least equal to the greater of the replacement value of the insured buildings and the aggregate principal amount of the Lease Payments outstanding, with a lender's loss payable endorsement in favor of the Assignee. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Earthquake insurance shall only be carried if available from reputable insurers at a reasonable cost as determined by the General Manager of the District. Such insurance shall be subject to a deductible of not to exceed \$750,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District (including, with the Assignee's prior written consent, a self insurance program), and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District will apply the Net Proceeds of such insurance as provided in Section 6.2.

Section 5.5. Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property and the improvements situated thereon as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24 month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such rental interruption insurance shall not be self-insured by the District. The District will apply the Net Proceeds of such insurance towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Section 5.6. Worker's Compensation Insurance. If required by applicable California law, the District shall carry worker's compensation insurance covering all employees on, in, near or about the Property and, upon request, shall furnish to the Corporation certificates evidencing such coverage throughout the Term of this Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District (including a self insurance program), and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance.

Section 5.7. Recordation Hereof; Title Insurance. On or before the Closing Date, the District shall, at its expense, (a) cause this Lease Agreement, the Site Lease and the Assignment Agreement, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Humboldt County Recorder with respect to the Property, and (b) obtain a CLTA or ALTA title insurance policy insuring the Assignee's interests in the leasehold estate established under the Site Lease and hereunder in the Property, subject only to Permitted Encumbrances, in an amount equal to the original principal components of the Lease Payments. The District will apply the Net Proceeds of such insurance as provided in Section 6.2.

Section 5.8. Insurance Net Proceeds; Form of Policies. All insurance policies (or riders) required by this Article V and provided by third party insurance carriers shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten days before the cancellation or revision becomes effective. Each insurance policy or rider required by Sections 5.3, 5.4 and 5.5 and provided by third party insurance carriers shall name the District and the Assignee as insured parties and the Assignee as loss payee and shall include a lender's loss payable endorsement for the benefit of the Assignee. In the case of coverage pursuant to Section 5.3, the Corporation and the Assignee shall be added as an additional insureds. Prior to the Closing Date, the District will deposit with the Assignee policies (and riders and endorsements, if applicable) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full

force and effect. Before the expiration of any such policy (or rider), the District will furnish to the Assignee evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V unless such insurance is no longer obtainable, in which event the District shall notify the Assignee of such fact.

Section 5.9. Installation of District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the District, in which the Corporation has no interest, and may be modified or removed by the District at any time. The District must repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the District from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest may attach to any part of the Property.

Section 5.10. Liens. The District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than as herein contemplated and except for such encumbrances as the District certifies in writing to the Assignee do not materially and adversely affect the leasehold estate in the Property hereunder and for which the Assignee provides its prior written approval, which approval shall be at Assignee's sole discretion. Except as expressly provided in this Article V, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The District will reimburse the Assignee for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. Advances. If the District fails to perform any of its obligations under this Article V, the Corporation may take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 4.3(c).

Section 5.12. District Consent to Assignment Agreement. The Corporation's rights under this Lease Agreement (excluding the right to receive notices, the right to reimbursement of costs and to indemnification), including the right to receive and enforce payment of the Lease Payments, and the Site Lease, are being assigned to the Assignee pursuant to the Assignment Agreement. The District hereby consents to such assignment and to any additional assignment of such rights by the Assignee or its assignees. The District agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Assignee or its assignees to protect their interests in the Property and in this Lease Agreement.

ARTICLE VI EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain. If all of the Property shall be taken permanently under the power of eminent domain or sold to a governmental entity threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments in an amount equal to the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the District and the Assignee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award*.

(i) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the District in the event of any such damage or destruction shall be deposited by the District promptly upon receipt thereof in a special fund with the Assignee designated as the "Insurance and Condemnation Fund."

(ii) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Corporation and the Assignee in writing of its determination either (A) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the District and the Net Proceeds, together with other moneys available therefor, are sufficient to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 9.2 hereof, or (B) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property and the fair rental value of the Property following such repair, restoration, replacement, modification or improvement will at least equal the unpaid principal component of the Lease Payments.

(iii) In the event the District's determination is as set forth in clause (A) of subparagraph (ii) above, such Net Proceeds shall be promptly applied to the prepayment of the unpaid principal component of the Lease Payments and other amounts pursuant to Section 9.2 of this Lease Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be so applied only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments, all accrued and unpaid interest, and all other costs related to such prepayments pursuant to Section 9.2 of this Lease Agreement and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that

in the event of damage or destruction of the Property in part, such Net Proceeds may be applied to the prepayment of the unpaid principal component of the Lease Payments only if the resulting Lease Payments following such prepayment from Net Proceeds represent fair consideration for the remaining portions of the Property and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Property, evidenced by a certificate signed by a District Representative.

(iv) In the event the District's determination is as set forth in clause (B) of subparagraph (ii) above, such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, and until the Property has been restored to its prior condition, the District shall not place any lien or encumbrance on the Property that is senior to this Lease Agreement without the prior written consent of the Assignee, at its sole discretion.

(b) *From Eminent Domain Award.* If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited by the District in the Insurance and Condemnation Fund and shall be applied and disbursed as follows:

(i) If the District has given written notice to the Corporation and the Assignee of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are not needed for repair or rehabilitation of the Property, the District shall so certify to the Corporation and the Assignee, and the District shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.2 of this Lease Agreement.

(ii) If the District has given written notice to the Corporation and the Assignee of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are needed for repair, rehabilitation or replacement of the Property, the District shall so certify to the Corporation and the Assignee, and the District shall apply such amounts for such repair or rehabilitation.

(iii) If (A) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Corporation and the Assignee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement or (B) all of the Property shall have been taken in such eminent domain proceedings, then the District shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.2 of this Lease Agreement.

(iv) In making any determination under this Section 6.2(b), the District may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Corporation and the Assignee. Any such determination by the District shall be final.

(c) *From Title Insurance.* The Net Proceeds from a title insurance award shall be deposited by the District in the Insurance and Condemnation Fund and credited towards the prepayment of Lease Payments required to be paid pursuant to Section 9.2 of this Lease Agreement.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof to the extent to be agreed upon by the District and the Assignee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon an appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as evidenced by a Certificate of a District Representative to the Corporation and the Assignee. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the District waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that (a) the proceeds of rental interruption insurance, or (b) amounts in the Insurance and Condemnation Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

OTHER COVENANTS OF THE DISTRICT

Section 7.1. Disclaimer of Warranties. THE CORPORATION MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE DISTRICT LEASES THE PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE DISTRICT. In no event is the Corporation liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or use of the Property by the District.

Section 7.2. Access to the Property; Grant and Conveyance of Right of Entry. The District agrees that the Corporation, and the Corporation's successors or assigns, has the right at all reasonable times, following at least 48 hours written notice provided to the District, to enter upon and to examine and inspect (to the extent permitted by law and public policy) the Property or any part thereof. The District further agrees that the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Property or any component thereof, following at least 48 hours written notice provided to the District, as may be reasonably necessary to cause the proper maintenance of the Property if the District fails to perform its obligations hereunder. Neither the Corporation nor any of its assigns has any obligation to cause such proper maintenance.

The District further grants, conveys and confirms to the Corporation, for the use, benefit and enjoyment of the Corporation, its successors in interest to the Property, including the Assignee, and its sublessees, and their respective employees, invitees, agents, independent contractors, patrons, customers, guests and members of the public visiting the Property, a right of entry which shall be irrevocable for the Term of this Lease Agreement over, across and under the property of the District adjacent to the Property to and from the Property for the purpose of: (a) ingress, egress, passage or access to and from the Property by pedestrian or vehicular traffic; (b) installation, maintenance and replacement of utility wires, cables, conduits and pipes; and (c) other purposes and uses necessary or desirable for access to and from and for operation and maintenance of the Property.

Section 7.3. Release and Indemnification Covenants. The District hereby indemnifies the Corporation, the Assignee and their respective directors, officers, agents, employees, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District or the District's employees, agents, contractors, invitees or licensees, (b) any breach or default on the part of the District in the performance of any of its obligations under this Lease Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (d) any intentional misconduct or negligence of any sublessee of the District with respect to the Property, or (e) the acquisition, construction, improvement and equipping of the Property, or (f) any environmental condition affecting the Property and hazardous materials located on or about the Property. No indemnification is made under this Section 7.3 or elsewhere in this Lease Agreement for willful misconduct or gross negligence under this Lease Agreement by the Corporation, the Assignee, or their respective officers, agents, employees, successors or assigns. The indemnification hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of the Term of this Lease Agreement for any reason. The District and the Corporation each agree to promptly give notice to each other and the Assignee of any claim or liability hereby indemnified against following learning thereof.

Section 7.4. Assignment Agreement by the Corporation. The Corporation's rights, title and interests under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District hereunder, have been assigned to the Assignee; provided that the Corporation's rights to indemnification and payment or reimbursement for any

costs or expenses hereunder have been retained by the Corporation to the extent such rights accrue to the Corporation and shall have been assigned to the Assignee to the extent such rights accrue to the Assignee. The District hereby consents to such assignment. Whenever in this Lease Agreement any reference is made to the Corporation, such reference shall be deemed to refer to the Assignee (including its assignees).

The Assignee may make additional assignments of its rights, title and interests herein; provided such assignment is to (i) an “accredited investor” within the meaning of Regulation D promulgated under the Securities Act of 1933, or (ii) a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended, and is in compliance with all applicable securities laws, but no such assignment will be effective as against the District unless and until the Assignee has filed with the District at least five (5) Business Days’ prior written notice thereof and an executed copy of an investor’s letter addressed to the District and the Corporation substantially in the form of the letter delivered by the Assignee on the Closing Date. The District shall pay all Lease Payments hereunder to the Assignee, as provided in Section 4.3(h) hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the District. During the Term of this Lease Agreement, the District will keep a complete and accurate record of all such notices of assignment.

Section 7.5. Assignment Agreement and Subleasing by the District. This Lease Agreement may not be assigned, mortgaged, pledged or transferred by the District. The District may sublease the Property, or any portion thereof, with the prior written consent of the Assignee, at the Assignee’s sole discretion, subject to all of the following conditions:

(a) This Lease Agreement and the obligation of the District to make Lease Payments hereunder shall remain obligations of the District, and any sublease shall be subject and subordinate to this Lease Agreement.

(b) The District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Assignee a true and complete copy of such sublease.

(c) No such sublease by the District may cause the Property to be used for a purpose other than as may be authorized under the provisions of the laws of the State.

(d) The District shall furnish the Corporation and the Assignee with a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State.

(e) Any such sublease shall be subject and subordinate in all respects to the Site Lease and this Lease Agreement.

Notwithstanding the foregoing, in connection with any sublease entered into for financing purposes, the principal component of the then remaining Lease Payments plus the principal component of the sublease payments shall not exceed the fair market value of the Property.

Section 7.6. Amendment of Lease Agreement. This Lease Agreement may be amended with the prior written consent of the Corporation and the Assignee (at the Assignee's sole discretion) provided such amendment does not, in the Assignee's sole judgment, adversely affect the Assignee.

Section 7.7. Tax Covenants. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Lease Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Lease Agreement that may cause the Lease Agreement to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Lease Agreement will not be used so as to cause the proceeds on the Lease Agreement to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Lease Agreement to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) The District covenants that it, together with its subordinate entities, will not issue during the remainder of calendar year 2014 obligations (other than private activity bonds (except qualified 501(c)(3) bonds) as defined in Section 145 of the Code) the interest on which is exempt from federal income tax under Section 103 of the Code which, when aggregated with all obligations the interest on which is exempt from federal income tax under Section 103 of the Code, will exceed an aggregate principal amount of \$10,000,000.

Section 7.8. Financial Statements; Budgets. Within one hundred eighty (180) days following the end of each Fiscal Year of the District during the Term of this Lease Agreement, the District will provide the Assignee with a copy of its audited financial statements for such Fiscal Year. Such audited financial statements shall include the District's audited financial statements, including such information as is required by applicable Government Accounting Standards Board pronouncements and applicable State law. Within sixty (60) days of the end of each Fiscal Year, the District will provide the Assignee with a copy of its annual budget and any interim updates or modifications to such budget, and within ninety (90) days following the end of each Fiscal Year, the District will provide the Assignee with a copy of its unaudited financial results for such Fiscal Year. The District hereby agrees to provide the Assignee with such other information as may be reasonably requested by the Assignee.

Section 7.9. Records and Accounts. The District covenants and agrees that it shall keep proper books of record and accounts of its operations, in which complete and correct entries shall

be made of all transactions relating to the District. Said books and records shall at all reasonable times be subject to the inspection of the Assignee upon 72 hours' prior notice.

Section 7.10. Observance of Laws and Regulations. The District will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the District, including the District's right to exist and carry on business as a special district, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 7.11. Notices. During the Term of this Lease Agreement, the District shall provide to the Assignee:

(a) immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Lease Agreement, together with a detailed statement by a District Representative of the steps being taken by the District to cure the effect of such Event of Default.

(b) within ten (10) days of knowledge by the District written notice of any Material Litigation or Material Adverse Effect, or any investigation, inquiry or similar proceeding by any Governmental Corporation.

(c) with reasonable promptness, such other information respecting the District, and the operations, affairs and financial condition of the District as the Assignee may from time to time reasonably request.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. Any one or more of the following events constitutes an Event of Default hereunder:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein, which failure is not cured within three (3) Business Days of such time.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, and other than the covenant of the District to provide the Assignee with a copy of its annual budget and any interim updates or modifications to such budget as required by Section 7.8 hereof, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Assignee. However, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within

such 30-day period, the Corporation and the Assignee shall not unreasonably withhold their consent to an extension of such time (for a period not to exceed 60 days) if corrective action is instituted by the District within such 30-day period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar federal or State act now existing or which may hereafter be enacted.

(d) Any statement, representation or warranty of a material nature made by the District in or pursuant to this Lease Agreement or its execution, delivery or performance shall have been false, incorrect, misleading or breached in any material respect on the date when made.

(e) Any default occurs under any other agreement for borrowing money, lease financing of property or otherwise receiving credit under which the District is an obligor, if such default (i) arises under any other agreement for borrowing money, lease financing of property or provision of credit provided by the Assignee or any affiliate of the Assignee, or (ii) arises under any obligation under which there is outstanding, owing or committed an aggregated amount in excess of \$500,000.

(f) Any default by the District to observe any material covenant, condition or agreement on its part to be observed or performed under the Site Lease.

(g) Any court of competent jurisdiction shall find or rule that the Site Lease or this Lease Agreement is not valid or binding against the District.

Section 8.2. Remedies on Default. Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under this Lease Agreement; provided, however, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted hereunder; provided, that no termination of this Lease Agreement shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise any one or more of the following remedies:

(a) *Enforcement of Payments Without Termination.* If the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any

deficiency arising out of the re-leasing of the Property, or, if the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in Humboldt County for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The District agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The District agrees to surrender and quit possession of the Property upon demand of the Corporation for the purpose of enabling the Property to be re-let under this paragraph. Any rental obtained by the Corporation in excess of the sum of Lease Payments plus costs and expenses incurred by the Corporation for its services in re-leasing the Property shall be paid to the District.

(b) *Termination of Lease.* If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Property, subject to the Site Lease. If the Corporation terminates this Lease Agreement at its option and in the manner hereinafter provided due to a default by the District (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be applied by the Corporation to Lease Payments due under this Lease Agreement. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Lease Agreement. The District covenants and agrees that no surrender of the Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any

manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

(d) *Remedies under the Site Lease.* If an Event of Default occurs and continues hereunder, the Corporation may exercise its rights under the Site Lease.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall 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 the Corporation to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. If any party to this Lease Agreement defaults under any of the provisions hereof and the non-defaulting party should employ attorneys (including in-house legal counsel) or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the non-defaulting party.

Section 8.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Lease Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.6. Assignee to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article VIII have been assigned by the Corporation to the Assignee, to which assignment the District hereby consents. Such rights and remedies shall be exercised solely by the Assignee.

ARTICLE IX PREPAYMENT OF LEASE PAYMENTS

Section 9.1. Optional Prepayment. The District may prepay, commencing on any date on or after November 1, 20__ , with 30 days written notice, all or any portion of the Lease

Payments, at a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together accrued interest to the date fixed for prepayment, without premium.

Section 9.2. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The District shall be obligated to prepay the unpaid principal components of the Lease Payments in whole or in part in such order of prepayment as shall be selected by the District on any date, together with any accrued and unpaid interest, a prepayment premium, if applicable, and any other costs related to such prepayment, from and to the extent of any proceeds of insurance award or condemnation award with respect to the Property to be used for such purpose under Section 6.2. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the District's obligations under this Section 9.2.

ARTICLE X MISCELLANEOUS

Section 10.1. Notices. Any notice, request, complaint, demand or other communication under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, the District and the Assignee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District:	McKinleyville Community Services District 1656 Sutter Road McKinleyville, CA 95519 Phone: (707) 3839-3251 Fax: (707) 839-8456 Attention: General Manager
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If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: Bill Morton Phone: (805) 267-7141 Fax: (805) 267-7142
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If to the Assignee: Umpqua Bank
2998 Douglas Boulevard, Suite 100
Roseville, CA 95661
Attention: _____
Phone: (916) _____
Fax: (916) 783-2448

Section 10.2. Binding Effect. This Lease Agreement inures to the benefit of and is binding upon the Corporation, the District and their respective successors and assigns.

Section 10.3. Severability. If any provision of this Lease Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-net-net Lease. This Lease Agreement is a “net-net-net lease” and the District hereby agrees that the Lease Payments are an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 10.5. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.6. Waiver of Personal Liability. No member, officer, agent or employee of the District or the Corporation shall be individually or personally liable for the payment of Lease Payments; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 10.7. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

Section 10.8. Applicable Law. This Lease Agreement is governed by and construed in accordance with the laws of the State.

Section 10.9. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or section of this Lease Agreement.

IN WITNESS WHEREOF, the Corporation and the District have caused this Lease Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Representative

**MCKINLEYVILLE COMMUNITY
SERVICES DISTRICT**

By: _____
General Manager

EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of _____. The cost of the components of the Project is currently estimated as follows:

Project Component

Estimated Cost

Total Cost

\$

EXHIBIT B

DESCRIPTION OF THE SITE

The land referred to in this Lease Agreement is situated in the County of Humboldt, State of California, and is described as follows:

All that real property in Township 7 North, Range 1 East, Section 32, more particularly describe as follows:

TRACT ONE

Parcel 3 of Parcel Map No. 231 filed in the Office of the County Recorder of said Humboldt County in Book 2 of Parcel Maps, Pages 139 and 140.

Together with those lands described in the Quitclaim Deed from Ernest Pierson and Louise Pierson to the County of Humboldt recorded December 17, 1992 as Instrument No. 1992-36347-2, Humboldt County Official Records.

TRACT TWO

PARCEL ONE

Parcel 4 as shown on Parcel Map No. 2988 on file in the Office of the County Recorder in Book 27 of Parcel Maps, Pages 89 and 90.

PARCEL TWO

A non-exclusive easement within a strip of land 40 feet wide, the centerline of which is described as follows:

BEGINNING at a point located 1270 West and 336 feet North of the quarter section corner on the South line of Section 32, Township 7 North, Range 1 East, Humboldt Meridian; thence West parallel with the section line, 846 feet; thence North 48 degrees 45 minutes West, 280 feet.

EXCEPTING THEREFROM that portion thereof which lies Easterly of the Southerly extension of the East line of Parcel One above described.

Being a portion of the easement granted in the deed from Henry Babler to Donald W. Gwin, et al, dated July 12, 1956 and recorded July 30, 1956 in Book 403 of Official Records at page 166, under Recorder's File No. 12058.

PARCEL THREE

A non-exclusive right of way for ingress and egress and public utility purposes within a strip of land 40 feet in width, the centerline of which is described as follows:

BEGINNING at the Northwesterly terminus of the centerline of Parcel Two above described; thence North 48 degrees 45 minutes West, 49.7 feet.

Being the same right of way as granted in Parcel 1 of the Deed from Ernest Pierson and wife, to Donald W. Gwin, et al, dated April 2, 1965 and recorded April 8, 1965 in Book 831 of Official Records at page 559, under Recorder's File No. 5323.

PARCEL FOUR

A non-exclusive right of way for ingress and egress and public utility purposes within a strip of land 50 feet in width, the centerline of which is described as follows:

BEGINNING at the Northwesterly terminus of the centerline of Parcel Three above described; thence North 89 degrees 50 minutes 30 seconds West, 220.94 feet to Central Avenue, formerly Highway 101.

Being the same right of way as granted in Parcel 2 of the deed from Ernest Pierson and wife, to Donald W. Gwin, et al, dated April 2, 1965, and recorded April 8, 1965 in Book 831 of Official Records, at page 559, under Recorder's File No. 5323.

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	Principal Component	Interest Component ⁽¹⁾	Total Lease Payment
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TOTAL

(1) Applicable interest rate is [3.55]% per annum. Default Rate of ____% per annum if Lease Payment not made within ten (10) Business Days of the applicable Lease Payment Date.

AGREEMENT FOR PLACEMENT AGENT SERVICES

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT 2014 LEASE FINANCING

This Agreement, made and entered into as of September 3, 2014, by and between the McKinleyville Community Services District (the "District") and Brandis Tallman LLC ("BTLLC") is for the purpose of establishing BTLLC as Placement Agent for the 2014 Lease Financing (the "Financing"). BTLLC will be compensated by a fee to be paid out of costs of issuance in the not-to-exceed amount of \$25,000 in connection with the Financing. Payment of the fee will be contingent on the closing of the transaction. The District reserves the right to terminate this Agreement or reject the proposed Financing at any time.

SCOPE OF SERVICES

BTLLC shall perform all the duties and services specifically set forth herein and shall provide such other services as it deems necessary or advisable, or are reasonable and necessary to accomplish the intent of the District in a manner consistent with the standards and practices of placement agents prevailing at the time such services are rendered to the District.

The District may, with the concurrence of BTLLC, expand this Scope of Services to include any additional services not specifically identified within the terms herein.

DEBT ISSUANCE SERVICES

Insofar as BTLLC is providing services which are rendered only to the District, the overall coordination of the Financing shall be such as to minimize the costs of the transaction coincident with maximizing the District's Financing flexibility and capital market access. BTLLC's proposed services may include, but shall not be limited to, the following:

- Develop Financing Schedule
- Monitor the Transaction Process
- Compute Sizing and Design Structure of the Financing
- Compilation/Drafting of Disclosure Reports for Private Placement Distribution
- Conduct Marketing and Distribution
- Structure Financing Terms
- Review Financing Documents
- Provide Pre-Closing and Closing Assistance

Specifically, BTLLC will:

1. Develop the Financing Schedule.

BTLLC shall assist in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

2. Monitor the Transaction Process.

BTLLC shall have responsibility of working with the Financing team for the successful implementation of the Financing strategy and timetable that is adopted. BTLLC shall coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and shall monitor the progress of all activities leading to the sale of the Financing. BTLLC shall monitor the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the Financing.

3. Compute Sizing and Design Structure of Debt Issue.

BTLLC shall work with the Financing team and District staff to design the Financing to be consistent with the District's objectives and to reflect current conditions in the capital markets. BTLLC will assist with the performance of numerical iterations to provide examples of Financing scenarios, sources and uses of funds, debt service schedules and cash flow projections, as needed. BTLLC will also work with the Financing team to structure debt consistent with existing covenants and requirements.

4. Compilation/Drafting of Disclosure Reports (as necessary and appropriate) for Distribution to Sophisticated Investors.

BTLLC will be responsible, as deemed appropriate by bond counsel and the District, to compile and draft disclosure information relating to the security of the Financing for distribution to sophisticated investors.

5. Conduct Marketing and Distribution.

BTLLC shall provide regular summaries of current market conditions, trends in the market and how these may favorably or unfavorably affect the District's proposed Financing. We will provide feedback from investors and analyze proposed rates and terms.

6. Structure Financing Terms.

Our goal is to achieve the best possible Financing terms (which usually translates into the lowest cost of borrowing). These terms will be weighed and considered against what the investor will accept (and at what price) and what works best for the District.

7. Review Financing Documents.

BTLLC shall assist bond counsel and/or other legal advisors in the drafting of the respective Financing resolutions, notices and other legal documents. In this regard, BTLLC shall monitor document preparation for a consistent and accurate presentation of the recommended business terms and Financing structure, it being specifically understood however that BTLLC's services shall in no manner be construed as engaging in the practice of law.

8. Provide Pre-Closing and Closing Activities.

BTLLC shall assist in arranging for the closing. BTLLC shall assist bond counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of final delivery of the securities and settlement of the costs of issuance.

Confirming discussions with the District regarding risk, BTLLC represents the following:

- a. we have no conflict of interest with the District, such as a third party payment or profit-sharing with investors in connection with this Financing;
- b. we have made every effort to have a reasonable basis for all information provided and to present it in a clear, accurate and not misleading presentation;
- c. it must be noted that as a broker/dealer, our relationship with an issuer is basically an arm's-length commercial transaction and we may have financial and other interests that differ from the District.
- d. we are not acting as a municipal advisor, financial advisor or fiduciary to the District or any other person or entity and have not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto.
- e. the only obligations we have to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB.
- f. the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction.

The District and BTLLC have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

BRANDIS TALLMAN LLC

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

By _____
Richard Brandis, President

By _____
Gregory P. Orsini, General Manager

Sources and Uses of Funds
McKinleyville Community Services District
Teen Community Center 2014 Financing (Level Debt Service - 15 Year Term)

Sources:

Bond Proceeds:

Par Amount	1,468,929.00
	1,468,929.00

Uses:

Project Fund Deposits:

Project Fund	1,400,000.00
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Delivery Date Expenses:

Cost of Issuance	68,928.34
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Other Uses of Funds:

Additional Proceeds	0.66
	1,468,929.00

Cost of Issuance
McKinleyville Community Services District
Teen Community Center 2014 Financing (Level Debt Service - 15 Year Term)

Cost of Issuance	Amount
Bond Counsel	25,000.00
Placement Agent	25,000.00
Investor's Counsel	10,000.00
Title	2,708.00
CDIAC	220.34
Public Property Financing Corporation	2,500.00
Miscellaneous	3,500.00
	68,928.34

Bond Summary Statistics
McKinleyville Community Services District

Teen Community Center 2014 Financing (Level Debt Service - 15 Year Term)

Dated Date	10/7/2014
Delivery Date	10/7/2014
Last Maturity	11/1/2029

Arbitrage Yield	3.549670%
True Interest Cost (TIC)	3.549670%
Net Interest Cost (NIC)	3.550000%
All-In TIC	4.240161%
Average Coupon	3.550000%

Average Life (years)	8.488
Weighted Average Maturity (years)	8.488

Par Amount	1,468,929.00
Bond Proceeds	1,468,929.00
Total Interest	442,632.31
Net Interest	442,632.31
Total Debt Service	1,911,561.31
Maximum Annual Debt Service	127,438.02
Average Annual Debt Service	126,873.54

Underwriter's Fees (per \$1000)

Average Takedown

Other Fee

Total Underwriter's Discount

Bid Price	100.000000
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Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	1,468,929.00	100.000	3.550%	8.488
	1,468,929.00			8.488

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,468,929.00	1,468,929.00	1,468,929.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(68,928.34)	
- Other Amounts			
Target Value	1,468,929.00	1,400,000.66	1,468,929.00
Target Date	10/7/2014	10/7/2014	10/7/2014
Yield	3.549670%	4.240161%	3.549670%

Bond Debt Service
 McKinleyville Community Services District
 Teen Community Center 2014 Financing (Level Debt Service - 15 Year Term)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
5/1/2015	36,228	3.550%	29,549.96	65,777.96	
11/1/2015	36,229	3.550%	25,430.44	61,659.44	127,437.40
5/1/2016	39,279	3.550%	24,787.38	64,066.38	
11/1/2016	39,281	3.550%	24,090.18	63,371.18	127,437.56
5/1/2017	40,687	3.550%	23,392.94	64,079.94	
11/1/2017	40,687	3.550%	22,670.74	63,357.74	127,437.68
5/1/2018	42,144	3.550%	21,948.55	64,092.55	
11/1/2018	42,144	3.550%	21,200.49	63,344.49	127,437.04
5/1/2019	43,654	3.550%	20,452.44	64,106.44	
11/1/2019	43,654	3.550%	19,677.58	63,331.58	127,438.02
5/1/2020	45,218	3.550%	18,902.72	64,120.72	
11/1/2020	45,217	3.550%	18,100.10	63,317.10	127,437.82
5/1/2021	46,837	3.550%	17,297.50	64,134.50	
11/1/2021	46,837	3.550%	16,466.14	63,303.14	127,437.64
5/1/2022	48,514	3.550%	15,634.79	64,148.79	
11/1/2022	48,515	3.550%	14,773.66	63,288.66	127,437.45
5/1/2023	50,252	3.550%	13,912.52	64,164.52	
11/1/2023	50,252	3.550%	13,020.55	63,272.55	127,437.07
5/1/2024	52,052	3.550%	12,128.58	64,180.58	
11/1/2024	52,052	3.550%	11,204.65	63,256.65	127,437.23
5/1/2025	53,916	3.550%	10,280.73	64,196.73	
11/1/2025	53,917	3.550%	9,323.72	63,240.72	127,437.45
5/1/2026	55,847	3.550%	8,366.69	64,213.69	
11/1/2026	55,848	3.550%	7,375.41	63,223.41	127,437.10
5/1/2027	57,848	3.550%	6,384.11	64,232.11	
11/1/2027	57,848	3.550%	5,357.31	63,205.31	127,437.42
5/1/2028	59,920	3.550%	4,330.50	64,250.50	
11/1/2028	59,920	3.550%	3,266.92	63,186.92	127,437.42
5/1/2029	62,066	3.550%	2,203.34	64,269.34	
11/1/2029	62,066	3.550%	1,101.67	63,167.67	127,437.01
	1,468,929		442,632.31	1,911,561.31	1,911,561.31

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.3 **Consider Recreation Advisory Committee's recommendation to revise the Parks & Recreation Master Plan to include a trail system at Fischer Ranch**

PRESENTED BY: **Jason Sehon, Parks & Recreation Director**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends the Board review the information, air questions, take public comment, discuss and accept the recommendation from staff and the Recreation Advisory Committee to revise the Parks & Recreation Master Plan to include a trail system at Fischer Ranch.

Discussion:

Staff is considering submitting a grant application to the Habitat Conservation Fund (HCF) through California State Parks. The State of California has enacted the California Wildlife Protection Act of 1990, which provides funds to the State of California for grants to local agencies to acquire, enhance, restore or develop facilities for public recreation and fish and wildlife habitat protection purposes.

The grant application could potentially include an interpretive trail system at Fischer Ranch. While the HCF funds a variety of projects, providing funding for new trails is one of the specifically identified projects for funding.

At the August 21, 2014 Recreation Advisory Committee there was extensive discussion on the benefits of installing a neighborhood trail system at Fischer Ranch. Currently, there is an existing game trail that has been taken over by some members of our community. Trees have been illegally cut throughout the property along the trail.

In order to preserve the habitat and create a recreational benefit for our community, staff feel's pursuing the installation of a gravel trail system would be beneficial.

Maintenance of this type of trail system is minimal and agreements for shared maintenance of the trail are in development.

In order to apply for funding, it is necessary to update our Parks & Recreation Master Plan to include a trail system at Fischer Ranch. I've updated Chapter's 4 & 5 with track changes and attached them to the agenda.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Unknown at this time

Environmental Requirements:

None

Exhibits/Attachments

- Attachment 1 - Chapter 4 of the Parks & Recreation Master Plan
- Attachment 2 - Chapter 5 of the Parks & Recreation Master Plan
- Attachment 3 - Tentative map of trail system

Chapter 4: Description of Unmet Needs



Chapter 4: Description of Unmet Needs

Overview

Unmet recreational needs can be defined as the gap between the community's recreational standards and the recreational opportunities that are available. This comparison is dynamic in that the size of the gap changes over time as population grows, interests change and facilities are added. This comparison can only be partially quantified since recreational needs such as solitude cannot be measured in terms of facilities. Population standards for Trails, River and Ocean Access are not contained within this document. This plan describes McKinleyville's current and projected unmet needs for twenty recreational facilities. Exhibit 6 describes current facility requirements and Exhibit 7 describes the requirements for facilities when population in McKinleyville reaches 22,000 people (McKinleyville's assumed population in 20 years). The facility requirements for both tables are computed by comparing the standards described in Chapter III with the Inventory of facilities cataloged in Chapter 2. Exhibits 6 and 7 each have five columns. The left hand column on both Exhibits is a listing of the same 25 recreational facilities included in Exhibits 4 and 5. The second column on both Exhibits is a repeat of the "Population Standard" previously included in the second column of Exhibit 5. The third column on both Exhibits counts the current number of each facility in McKinleyville (See Exhibit 4 for more detailed information).



Exhibit 6 describes current facility requirements and Exhibit 7 describes the requirements for facilities when population in McKinleyville reaches 22,000 people (McKinleyville's assumed population in 20 years). The facility requirements for both tables are computed by comparing the standards described in Chapter III with the Inventory of facilities cataloged in Chapter 2. Exhibits 6 and 7 each have five columns. The left hand column on both Exhibits is a listing of the same 25 recreational facilities included in Exhibits 4 and 5. The second column on both Exhibits is a repeat of the "Population Standard" previously included in the second column of Exhibit 5. The third column on both Exhibits counts the current number of each facility in McKinleyville (See Exhibit 4 for more detailed information).

The fourth column in Exhibit 6 (captioned "2012 Need") lists the number of each facility needed to satisfy the "Population Standard". The right hand column in Exhibit 6 provides the number of additional units needed in 2012 for each facility or the "2012 Deficit". It should be noted that the "2012 Deficit" is sometimes greater than the difference between the fourth column and the third column where the current location of facilities fails to satisfy the "Service Area Standard". The "2012 Deficit" for basketball courts, for example, is one court even though the existing eleven courts satisfy the "Population Standard" since there are currently no courts within one mile of residents in the southwest sector of the community.

The fourth column in Exhibit 7 (captioned "2032 Need") lists the number of each facility needed to satisfy the "Population Standard" when population reaches 22,000 people in McKinleyville. The right hand column provides the number of additional units of each facility needed at that time or the "2032 Deficit". It should be noted that this deficit will change as new facilities are developed and as tastes change.

It should be noted that growth has not been as rapid as was predicted since the 1996 projections. While the service growth has been in excess of 3% the population growth of 1.8% yields much fewer persons than was predicted. For illustration it was predicted by 2032 the District would reach a population of 22,000 persons. In fact, the population is estimated to be approximately 20,000 at the current growth rate. Population numbers in Exhibit 7 will need to be modified as time passes to more accurately assess unmet needs (i.e., we could grow slower or faster than currently predicted). Furthermore, as McKinleyville's demographics change, the needs for additional facilities will be modified.

Chapter 4: Description of Unmet Needs

That is, the generalities of facility needs per 1,000 people in a population make certain assumptions about the distribution of people among various age classes (e.g., elementary school-aged, teen agers, young adults, middle-aged persons, and retirees). If, for example McKinleyville's population continues to get, on average, older that would lead us to a different set of goals than if the population were to get, on average, younger.

Additional Facilities Needed

The following narrative describes both the current and projected unmet needs for the twenty-five facilities summarized in Exhibits 6 and 7:

Amphitheater:

One outdoor amphitheater of at least 100 seats with a stage should be built for every 22,000 people. McKinleyville has an amphitheater at Pierson Park that should satisfy the community's needs until population in McKinleyville reaches 22,000. Amphitheaters should be built in Neighborhood or Community Parks. One parking space for every two seats should be provided. Access to restrooms and bike racks should also be available.



Baseball Fields:

One baseball field with minimum dimensions of 350 feet by 350 feet set on four acres should be built for every 3,000 people. Each field should have a backstop with sufficient room for "dugouts" and spectators. Each field will need an irrigation system and access to restrooms. Bike racks should be available. McKinleyville currently has a practice field at Dows Prairie School, a regulation field at McKinleyville High School and a regulation field at Hiller Sports Complex. Public usage of the High School field, however, is

restricted. Currently, McKinleyville needs two additional fields. The new fields should be located together in a Community Park with at least 10 parking spaces per field. When population in McKinleyville reaches 22,000, a total of five fields should be available. The number of new fields could be reduced if some fields are lighted. It should be noted that new softball fields will also be needed (see softball).

Basketball Courts (outdoor):

One full hard surface court with two standards should be available for every 1,000 people. Courts can be located on Mini Parks, or Neighborhood Parks.

Dog Park:

There has been much interest over the years to build a fenced in dog park at Hiller Park West so that there is a safe area for dogs to run off leash. We have received several letters over the years with complaints about dogs running off leash at Hiller Park. On the other hand, we have also had strong report from dog owners who feel it is important that we have an area for dogs to run off leash.

An irrigation line to provide water to the meadow area at Hiller Park West is planned for 2012.

Boat Ramp:

Chapter 4: Description of Unmet Needs

One hard surface boat ramp into the Mad River should be available for every 22,000 people. Although the County owns a ramp at Mad River Park, it would be a huge benefit to McKinleyville residents to have access to a ramp without having to access Highway 101 and through Arcata. Thus, although close proximity (but not time), the Mad River County Park boat ramp cannot be said to effectively serve McKinleyville's residents.

Community Center:

Chapter IV establishes a standard of 500 square feet of multiuse community center for every 1,000 people. MCSD owns and operates Azalea Hall that has a stage, several meeting rooms and an industrial kitchen, which should meet community demands until population exceeds 22,000.



Camping Sites:

One camping site with a table and fire pit should be available for every 2,000 people. The sites should have parking and running water with access to restrooms. The 15 sites at Clam Beach County Park should satisfy the community's needs throughout this planning period.

Equestrian Center:

Two horse facilities with arenas and onsite parking for trailers should be available for every

22,000 people.

Teen Center:

A Teen Center should be available for every 15,000 people. The facility should include multi-purpose room, commercial kitchen, office space, classrooms, food court, outdoor area, lounge, restrooms, and storage space.

Football/Soccer Fields:

One Football/Soccer Field with minimum dimensions of 360' by 500' set on 5 acres should be available for every 2,000 people. Each field should have nets and goalposts. Each field will need an irrigation system and access to restrooms. Multiple fields should be located together in a Community Park with at least ten (10) parking spaces per field and bike racks. McKinleyville currently has eight (8) fields, but the two fields at the High school are restricted to the public. Currently, McKinleyville needs one extra field. When population in McKinleyville reaches 22,000 a total of 9 new fields will be needed.

Golf Course:

One 18 to 36 hole golf course should be available for every 22,000. Given Beau Pre, McKinleyville should not need another golf course until population exceeds 22,000 people.

Gym/Multipurpose:

One multi-purpose indoor sports complex should be available for every 4,000 people. Each facility should be designed to accommodate a variety of indoor sports. Each facility should be located at a Neighborhood Park or Community Park with at least 15 parking spaces per facility. Each facility should have access to restrooms and bike racks.

Chapter 4: Description of Unmet Needs

McKinleyville currently has six (6) multi-purpose rooms but the two at the High School are not available to the public. Currently, McKinleyville needs an additional facility, which will be met once the Teen & Community Center is built. When population in McKinleyville reaches 22,000, a total of 7 facilities will be needed.

Horseshoe Pits:

Two sets of two horseshoe pits should be available for every 5,000 people. Each location should have two sets of two pits constructed with a throw of fifty feet. They should be located at Neighborhood Parks or Community Parks with access to restrooms and parking. Currently, McKinleyville has eight (8) sets of two pits. These pits should satisfy demand until Population exceeds 22,000 people.

Ocean Access:

Little River State Beach, Clam Beach County Park and Mad River County Park offer access to the Pacific Ocean from Arcata on the South to Westhaven on the North. The McKinleyville Land Trust provides access through their Mad River Bluffs property west of Hiller Park in McKinleyville.



Parks:

Chapter 3 establishes a blanket standard of 20 acres of Parks with passive recreation opportunities for each 1000 people in McKinleyville. As defined on page 1 - 3 passive recreation includes a broad range of unstructured relatively quiet activities. The recreational survey attached as Appendix III documents that hiking, jogging, biking, bird watching, picnicking and fishing are among the community's favorite activities. Most passive recreation activities simply require open space. Currently, McKinleyville has 525 acres of parkland with a variety of settings and topography. At 20 acres per 1000 people, 260 acres of parks should be available with McKinleyville's existing population and 500 acres should be available when population reaches 22,000. This is not to say that McKinleyville does not need more passive recreation opportunities such as trails or access points for fishing. These concepts are addressed in Chapter 5.

Group Picnic Area:

One group picnic facility should be available for every 5,000 people. Each facility should have at least four tables and a group barbecue pit. The group picnic facility should be located at a Neighborhood Park or a Community Park with access to restrooms and parking. Currently, McKinleyville has one group picnic area at Pierson Park and one group picnic area at Hiller Park. An additional group picnic area is planned at Pierson Park for 2012. McKinleyville should have five units when population reaches 22,000.



Individual Picnic Areas:

Individual picnic tables should be available at a ratio of 1 per 1000 people. Individual tables can be located in any type of park and placement is not dependent on parking or

Chapter 4: Description of Unmet Needs

restrooms. McKinleyville now has 25 tables at the six parks and numerous tables at semi-public locations such as the senior center.

Playgrounds:

McKinleyville should have one playground for every 3,000 people located such that all residents live within a one half-mile radius. Each playground should provide play equipment with fall absorbing footing material and a turf play area. Benches should be provided for parents as well as bike racks. Playgrounds should be located together with a Tot lot as a unit unto themselves or included as a component of any size park. Where the playground is located on a site of less than two acres no restrooms should be provided. McKinleyville currently has six (6) playgrounds. McKinleyville should have three additional sites to satisfy the “Service Area Standard” of locating playgrounds within one half mile of all users. The three (3) new playgrounds should be located such that residents in the southwest, south central and northern parts of McKinleyville are served. When population in McKinleyville reaches 22,000, a total of eight playgrounds will be needed.

Tot Lot:

McKinleyville should have one tot lot for every 3,000 people located such that all residents live within a one half mile radius. Each tot lot should provide play equipment with fall absorbing footing material and a turf play area. Benches should be provided for parents as well as bike racks. Tot lots can be located individually or included as a component of any size park. Where the tot lot is located on a site of less than two acres no restrooms should be provided. McKinleyville currently has five (5) tot lots. McKinleyville should have three additional sites to satisfy the “Service Area Standard” of locating tot lots within one- half mile of all users. The three new tot lots should be located such that residents in the southwest, south central and northern parts of McKinleyville are served. When population in McKinleyville reaches 22,000, a total of eight tot lots will be needed.



Restrooms:

One set of public restrooms is needed for every 3,000 people and should be built at each Neighborhood Park or Community Park. Restrooms will also be needed for specific facilities as noted in this narrative. The number of stalls per side should be designed to meet the expected use for facility. Currently, McKinleyville has eight sets of restrooms. Based on the population standard, 4 would satisfy the needs of the existing community and 8 would satisfy the needs of 24,000 people. Additional restrooms will be needed, however, for facilities such as the Teen and Community center.

River Access:

One access to the Mad River with parking should be available at least once per mile along the Mad River. Five (5) access points are available providing access points somewhat less than one per mile along the river's frontage.

Softball Fields:

One softball field with minimum dimensions of 250 by 250 set on three acres should be available for every 1,000 people. Each field should have a backstop with sufficient room

Chapter 4: Description of Unmet Needs

for “dugouts” and spectators. Each field will need an irrigation system and access to restrooms. The new fields should be located together in a community park with at least ten (10) parking spaces per field. Bike racks should be provided. McKinleyville currently has ten (10) fields. McKinleyville should have a total of thirteen (13) fields with the two (2) new fields located in the southwest sector of the community. When population reaches 22,000 a total of 25 fields will be needed. The number of new fields could be reduced if some fields have lights.

Skate Park:

This is a concept that has been brought before the RAC and the Board of Directors. The McKinleyville Skate Park Organization has a current plan for a skate park. Since 2002, the Organization has had a Right of Entry Agreement to use MCSD property. On October 3, 2012, the Organization submitted a letter to MCSD notifying us their decision to not sign the Right of Entry Agreement. In the letter, it states their intent to consider revisiting the Right of Entry Agreement at a future time where they have secured enough funding to build a park.



Tennis Courts:

One tennis court with minimum dimensions of 80 feet by 175 feet should be available for every 3,000 people. Each court should be fenced and blacktopped with a permanent net. Each field should have access to parking, bike racks and restrooms. Currently, McKinleyville has six courts at the high school. No new courts will be needed until population reaches 18,000. At 22,000 people, McKinleyville should have a total of eight courts.

Trails:

All residents of McKinleyville should live within one half mile of a recreational trail. Exhibit 3 illustrates the current location of trails. Additional trails are needed in central and eastern McKinleyville to satisfy this “Service Area Standard”. A nature trail should also be considered on the Fischer Ranch property.

Volleyball Court:

One volleyball court with minimum dimensions of 40 feet by 90 feet should be available for every 3,000 people. Each court surface should be sand or grass equipped with a regulation net. Volleyball Courts can be located in any size park with access to restrooms, parking and bike racks. McKinleyville currently has one asphalt court at Dows Prairie School, a grass court at Pierson Park and a sand court at Hiller Park. McKinleyville currently needs one additional court to satisfy the “Population Standard”. To satisfy the “Service Area Standard” one new court should be located in Southwest McKinleyville and another North of Murray Road. When population reaches 22,000 a total of eight courts will be needed.



Community Garden:

Chapter 4: Description of Unmet Needs

A Community Garden has been established at Pierson Park. It is anticipated that more space might be necessary to accommodate the current needs for garden plots. The School Road and Washington Avenue Property might be a good location for an additional Community Garden.

BMX Bike Track

This is a concept that has been brought before the RAC by a group of interested individuals. There currently is a BMX Bike Track located at Redwood Acres Fairgrounds, which is operated and maintained by Redwood Empire BMX. The group has suggested that there is a need for an additional track in the area, stating that McKinleyville would be the preferred location. At its September 20, 2012 meeting, RAC members voted unanimously add a BMX Bike Track to the Parks & Recreation Master plan so that staff and community members could look into the possibility of building a track in McKinleyville.

Bird Watching Observation Deck

Two (2) bird watching observation decks should be built. Although there are a variety of locations, the Fischer Ranch property and somewhere around the Wastewater Management Facility have been identified as good locations.

Chapter 5: The Plan



Chapter Five: The Plan

Overview

This chapter details the policies and objectives intended to guide development and administration of McKinleyville's recreation program. Section C proposes the set of projects (See Exhibit 8) that should be completed within the next five years to satisfy the unmet recreational needs described Chapter 4.



Policies and Objectives

The following list of Policies and Objectives are proposed to guide the development and administration of the recreation programs offered to McKinleyville by the District. Since this is a District plan, it has no binding effect on other governmental jurisdictions, non-profit agencies or private parties.

POLICY 1 The facilities needed to satisfy currently unmet needs (See Exhibits 6 & 7 -- Chapter 4) should be provided within five years of plan adoption.

OBJECTIVE 1 - 1. MCSD should focus its recreational funding on development of the facilities listed in Exhibit 8 needed to satisfy currently unmet needs.

OBJECTIVE 1 - 2. MCSD should accept recreational facilities, lands or programs where development and operating costs are covered by revenue sources not otherwise available and when those facilities, lands or programs satisfy unmet needs.

OBJECTIVE 1 - 3. MCSD should develop recreational facilities, lands or programs from Exhibit 10 prior to satisfaction of currently unmet needs only after amending this plan. Such a plan revision should include a comprehensive review of priorities by the Recreation Advisory Committee prior to adoption by the Board of Directors.

POLICY 2 The facilities detailed in Exhibit 10 should be provided before the population in McKinleyville reaches 22,000.

OBJECTIVE 2 - 1. Once the facilities listed in Exhibit 8 are developed, MCSD should focus its recreational funding on development of the facilities listed in Exhibit 10.

POLICY 3 MCSD should cooperate with other recreational providers to maximize recreational opportunities available to residents of McKinleyville.

OBJECTIVE 3 - 1. MCSD should work cooperatively with the State of California regarding the Little River State Beach; the County of Humboldt regarding Clam Beach Park, Mad River Park, the Roping Arena, the Hammond Trail, the North Bank Fishing Access and the Hammond Bridge Fishing Access; McKinleyville Union School District (MUSD) regarding the three (3) elementary schools; the

Chapter Five: The Plan

McKinleyville Land Trust regarding Mad River Bluffs and their other properties; and Northern Humboldt Union High School District (NHUHS) regarding the High School Site.

POLICY 4 MCS D should cooperate with other recreational providers and property developers to provide new recreational opportunities and to preserve open space.

OBJECTIVE 4 - 1. MCS D should cooperate with the State, the County and the School Districts to locate recreation facilities at existing parks and governmentally-owned open space. MCS D should also work with the school districts to jointly plan recreational facilities.

OBJECTIVE 4 - 2. MCS D should negotiate agreements with non-profit agencies such as McKinleyville Little League, Mad River Youth Soccer League, and Mad River Girls Fast Pitch Organization.

OBJECTIVE 4 - 3. MCS D should negotiate agreements with private parties to provide recreational opportunities on a fee basis.

OBJECTIVE 4 - 4. MCS D shall maximize the use of Open Space Maintenance Zones to provide playgrounds and tot lots and/or undeveloped open space in new major subdivisions and apartment complexes.

OBJECTIVE 4 - 5. MCS D shall encourage Humboldt County to include undevelopable wetlands, wildlands, slopes, riparian corridors, buffer areas and flood plains in MCS D Ordinance 42 Open Space Maintenance Zones, or easements or fee simple dedications to appropriate government or non-profit entities so as to create privately funded Preservation Areas and open space.

OBJECTIVE 4 - 6. MCS D shall encourage Humboldt County to require developers to dedicate River and Coastal Access and boundary and lateral Corridors from existing streets/trails to the Mad River and/or Pacific Ocean to the District in Ordinance 42 Open Space Maintenance Zones or to other appropriate government or non-profit entities.

OBJECTIVE 4 - 7. MCS D shall encourage Humboldt County to implement its trails plan and to work with developers to dedicate right of ways and to construct trails through their projects.

POLICY 5 MCS D should maximize grant and donation funding for development and user fee funding for operation of facilities.

OBJECTIVE 5 - 1. MCS D should monitor federal, state and private grant programs and submit applications for purchase, development, and/or maintenance of projects identified in this plan.

OBJECTIVE 5 - 2. MCS D should prepare sufficient design work for grant eligible programs so that applications can be filed in a timely and competitive manner.

OBJECTIVE 5 - 3. MCS D should monitor Quimby Parkland Dedication Funds payments by subdivisions and recommend construction of needed facilities as defined by the plan.

Chapter Five: The Plan

OBJECTIVE 5 — 4. Developers choosing to dedicate lands should be required to donate 3 acres of usable Open Space per 1000 residents in their development based on a ratio of 2.5 people per dwelling unit to MCSD as an Ordinance 42 Open Space Maintenance Zone. Usable Open Space describes a relatively flat consolidated play surface, excluding buildings, streets, parking, landscape strips and setbacks; dedicated permanently for recreational opportunities and/or informal sports activities through public ownership.

OBJECTIVE 5 - 5. MCSD should charge groups a reasonable user fee for exclusive use of facilities.

POLICY 6 MCSD should develop each facility to add value for citizens in the community and surrounding neighborhoods.

OBJECTIVE 6 - 1. MCSD should build adequate onsite parking to avoid spill over parking in the surrounding neighborhoods.

OBJECTIVE 6 - 2. MCSD should support County or other entity construction of non-motorized transportation and public transit interconnection of facilities with neighborhoods and other facilities.

OBJECTIVE 6 - 3. MCSD should control the size of group events at MCSD facilities through permit conditions as authorized in the MCSD Rules and Regulations.

POLICY 7 MCSD should encourage the development of recreational trails on public property and on private property where the property owners are willing to cooperate. Wherever possible, new trails should be compatible with Humboldt County's trails plan, as updated.

POLICY 8 MCSD should annually update this plan each spring to determine what needs have been satisfied and to recommend an action program for the upcoming budget year. This annual revision should include recommendations from the Recreation Advisory Committee prior to Board of Director's consideration.

POLICY 9 MCSD should transmit each annual update of this plan to Humboldt County.

POLICY 10 The recreational needs of McKinleyville residents should have higher priority than those of non-residents.

POLICY 11 MCSD should develop a written set of Policies and Standards to guide decisions on the use of each facility including programs to be provided.

C. FIVE YEAR PLAN

Chapter IV documented McKinleyville's current unmet recreational needs (See Exhibit 6). This section details the proposed concepts and locations of facilities to satisfy these needs. Exhibit 8 is a listing of proposed facilities and Exhibit 3 is a map of facility locations where specific sites are proposed. The left hand column of Exhibit 8 lists the

Chapter Five: The Plan

types of facilities needed. The Column labeled “Site” lists the specific location for the proposed facility or the area of the community where the facility should be located. The column labeled “Coordinates” provides the map coordinates to locate facilities on Exhibit 9. The following narrative describes the proposed concept for each facility and then the proposed combinations of facilities at the various sites.

Playgrounds/Tot Lots: Major Developments - MCSD should encourage subdivision and apartment developers to donate playground equipment and tot lots on open space areas donated to MCSD as an Open Space Maintenance Zone.

River Access: School Road - One access trail to the Mad River should be developed at the west end of School Road.

River Access: North Bank Road – One access road, trail and boat ramp should be developed south of North Bank Road near the Ramey Pump Station. Recreation facilities should also be added.

River Access: North of Hiller - The McKinleyville Land Trust has purchased the 70+ acres west of Hiller Park. Trails have been established with access down to the river and beach area. MCSD has coordinated with the Land Trust to further develop trails and passive recreation in this area.

River Access: Fischer Ranch – Access along School Road as well as near the Hammond Bridge.

Skatepark: - A skatepark is under design and planning by the McKinleyville Skate Park Organization (MSPO). The Recreation Advisory Committee and the Board of Directors have approved a preliminary design and for the past 10 years, the MSPO has had an approved Right of Entry Agreement. On October 3, 2012, the Organization submitted a letter to MCSD notifying us their decision to not sign the Right of Entry Agreement. In the letter, it states their intent to consider revisiting the Right of Entry Agreement at a future time where they have secured enough funding to build a park.

BMX Bike Track: - This is a concept that has been brought before the RAC by a group of interested individuals. There currently is a BMX Bike Track located at Redwood Acres Fairgrounds, which is operated and maintained by Redwood Empire BMX. The group has suggested that there is a need for an additional track in the area, stating that McKinleyville would be the preferred location. At its September 20, 2012 meeting, RAC members voted unanimously add a BMX Bike Track to the Parks & Recreation Master plan so that staff and community members could look into the possibility of building a track in McKinleyville.

Trails: Hiller Park & Hiller Sports Facility - MCSD has constructed the loop trail at Hiller Park and added amenities such as benches, trash cans, doggie pots etc. New trails and recreational trails should be added around Hiller Sports Complex.

Trails: Central McKinleyville - MCSD shall support the development of recreational trails delineated in the County Trails Plan in the areas east of Highway 101 on public properties and private lands where the property owner endorses the proposed project. MCSD shall support construction of the Midtown trail from School Road to Murray Road between Central Avenue and McKinleyville Avenue. (The Murrish portion of the trail

Chapter Five: The Plan

south of School has been constructed; the central portion from Railroad to Parkside Drive has also been constructed.)

Trails: Hammond Trail - The reach of the Hammond trail from Murray Road to the Little River has been constructed by the County.

Trails: School Road Trail - MCSD constructed a trail along the South Side of School Road connecting the Hammond Trail to Ocean Avenue in 2003. Access to the Mad River required General Plan amendments and stabilization of the eroding bluff at the west end of School Road.

D. TWENTY YEAR PLAN

Chapter 4 documented McKinleyville's future unmet recreational needs (See Exhibit 7). This section summarizes the proposed concepts and locations of facilities to satisfy these needs. Exhibit 10 is a listing of additional facilities needed beyond those listed in Exhibit 8. The left hand column of Exhibit 10 lists the types of facilities needed. The Column labeled "Site" lists the specific location for the proposed facility or the area of the community where the facility should be located. The column labeled "Coordinates" provides the map coordinates to locate facilities on Exhibit 3. The facilities listing provided in Exhibit 10 should be updated annually to recognize new facilities.



Source: Esri, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.4 **Information pertaining to utilization of Percolation Ponds as salmonid habitat and development of a trail system and approve Board President to sign a letter of support for pursuit of grant funds for said project**

PRESENTED BY: **Greg Orsini and Mary Burke, CalTrout**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends that Board participate in the presentation, air any questions, take public comment, discuss and authorize Board President to sign letter of support for Salmonid Habitat Restoration and Public Access project on the lower Mad River, included as Attachment 1.

Discussion:

Due to ongoing restrictions and regulatory pressures MCSD has determined it is effective and efficient to decommission our percolation ponds west of the Fischer Property adjacent to the lower pasture as noted in the MCSD Wastewater Facilities Plan approved by MCSD Board of Directors in December of 2011.

The facilities plan proposed a backfill and replanting of the site at a cost of nearly \$170,000 in 2011 value. This proposal would negate the need to abandon this site and provide vital habitat for salmonid populations without the capital outlay.

Two proposals have been developed to pursue funding for a habitat restoration and public access project on MCSD's land. The project partners submitted the first proposal in March 2014 to the California Department of Fish and Wildlife (formerly Fish and Game) through the Fisheries Restoration Grants Program (FRGP) to design a salmonid restoration project in the floodplain of the lower Mad River – at the site of the percolation ponds.

The second proposal is poised to be submitted to the California State Coastal Conservancy as a cost-share for the FRGP proposal and to fund the public access design. The presentation will cover the history of the project, the current conditions, and the restoration and public access objectives.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

To Be Determined

Environmental Requirements:

To Be Determined

Exhibits/Attachments

- Attachment 1- Draft Support Letter

Draft Letter

Douglas H. Bosco, Chairman
California State Coastal Conservancy
1330 Broadway, 13th floor
Oakland, CA 94612

RE: Salmonid Habitat Restoration and Public Access project on the lower Mad River

Dear Chairman Bosco,

I write in support of California Trout's request to the Coastal Conservancy for \$87,000 to fund and support a habitat restoration project that includes off-channel habitat for coho and other salmonids, and a public access trail with interpretive signage in the lower Mad River. These funds will provide cost-share match to \$73,000 in California Department of Fish and Wildlife – Fisheries Restoration Grants Program. This project is located on McKinleyville Community Services District (MCSD) property – the MCSD is in favor of the land use conversion to salmonid habitat restoration and public access trails.

The Mad River is one of the six major rivers of the north coast of California and it is a valuable natural resource to the region. The Mad River sustains populations of native Chinook, coho salmon and steelhead trout, all of which are listed as threatened under the Federal Endangered Species Act. Restoration of riverine habitat and access to suitable rearing grounds in the lower Mad River is essential to the recovery of the river's fish populations. These species provide inherent wildlife value, are important to native American Indian tribes in the region, and provide commercial and recreational fishing opportunities that support our local economies. In addition, the public access trail and interpretive signage offers important public recreation and education opportunities. The development of public access in the lower Mad River will provide additional connectivity with the infrastructure upgrades that are being implemented and planned such as the Highway 101 bridge replacement including pedestrian and bicycle crossing, sidewalks on School Road that connect to the Hammond Coastal Trail (HCT), and the planned replacement of the HCT bridge on the lower Mad River.

This CalTrout fish habitat restoration project will result in the preparation of engineering designs to restore off-channel habitat that provides refugia for salmonids and increases habitat complexity in the estuary. The project will prepare designs for a multi-use trail with defined river access points for recreational use by small craft boat users and anglers. Project funding partners include the Department of Fish and Wildlife's Fisheries Restoration Grants Program, and cost-share from the McKinleyville Community Services District.

I strongly support CalTrout's efforts to promote the recovery of our salmon and steelhead populations, and to provide planned recreational access to our coastal rivers and urge your favorable consideration of this important project.

Sincerely,

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.5 **Adopt Resolution 2014-24 for the preparation and submission of an application for grant funding through the Habitat Conservation Fund**

PRESENTED BY: **Jason Sehon, Parks & Recreation Director**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends that the Board review the information, air questions, take public comment, discuss and adopt Resolution 2014-24 for the preparation and submission of an application for grant funding through the Habitat Conservation Fund (HCF).

Discussion:

Staff may be interested in submitting an application for grant funding through the HCF. In order to apply for funding, the program requires that the MCSD Board of Directors approve Resolution 2014-24.

The deadline for grant submission is October 1, 2014, therefore the Resolution would need to be approved at the September 3, 2014 Board meeting in order for us to apply for funds.

HCF funds can be used for acquisition or development projects. There is a total of \$2,000,000 in funding available for the program annually through 2019/2020. This is a dollar-for-dollar matching grant, requiring MCSD to match a minimum of dollar-for-dollar. Funds can be matched with MCSD funding as well as funding from other sources outside of MCSD.

Staff is considering submitting a grant application to build an interpretive trail system at Fischer Ranch. The trail would likely begin at the west end of School Road and run south along the Mad River.

I should note that by adopting Resolution 2014-24, the Board is not committing to providing any funding towards the grant. It is rather to allow staff to proceed with and submit a grant if we choose to pursue one. Additionally, if staff is successful in receiving grant funding, the Board would still have the authority to deny the grant if matching funds are not obtainable at that time.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Unknown at this time

Environmental Requirements:

Unknown at this time

Exhibits/Attachments

- Attachment 1 - Resolution 2014-24

RESOLUTION 2014-24

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT APPROVING THE APPLICATION FOR GRANT FUNDS FROM THE HABITAT CONSERVATION FUND PROGRAM

WHEREAS, the people of the State of California have enacted the California Wildlife Protection Act of 1990, which provides funds to the State of California for grants to local agencies to acquire, enhance, restore or develop facilities for public recreation and fish and wildlife habitat protection purposes; and

WHEREAS, the State Department of Parks and Recreation has been delegated the responsibility for the administration of the HCF Program, setting up necessary procedures governing project application under the HCF Program; and

WHEREAS, said procedures established by the State Department of Parks and Recreation require the applicant to certify by resolution the approval of application(s) before submission of said application(s) to the State; and

WHEREAS, the applicant will enter into a contract with the State of California to complete the project(s);

NOW, THEREFORE, BE IT RESOLVED that the McKinleyville Community Services District hereby

Certifies that said applicant has or will have available, prior to commencement of any work on the project included in this application, the required match and sufficient funds to complete the project; and

Certifies that the applicant has or will have sufficient funds to operate and maintain the project(s), and

Certifies that the applicant has reviewed, understands, and agrees to the provisions contained in the contract shown in the grant administration guide; and

Delegates the authority to the MCSD General Manager to conduct all negotiations, execute and submit all documents, including, but not limited to applications, agreements, amendments, payment requests and so on, which may be necessary for the completion of the project.

Agrees to comply with all applicable federal, state and local laws, ordinances, rules, regulations and guidelines.

ADOPTED, SIGNED AND APPROVED at a duly called meeting of the Board of Directors of the McKinleyville Community Services District on the 3rd Day of September 2014 by the following polled vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

David R. Couch, Board President

Attest:

Becky Schuette, Board Secretary

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.6 **Consider approving update of the McKinleyville Community Services District (MCSD) Records Retention Policy**

PRESENTED BY: **Becky Schuette, Board Secretary**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends that the Board review the revisions suggested by Attorney Gans updating the McKinleyville Community Service District (MCSD) Record Retention Policy, take public comment, make edits where appropriate, provide staff with direction and approve update.

Discussion:

The McKinleyville Community Services District previously adopted a retention schedule for records. The law requires that this schedule conform to the minimum standards set forth in the Secretary of State Guidelines, pursuant to § 12236 of the Government Code. The code classifies all of the district's records by category, and establishes a standard protocol for destruction or disposition of records.

In order to further comply with the legal requirements, and provide a more specific retention schedule as well as specific destruction methods, staff has updated language within the Retention Policy. It is being presented to the Board for consideration.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Attachment 1 - Memo from Attorney Gans with suggested updates
- Attachment 2 – Retention schedule with additional staff recommendations for the Records Retention Policy.

MEMORANDUM

TO: Russ
FROM: Ryan
DATE: July 21, 2014

RE: MCSD Record Retention Period Review

Question Presented

You have asked that I review the McKinleyville Community Services District Records Retention Policy to ensure compliance with California law.

Short Answer

The current retention schedule is in substantial compliance with California law. However, included below (in red font) are proposed revisions.

Discussion

The retention of district records is governed by Chapter 7, Division 1, Title 6 of the Government Code. The pertinent provision provides,

The legislative body of a district may destroy or dispose of any record that is not expressly required by law to be filed and preserved through either of the following procedures:

(1) The legislative body may authorize the destruction or disposition of any category of records if it does both of the following:

(A) Adopts a resolution finding that destruction or disposition of this category of records will not adversely affect any interest of the district or of the public.

(B) Maintains a list, by category, of the types of records destroyed or disposed of that reasonably identifies the information contained in the records in each category.

(2) The legislative body may, by resolution, adopt and comply with a record retention schedule that complies with guidelines provided by the Secretary of State pursuant to Section 12236, that classifies all of the district's records by category, and that establishes a standard protocol for destruction or disposition of records.

(Gov. Code, § 60201.) Thus, for all categories of documents that are not expressly required by law to be retained for a certain period of time, the district may destroy a record or category of records by complying with subdivision (1) above or by adopting *by resolution* a record retention schedule that complies with the guidelines provided by the Secretary of State. MCSD has

adopted a retention schedule, and therefore, to the extent not expressly otherwise provided for by law, the schedule should conform to the minimum standards set forth in the Secretary of State Guidelines.

Importantly, the above-quoted provision requires that the retention schedule adopted by the district also contain “a standard protocol for destruction or disposition of records.” It is unclear whether MCSD has adopted such protocols. If not, the district should ensure that any subsequent revisions include such protocols. “Disposition may include sending appropriate records to an archival facility, recycling unneeded records, and/or destroying unneeded confidential records.” (Secretary of State Local Government Records Management Guidelines, February 2006, Section 2-2050.)

A. Documents Expressly Governed By Law

Government Code section 60201 provides, “Notwithstanding any other provision of this section or other provision of law, a district may not destroy or dispose of any record that is any of the following:”

1. Relates to formation, change of organization, or reorganization of the district
2. An ordinance adopted by the district. However, an ordinance that has been repealed or is otherwise invalid or unenforceable may be destroyed or disposed of pursuant to this section five years after it was repealed or became invalid or unenforceable.
3. Minutes of any meeting of the legislative body of the district.
4. Is the subject of any pending request made pursuant to the California Public Records Act..., whether or not the district maintains the record is exempt from disclosure, until the request has been granted or two years have elapsed since the district provided written notice to the requester that the request has been denied.
5. Relates to any pending construction that the district has not accepted or as to which a stop notice claim legally may be presented.
6. Relates to any nondischarged debt of the district.
7. Relates to the title to real property in which the district has an interest.
8. Relates to any nondischarged contract to which the district is a party.
9. Has not fulfilled the administrative, fiscal, or legal purpose for which it was created or received.
10. Is an unacceptable bid or proposal, which is less than two years old, for the construction or installation of any building, structure, or other public work.
11. Specifies the amount of compensation paid to district employees or officers or to independent contractors providing personal or professional services to the district, or relates to expense reimbursement to district officers or employees or to the use of district paid credit cards or any travel compensation mechanism. However, a record described in this paragraph may be destroyed or disposed of pursuant to this section seven years after date of payment

Therefore, the above-referenced documents must be retained in conformance with section 60201. (See the suggested edits and additions (shown in red font) to the current retention schedule below.)

B. Secretary of State Guidelines

Pursuant to the directive of Government Code section 12236, the Secretary of State developed “guidelines” to assist local government agencies (expressly including districts) in developing a record retention schedule. The suggested schedules are not mandatory, but advisory.

The substance of the guidelines are contained in Exhibits A and B, which are attached to the guidelines. Exhibit A consists of “typical retention periods” for certain categories of documents and was developed by the Secretary of State. Exhibit B consists of retention guidelines developed by the League of California Cities and the City Clerks Association of California. (Both Exhibits A and B can be accessed at <https://www.sos.ca.gov/archives/local-gov-program/pdf/records-management-8.pdf>.)

Proposed Revisions to Retention Schedule

The suggestions below provide guidance for any retention period that falls below the minimum standard as set forth in the Government Code or the minimum suggested period as set forth in the guidelines.

MCSD RECORDS RETENTION POLICY

PERMANENT

1. Capital Acquisitions, Deed, Bills of Sale, Easements
2. Audited Financial Statements
3. Minutes of Board Meetings
4. Resolutions (See below for Ordinances)
5. Ordinances (GC § 60201 permits the destruction of *repealed or otherwise invalid or unenforceable ordinances* five years after it was repealed or became invalid.)
6. Wastewater Treatment Plant Annual Reports
7. Records related to the Public Employees Retirement System, Social Security and State Disability Insurance
8. Records related to District Formation, change of organization and reorganization
9. New Service Installation Orders
10. Board Agendas and Board Packets
11. Development/Subdivision files
12. Documents that relate to any nondischarged/active contracts (GC 60201 requires the permanent retention of “non-discharged contracts to which the district is a party” and documents related to such contracts.)
13. Documents that relate to a pending/unresolved claim or litigation
14. Documents that relate to any pending construction project
15. Documents that relate to any nondischarged debt

CURRENT YEAR + 9 YEARS

1. Detailed General Ledger Reports
2. Paid Accounts Payable Vouchers
3. Wastewater Treatment Plant Operating Data (retained at the Treatment Plant)
4. **Discharged Contracts**
5. **Payroll Reports** (GC 60201 requires that information specifying the amounts paid to any employee or independent contractor be maintained **at least seven years** after date of payment.)
6. **Time Sheets** (See above for payroll Reports.)

CURRENT YEAR + 6 YEARS

- ~~1. Payroll Reports~~
- ~~2. Time Sheets~~

TERMINATION + 6 YEARS

1. Personnel Files *information related to length of employment and salary will be maintained indefinitely.*

CURRENT YEAR + 5 YEARS

1. Cash Receipt Books
2. **Completed/resolved claims or litigation**

CURRENT YEAR + 3 YEARS

1. **Measure Information (I.E. Measure B)** Retain for three (3) years after Measure end.

CURRENT YEAR + 2 YEARS

1. Customer Correspondence
2. Electronic Communications
3. Daily Service Orders
4. Billing Registers
5. **Rejected/unacceptable bid or proposal for the construction or installation of any building, structure, or other public work**
6. **All documents that are the subject of any pending California Public Records Act request, until the request has been granted or two years have elapsed since the district denied the request.**

1 YEAR

1. *Audio Recordings will be maintained for one year and after that time periodically transferred to the McKinleyville Library. Consider changing to youtube.*

6 MONTHS

1. Utility Billing Payment Stubs

PARK AND RECREATION

CURRENT YEAR + 4 YEARS

1. Liability Forms

CURRENT YEAR + 2 YEARS

1. Billing Forms
2. Daily Balance Forms
3. Open Space Maintenance Reports

MCSD RECORDS RETENTION POLICY

In accordance with the Strategic Plan, MCSD has adopted the use of “docSTAR” for its records management archiving and retention. Documents are scanned into the document management system and maintained on the District’s computer server where they can be retrieved, reviewed, reprinted or purged as required by law.

PERMANENT

1. Capital Acquisitions, Deed, Bills of Sale, Easements
2. Audited Financial Statements
3. Minutes of Board Meetings
4. Resolutions (See below for Ordinances)
5. Ordinances (GC § 60201 permits the destruction of *repealed or otherwise invalid or unenforceable ordinances* five years after it was repealed or became invalid.)
6. Wastewater Treatment Plant Annual Reports
7. Records related to the Public Employees Retirement System, Social Security and State Disability Insurance
8. Records related to District Formation, change of organization and reorganization
9. New Service Installation Orders
10. Board Agendas and Board Packets
11. Development/Subdivision files
12. Documents that relate to any nondischarged/active contracts (GC 60201 requires the permanent retention of “non-discharged contracts to which the district is a party” and documents related to such contracts.)
13. Documents that relate to a pending/unresolved claim or litigation
14. Documents that relate to any pending construction project
15. Documents that relate to any nondischarged debt

CURRENT YEAR + 9 YEARS

1. Detailed General Ledger Reports
2. Paid Accounts Payable Vouchers
3. Wastewater Treatment Plant Operating Data (retained at the Treatment Plant)
4. Discharged Contracts
5. Payroll Reports (GC 60201 requires that information specifying the amounts paid to any employee or independent contractor be maintained **at least seven years** after date of payment.)
6. Time Sheets (See above for payroll Reports.)

CURRENT YEAR + 6 YEARS

1. ~~Payroll Reports~~
2. ~~Time Sheets~~

TERMINATION + 6 YEARS

1. Personnel Files-information related to length of employment and salary will be maintained indefinitely.

CURRENT YEAR + 5 YEARS

1. Cash Receipt Books
2. Completed/resolved claims or litigation

CURRENT YEAR + 3 YEARS

1. **Measure Information (I.E. Measure B)** Retain for three (3) years after Measure end.

CURRENT YEAR + 2 YEARS

1. Customer Correspondence
2. Electronic Communications
3. Daily Service Orders
4. Billing Registers
5. Rejected/unacceptable bid or proposal for the construction or installation of any building, structure, or other public work
6. All documents that are the subject of any pending California Public Records Act request, until the request has been granted or two years have elapsed since the district denied the request.

1 YEAR

1. Audio Recordings will be maintained for one year and after that time periodically transferred to the McKinleyville Library. Consider changing to youtube.

6 MONTHS

1. Utility Billing Payment Stubs

PARK AND RECREATION

CURRENT YEAR + 4 YEARS

1. Liability Forms

CURRENT YEAR + 2 YEARS

1. Billing Forms
2. Daily Balance Forms
3. Open Space Maintenance Reports

DESTRUCTION OF RECORDS(Secretary of State Local Government Records Management Guidelines, February 2006, Section 2-2050.)

1. Documents maintained in the docSTAR system as permanent have no destruction dates and will be maintained on the District server indefinitely.
2. Documents maintained in the docSTAR system that have required destruction dates are automatically purged from the system using a preconfigured date entered at the time the document is scanned.
3. Electronic communications maintained on computer servers will be automatically purged pursuant to this policy through an automatic utility in Microsoft Exchange Server.

4. Audio recordings that have been maintained on YouTube will be removed from YouTube and deleted.
5. Audio recordings maintained on CD at the McKinleyville Library will be retrieved and destroyed by destruction of the CD.
6. Hard copies of any documents listed above, that are not maintained in the docSTAR system, but that have a purge/destruction requirement will be destroyed by recycling or shredding, based on confidentiality requirements.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.7 **Consider Cancelling the October 1, 2014 Regular Board Meeting**

PRESENTED BY: **Becky Schuette, Board Secretary**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends that the Directors consider the information provided, take public comment and approve the cancellation of the October 1, 2014 Regular Board Meeting.

Discussion:

September 28 through October 2, three of the five Directors, the General Manager and the Finance Director will be attending the previously approved CSDA (California Special Districts Association) Annual Conference. There will be an inability to form a quorum for the October meeting. As previously discussed, it is important that the Directors, General Manager and Staff attend the meeting in order to complete the District of Distinction certificate approved in the Strategic Plan.

All items of urgency are being handled at the current Board Meeting and all other items have been moved to the November regular scheduled meeting.

If during normal business, a necessity arises for a meeting the Board may convene a special meeting with 24 hour notice.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action
- Call for a special meeting at a later date

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

Not applicable

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **ACTION**

ITEM: E.8 **Consider travel to the Association of California Water Agencies (ACWA) 2014 Fall Conference and Exhibition in San Diego, CA**

PRESENTED BY: **Becky Schuette, Board Secretary**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends that the Board review the information provided for the ACWA 2014 Fall Conference and Exhibition in San Diego, CA; take public comment and consider authorization for interested Board Member(s) to attend the ACWA 2014 Fall Conference and Exhibition.

Discussion:

This year's ACWA 2014 Fall Conference and Exhibition will be held in San Diego, CA from December 2-5, 2014. Regular registration deadline is November 7, 2014. Attachments 1 and 2 are the preliminary agenda and pricing sheet for the conference.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Regular registration deadline is November 7, 2014. The cost for full conference registration (meals sold separately) is \$510.00 and the full meal package and registration is \$695.

Meals and incidentals for five days will be approximately \$355 per person.

Special hotel rates (based on availability) are \$189.00 per night. Four nights of lodging would be approximately \$756.00

United airfare at today's rate is approximately \$641 round trip from ACV Arcata/Eureka, CA to San Diego, CA.

Super Shuttle is approximately \$8 per person each way for transportation to and from the airport.

An approximate total cost for travel, meals and attendance to the conference is \$2463 per attendee if registration is made in advance of the deadline.

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Attachment 1 – ACWA 2014 Fall Conference & Exhibition Preliminary Agenda
- Attachment 2 – Conference Pricing Reference Sheet



ACWA 2014 Fall Conference & Exhibition

PRELIMINARY AGENDA

Manchester Grand Hyatt, San Diego

DEC
2-5
2014

ACWA/JPIA - MONDAY, DEC. 1

8:30 – 10:00 a.m.

- ACWA/JPIA Employee Benefits Program Committee

10:15 – 11:45 a.m.

- ACWA/JPIA Executive Committee

1:30 – 4:00 p.m.

- ACWA/JPIA Board of Directors

4:00 – 5:00 p.m.

- ACWA/JPIA Town Hall

5:00 – 6:00 p.m.

- ACWA/JPIA Reception

TUESDAY, DEC. 2

8:00 a.m. – 6:00 p.m.

- Registration

8:30 – 10:00 a.m.

- ACWA/JPIA: Seminar I

10:00 – 11:45 a.m.

- Scholarship Subcommittee
- Water Management Committee
- Water Quality Committee

10:15 – 11:45 a.m.

- ACWA/JPIA: Seminar II

11:00 a.m. – Noon

- Outreach Task Force

Noon – 2:00 p.m.

- ACWA 101 & Luncheon
- Committee Lunch Break

1:00 – 2:15 p.m.

- ACWA/JPIA: Seminar III

1:00 – 2:45 p.m.

- Energy Committee
- Finance Committee
- Groundwater Committee
- Social Media & Website Workgroup

2:00 – 4:00 p.m.

- SDF Special District Administrator Certification Test

2:30 – 4:30 p.m.

- ACWA/JPIA: Sexual Harassment Prevention for Board Members & Managers (AB 1825)

3:00 – 4:45 p.m.

- Business Development Committee
- Communications Committee
- Federal Affairs Committee
- Local Government Committee
- Membership Committee

5:00 – 6:30 p.m.

- Welcome Reception in the Exhibit Hall

WEDNESDAY, DEC. 3

7:30 a.m. – 5 p.m.

- Registration

8:00 – 9:45 a.m.

- Opening Breakfast

9:00 a.m. – Noon & 1:30 – 5:00 p.m.

- Exhibit Hall

10:00 – 11:30 a.m.

- Attorneys Program
- Communications Committee Program
- Exhibitor Technical Presentations
- Finance Program
- Human Resources Program
- Region Issue Forum
- Statewide Issue Forum
- Water Industry Trends Program

11:30 – 11:45 a.m.

- Prize Drawing in Exhibit Hall

11:45 a.m. – 1:45 p.m.

- General Session & Luncheon

2:00 – 3:15 p.m.

- Attorneys Program
- Exhibitor Technical Presentation
- Finance Program
- Human Resources Program
- Region Program
- Town Hall
- Water Industry Trends Program

3:15 – 3:45 p.m.

- Cash Prize Drawing & Snack Break in Exhibit Hall

3:45 – 5:00 p.m.

- Energy Committee Program
- Exhibitor Technical Presentation
- Statewide Issue Forum
- Water Industry Trends Program

4:00 – 6:00 p.m.

- Legal Affairs Committee

5:30 – 7:00 p.m.

- CH2MHILL Hosted Reception

THURSDAY, DEC. 4

7:30 a.m. – 4 p.m.

- Registration

8:00 a.m. – Noon

- Exhibit Hall

8:00 – 9:15 a.m.

- Networking Continental Breakfast

9:30 – 11:00 a.m.

- Attorneys Program
- Exhibitor Technical Presentations
- Finance Program
- Human Resources Program
- Region Issue Forum
- Statewide Issue Forum
- Water Industry Trends Program

9:30 – 11:45 a.m.

- Ethics Training (AB 1234)

11:00 – 11:30 a.m.

- Prize Drawing in Exhibit Hall

11:45 a.m. – 1:45 p.m.

- General Session & Luncheon

2:00 – 3:15 p.m.

- Attorneys Program
- Exhibitor Technical Presentations
- Federal Issues Forum
- Statewide Issue Forum
- Water Industry Trends Program

3:30 – 5 p.m.

- Regions 1 – 10
Membership Meetings

6:00 – 7:00 p.m.

- New Water Professionals Reception

7:30 – 10:00 p.m.

- Dinner & Entertainment

FRIDAY, DEC. 5

8:00 – 9:30 a.m.

- Registration

8:30 – 10 a.m.

- ACWA's Hans Doe Past Presidents' Breakfast in Partnership with ACWA/JPIA

OTHER EVENTS

THURSDAY, DEC. 4

6:45 – 8:30 a.m.

- San Joaquin Valley Agricultural Water Committee

PRICING REFERENCE SHEET



ACWA 2014 Fall Conference & Exhibition REGISTRATION, MEALS & HOTEL PRICING Manchester Grand Hyatt, San Diego

DEC
2-5
2014

Register online @ acwa.com

Regular registration and cancellation deadline is November 7, 2014 • 4:30 p.m. (PST)

NEW!! CREATE YOUR ACWA PORTAL PROFILE

You must have an ACWA portal profile in order to register for ACWA events through the new ACWA Member Portal. **If you haven't already, please be sure to create your profile at <https://portal.acwa.com>**

REGISTRATION FEES & OPTIONS	REGULAR	ONSITE
Advantage (For ACWA public agency members, affiliates & associates ONLY)	(ends 11/7/14)	
Full Conference Registration & Meals Package	\$695	Not Avail.
Full Conference Registration Only (meals sold separately)	\$510	\$540
One-Day Conference Registration (meals sold separately): Wednesday 12/3 -OR- Thursday 12/4	\$275	\$300
<i>Wednesday registration includes Welcome Reception on Tuesday evening.</i>		
<i>Thursday registration includes ability to purchase a ticket for Friday breakfast.</i>		
Standard (Applies to non-members of ACWA)		
Full Conference Registration Only (meals sold separately)	\$765	\$795
One-Day Conference Registration (meals sold separately): Wednesday 12/3 -OR- Thursday 12/4	\$395	\$450
<i>Wednesday registration includes Welcome Reception on Tuesday evening.</i>		
<i>Thursday registration includes ability to purchase a ticket for Friday breakfast.</i>		
Guest (Guest registration is not available to anyone with a professional reason to attend.)		
Guest Conference Registration (meals sold separately)	\$45	\$45
MEAL FUNCTIONS	REGULAR	ONSITE
Wednesday – December 3		
Opening Breakfast	\$45	\$50
Wednesday Luncheon	\$50	\$55
Thursday – December 4		
Networking Continental Breakfast	\$35	\$40
Thursday Luncheon	\$50	\$55
Thursday Dinner	\$65	\$70
Friday – December 5		
Friday Breakfast	\$45	\$50

HOTEL INFORMATION

Reservations will not be accepted until August 18

You must be registered for the ACWA conference in order to receive hotel reservation information and conference special room rate.
Conference special rate is available August 18 – November 14, based on availability.

Special Hotel Rates

Manchester Grand Hyatt Single/Double \$189
Subject to 10.5% state and local taxes per room per night plus 2% TMD San Diego county fee, and \$0.21 CA State assessment fee.

Important Dates:

For those **registering for conference prior to August 18**, hotel information will be provided via e-mail on August 18.

For those **registering for conference from August 18 to November 14**, your confirmation e-mail will include hotel reservation information and an opportunity to receive a conference special hotel rate.

Hotel Reservation Questions?

Email Kiyomi Smiley at kiyomi.smiley@hyatt.com

Questions? Contact us at 916.441.4545, toll free 888.666.2292.
Conference terms and conditions available at acwa.com in the event section.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **INFORMATION**

ITEM: F.2.A. Finance Director's Report for September 2014

PRESENTED BY: Colleen M. R. Trask, Finance Director

TYPE OF ACTION: None

FINANCIAL, AUDIT, & BUDGET INFORMATION

The District has deposited \$117,674.49 to date into the Trust Account for revenue recovery.

Audit Update: The auditor has completed their on-site testing of source documents. They complimented the District on the ease of document retrieval that was made possible by the implementation of the DocStar document management system. Accounts Payable preparation time for their site-visit was also considerably shortened because of DocStar. The District also received a compliment for our Human Resources Manager, Diane Sloane, on the organization of our payroll information. Confirmations have been sent out for loans and bank balances.

Treasurer's Report Highlights: For this year, I will continue to show capacity fees and capital assets revenue in the notes to the Activity Statement. At the General Manager's suggestion, I have adjusted the capacity fees and contributed capital assets revenue out of the budget-to-actual comparison graphs, so those show only operating revenue against operating expenditures.

Other Updates: The Worker's Compensation Audit was completed, and total payroll came in under the estimate, so we should be seeing a small refund of premium next year.

Scott Gordon of Jackson and Eklund has completed a review of the District's Fixed Asset schedule and assisted with fixed asset adjusting entries for the year-end closing process. Other calculations and documentation, including those for District Reserves, are being prepared for the year-end trial balance, and will appear on next month's Treasurer's Report.

We have had many inquiries from customers about the statewide drought and the District's water-use curtailment requirements. Our Support Services staff have been providing information approved by the General Manager on these issues.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **INFORMATION**

ITEM: F.2.B. Operations Department – July 2014 Report

PRESENTED BY: James Henry, Operations Director

TYPE OF ACTION: None

Water Department:

◇ **Water Statistics:**

The district pumped 48 million gallons of water in July.
Three water quality complaints were investigated and rectified.
Daily, weekly and monthly inspections of all water facilities were conducted.
Three new water services were installed.

◇ **Double Check Valve Testing:**

Annual routine testing was completed in Route 14 and a minimal number of retests were conducted. Customers with failed DCV's were notified to make repairs and call the office to schedule a retest.

◇ **Average and Maximum Water Usage:**

The maximum water usage day was 2.0 million gallons and the average usage per day was 1.6 million gallons.

◇ **Water Distribution Maintenance:**

The annual Valve Exercising Program continued in July. (60% completed) Valves will be exercised and documented in the log book. Any discrepancies will be flagged to generate work orders for repairs. Staff inspected the installation of the Intertie pipeline along Northbank Road to verify the contractors were meeting District Standards and Specs. Permanent paving was completed on new service and leak repair trenches.

◇ **Water Station Maintenance:**

String trimming and mowing was completed at the North Bank Station along with greasing pumps. String trimming and mowing was completed at Norton Tank Site. Touch up painting was conducted on the tank roofs.

◇ **New Construction Inspections:**

Central Estates Phase 2C, GRS started installing manholes and sewer mains.

Sewer Department:

◇ **Waste Water Statistics:**

23.9 million gallons of wastewater was collected and pumped to the W.W.M.F. 21 million gallons of wastewater was treated and discharged to land disposal or reclamation in July. Daily, weekly and monthly inspections of all sewer facilities were conducted.

◇ **Sewer Station Maintenance:**

Quarterly wet well washing was conducted at the Hiller Lift Stations. This is done to prevent grease and rags from plugging up the pumps. String trimming and mowing was completed at the Hiller and Fischer sewer lift stations. The Fischer roof radiator enclosure was pressure washed and painted.

◇ **Sewer Collection System:**

Grease traps were inspected at required facilities. Customers that are out of compliance were notified to have their traps pumped and possibly shorten their pumping schedule. A new sewer lateral was installed on Anderson.

◇ **Wastewater Management Facility:**

The Chlorine Contact Basin was drained and cleaned with fire hoses. String trimming and mowing took place inside the WWMF fence line. The annual rebuild of one CL2 and SO2 vacuum regulator was performed. An aerator was installed in Pond 4 to assist in the treatment process while having a pond eliminated for the upgrade. Synagro has started the biosolids removal in pond 1A.

◇ **Daily Irrigation and Observation of Reclamation Sites:**

Weekly well monitoring was conducted at the Fischer Ranch tree farm as part of the tree farm pilot study. Brush was cleared at the Fischer Ranch and tires stacked up near barn for tire hazmat drop off day. A beam was also repaired in the dome barn due to rot damage.

◇ **Street Light Department:**

No repairs were conducted on street lights in July. Semi-annual inspection of Cypress Hills and Pierson Park streetlights was completed.

Promote Staff Training and Advancement: Weekly tailgate meetings and training associated with job requirements. District staff received two days of training on electrical panels, motor controls and pump maintenance. The class was taught by District staff member William McBroome. Employees from nearby cities and municipalities attended the training.

Special Notes:

Tractors, Dump Truck and Vac-con were greased and lubed to prevent unnecessary wear. Operations Department assisted Parks and Rec with the Awning foundation. Unit 13 starter was replaced.

Replaced the main shaft on the John Deere rotary mower due to wear and tear.

Monthly river samples and quarterly well samples were completed in July.

24" x 18" Notification signs were made and displayed at Hiller park to inform the public about the Biosolids project and above normal truck traffic coming from the WWMF. A traffic plan was then designed to show the truck hauling route which was used to notify customers on that route by mail and IVR of the project and above normal truck traffic. A kick-off meeting was conducted on August 15th and Synagro started hauling sludge out of the WWMF on August 19th. Pond 1A is 40% completed.

New meter reading handheld units were ordered for purposes of reading the radio meters that will be phased in over the next 3 years. Staff was trained on the new equipment and software. The WWMF 50% designs was reviewed and commented on. Comments were sent to Kennedy/Jenks for clarification and/or corrections.

The interconnect pipeline is near completion. A few items on the punch list are still pending.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **INFORMATION**

ITEM: F.2.C **Parks & Recreation Director's Report for September 2014**

PRESENTED BY: **Jason Sehon, Parks & Recreation Director**

TYPE OF ACTION: **None**

LAWN GAMES AT PIERSON PARK:

We offered a new event this summer, Lawn Games at the Park. The event took place every Thursday evening in August from 6:00 pm to 8:00 pm at Pierson Park. The event was designed to get family and friends to spend an evening playing good old fashioned lawn games at the park.

Participants were encouraged to bring a picnic dinner, blanket, lawn chairs and enjoy summer evenings playing badminton, croquet, cornhole, bocce ball and wiffle ball. Our parks & recreation department provided all the equipment. The event was free and participants were encouraged to bring their own equipment and games.

This was a fun and enjoyable event and we will continue to next year during "July is Parks Make Life Better Month."

GRANTS:

Staff continues to actively research grant opportunities on a weekly basis. Grants received and active are as follows:

- \$64,000.00 from the S.H. Cowell Foundation to support the Teen & Community center. This grant was a partnership with the Boys & Girls Club of the Redwoods
- \$9,000 match from Humboldt Area Foundation for audio and visual equipment for the Teen & Community Center
- \$25,000 match from Land & Water Conservation Fund to fund the construction of a covered picnic area at Pierson Park
- We recently received a \$3,000 grant from the McKinleyville Area Fund to purchase sound equipment for the sound proof music room at the Teen & Community Center
- We received a \$2,000 grant from Humboldt Sponsors to purchase cooking supplies to assist with teaching culinary arts classes in the Teen & Community Center once it is built

With construction of the Teen & Community Center starting soon, staff is actively pursuing local and regional grants to help furnish the facility.

CERTIFIED PLAYGROUND SAFETY INSPECTOR:

Our Parks & Recreation Director and Park Maintenance Supervisor will be attending the Certified Playground Safety Inspector course (CPSI) at the end of the month. Certification is for three (3) years. This certification is a necessary and useful tool when staff is installing new equipment as well as conducting routine safety inspections.

TEEN & COMMUNITY CENTER:

We have continued to work with S.H. Cowell Foundation and the Boys & Girls Club of the Redwoods to potentially form a partnership for the programming portion of the Teen & Community Center.

PIERSON PARK COVERED PICNIC AREA PROJECT:

A majority of this project is being completed in house. The project area has been graded and the footings have been dug. We passed inspection and JLF Construction will pour the slab in the next few weeks when they get a chance. Funding for this project will come from a Land & Water Conservation Fund grant (\$25,000) and Quimby Inland Parkland Dedication Fund (\$50,000).

CALIFORNIA CONSERVATION CORPS (CCC):

MCSD has a contractual agreement with the CCC where in exchange for us providing space for the use of the Pierson Park Trailer and the parking lot at Pierson Park, the CCC provides MCSD with 5 ½ weeks of crews. The estimated value of this agreement is \$25,000 annually.

SHERIFF WORK ALTERNATIVE PROGRAM (SWAP):

MCSD and County staff worked out an agreement to keep a SWAP crew working twelve (12) days per year. In addition, the County has agreed to provide between two (2) and five (5) individual SWAP members to report to work for MCSD each Saturday. This partnership is still working very well.

COMMUNITY SERVICE WORKERS:

Our Parks staff continues to utilize the Community Service Worker (CSW) program daily. This program helps us to maintain Pierson Park, Hiller Park, Hiller Sports Complex, Azalea Hall, and the McKinleyville Activity Center.

WORK EXPERIENCE (CalWORKS PROGRAM)

We currently have One (1) CalWORKS staff member working within the Parks Department. We are still seeking additional individuals interested in working for the Park Maintenance. This is a great program for the workers and for the MCSD. It gives the employees great on the job experience and it aids MCSD in its daily operations. The County pays all wages for a six-month period (with possible extensions of time), and workers compensation is also under the County's umbrella.

GRAFFITI & VANDALISM UPDATE:

No major vandalism to report.

McKinleyville Community Services District

BOARD OF DIRECTORS

September 3, 2014

TYPE OF ITEM: **INFORMATION**

ITEM: F.2.D General Manager's Report for September 2014

PRESENTED BY: Gregory Orsini, General Manager

TYPE OF ACTION: None

A summary of activity for the month of August, 2014

Cost Savings Related to District Activities – The following is a summary of some of the recent cost savings opportunities District staff identified:

• Closure of the Long-term Disability policy	\$11,196	annually
• Arcata Stationers discounts	\$281	
• SWAP Crews	\$8,000	
• California Conservation Corps	\$5,000	
• Community Service Workers	\$1,000	
• Various Volunteers	\$500	
• 2 Hach Cl2 test kits – reward point purchase	\$130	
• Install metered bypass at normally closed valve	\$450	
• Repair wash down hose reel on Vac Con	\$500	
• Replace Grating in Fischer Comminutor Pit	\$1,000	
• Safety Rail Repair – Norton Tank 2B	\$450	
• Operation's staff assumed onsite project management of the Biosolids removal project:	\$5,300	

Total cost savings for August is \$33,807

The cumulative cost saving to the District to date from July 1, 2014 is \$51,869

District staff are recognized and commended for their continued efforts in looking for cost savings, the use of internal labor and grant opportunities that result in real savings for the District, rate payers, and the community.

Water Curtailment – Work continues on the Water Shortage Contingency Plan. Support and Field Staff have been fielding a moderate amount of questions related to the water curtailment and are utilizing door hangers and handouts to reinforce MCSD strategy. MCSD first mandated report was submitted on the State Website and showed a decrease from the same time last year.

Water Rate Adjustment Status- We continue to see revenues forecasted by the rate analysis. The pass through surcharge revenues are being deposited in a reserve account and will be tracked and reported on by the Finance Director.

Prop 50 Grant and MCSD/ City of Arcata Intertie- The majority of the punch list is still outstanding and will need to be completed prior to acceptance of the project. Construction continues on other sections of the project.

Teen and Community Center- The majority of effort this month were related to providing the necessary information to the financing team. This subject will be discussed during the September Meeting of the Board of Directors.

Waste Water Management Facility (WWMF) Improvement Project Design – The Initial Study Mitigated Negative Declaration (ISMND) public comment period has closed. The Board will be approving the ISMND and the compliance schedule during the September Meeting. 50% design review was completed and comments provided to the design team. We will meet with them in September to discuss their response to our comments. The Biosolids Removal Project is underway and is going as planned. Staff is responsible for all onsite project management of this phase of the project creating a significant savings.

Integrated Pest Management Plan – Staff is reviewing IPMs from other agencies and will decide on a format the near future. The best candidates will be chosen for content too.

County Settlement – Management and District counsel are reviewing County of Humboldt documentation to verify the terms of the agreement are being met. A phone conference is scheduled for early September to finalize with our counsel.

Record Retentions Policy – This item will be before the Board during the September meeting for approval. It will include updates to the policy and an addition of a Destruction of Records section. These updates will make MCSD policy for records compliant with state statute.

Open Space MOU – An outline was created with general components of the proposed agreement. Staff will continue to refine the document and initiate input from County of Humboldt early to promote dialogue.

Teen Center/ Boy's and Girl's Club Partnership – Upper management level participation has started related to negotiations for our partnership with Boy's and Girl's to share in the staffing of the Teen Center. A presentation from their Executive Director is planned for a coming Board meeting to familiarize the Directors with the proposal and their support.

Sewer Rate Analysis – Management and Willdan Financial will be reviewing the sewer rates to verify our ability to generate needed revenues to fund the necessary improvements to meet standards for the next NPDES cycle at the WWMF. Due to under estimations in the Facility Plan a minor adjustment may be necessary.

Meetings – The General Manager attended various meetings in August dealing with MCSD business. The GM also attended a CSDA Legislative Committee meeting in August in Sacramento.

Exhibits/Attachments

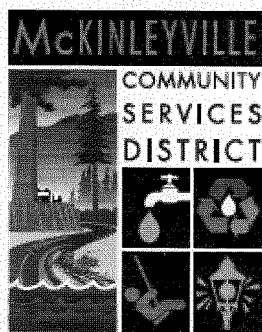
- Attachment 1 - WWMF August 2014

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R.W.Q.C.B. NORTH COAST REGION
5550 SKYLANE BLVD., SUITE A
SANTA ROSA, CA 95403

August 26, 2014

RE: MONTHLY MONITORING REPORT

Dear Lisa:

Enclosed is the Monthly Monitoring Report for July 2014 for McKinleyville Community Services District Wastewater Management Facilities WDID NO. 1B82084OHUM, operating under Order Number WQ 2011-0008-DWQ.

The normal discharge of effluent was 30 days discharge to reclamation M-004, 5, & 7 and land disposal M-003. The required monitoring and water quality constituents that were tested and reported were in compliance in July 2014

The requirement for BOD is 45 mg/L monthly average and 65 % removal for the weekly average with four weekly tests in July that represent five criteria. The BOD results for July are in compliance.

The requirement for TSS is 83 mg/L monthly average with four weekly tests in July which represent one criteria. The TSS results for July are in compliance.

The requirement for Nitrate as Nitrogen in the effluent is a monthly average of 10 mg/L. One test was conducted in July and was in compliance.

Total Coliform Organisms MPN/100 ml. The Monthly Median not to exceed MPN of 23 and the daily maximum not to exceed MPN of 230. The reported results for the month of July are as follows. Median was <1.8 and a Maximum of 130. Four samples were collected in the month of July and were in compliance.

Monthly River Monitoring was conducted in July.

Quarterly testing, including well samples, was conducted in July.

Biosolids removal in Pond 1A regarding the WWMF Upgrade Project is in process and is approximately 40% completed.

**McKINLEYVILLE COMMUNITY SERVICES DISTRICT
WASTEWATER MANAGEMENT FACILITY
EFFLUENT DISCHARGE DISPOSAL**

JULY 2014

Discharge Monitoring	002 M-003	002 M-003	004 M-005	003 M-004	006 M-007	005 M-006	001 M-002				
DATE	INFLUENT MGD	EFFLUENT MGD	MAXIMUM GPM	N.POND MGD	S.POND MGD	FISCHER MGD UPPER	FISCHER MGD LOWER	PIALORSI MGD	HILLER MGD	IRRGATE TOTAL MGD	RIVER MGD
1	0.783	0.798	750			0.659		0.139		0.798	0.000
2	0.769	0.878	752			0.608		0.270		0.878	0.000
3	0.754	0.812	745		0.330	0.330		0.152		0.482	0.000
4	0.731	0.595	423		0.595					0.000	0.000
5	0.734	0.588	417		0.588					0.000	0.000
6	0.802	0.581	410		0.581					0.000	0.000
7	0.792	0.701	767		0.221	0.332		0.148		0.480	0.000
8	0.766	0.933	949			0.633	0.024	0.276		0.933	0.000
9	0.783	0.969	979			0.673	0.042	0.254		0.969	0.000
10	0.755	0.960	987			0.634	0.047	0.279		0.960	0.000
11	0.749	0.888	1088		0.321	0.371	0.030	0.166		0.567	0.000
12	0.768	0.581	412		0.581					0.000	0.000
13	0.813	0.577	408		0.577					0.000	0.000
14	0.786	0.218	407		0.218					0.000	0.000
15	0.780	0.000	0	Washed CCB						0.000	0.000
16	0.762	0.644	2220			0.443	0.043	0.158		0.644	0.000
17	0.763	0.937	1306			0.729	0.039	0.169		0.937	0.000
18	0.761	0.700	1068		0.305	0.359	0.036			0.395	0.000
19	0.762	0.553	391		0.553					0.000	0.000
20	0.793	0.548	386		0.548					0.000	0.000
21	0.779	0.597	906		0.208	0.253	0.092	0.044		0.389	0.000
22	0.761	0.676	977			0.458	0.106	0.112		0.676	0.000
23	0.771	0.887	1084			0.533	0.198	0.156		0.887	0.000
24	0.775	1.118	1082			0.911	0.207			1.118	0.000
25	0.767	0.819	933		0.268	0.419	0.132			0.551	0.000
26	0.753	0.485	343		0.485					0.000	0.000
27	0.805	0.480	341		0.480					0.000	0.000
28	0.793	0.706	1238		0.189	0.246	0.126	0.145		0.517	0.000
29	0.762	0.772	1254			0.348	0.141	0.283		0.772	0.000
30	0.785	0.681	1339			0.288	0.139	0.254		0.681	0.000
31	0.758	0.663	1296			0.273	0.128	0.262		0.663	0.000
TOTAL	23.915	21.345		0.000	7.048	9.500	1.530	3.267	0.000	14.297	0.000
AVERAGE	0.771	0.689	828	0.000	0.392	0.475	0.096	0.192	0.000	0.461	0.000
MAXIMUM	0.813	1.118	2220	0.000	0.595	0.911	0.207	0.283	0.000	1.118	0.000
MINIMUM	0.731	0.000	0	0.000	0.000	0.246	0.024	0.044	0.000	0.000	0.000
DAYS	31	30		0	17	20	16	17	0	20	0
DAYS WITH NO DISCHARGE = 1											

McKINLEYVILLE COMMUNITY SERVICES DISTRICT
WASTEWATER MANAGEMENT FACILITY
MONITORING DATA

MONTH: JULY

YEAR: 2014

DATE	INFLUENT FLOW		EFFLUENT FLOW		EFFLUENT MAXIMUM GPM	RIVER CFS	INFLUENT MONITORING		EFFLUENT MONITORING							3X5 TOTAL COLIFORM			
	M.G.D.	M.G.D.	M.G.D.	GPM			B.O.D. mg/L	N.F.R. mg/L	pH	(C°) TEMP	B.O.D. mg/L	NFR mg/L	AMMONIA	CL₂ RES.	RIVER CL₂ RES	SETTLABLE SOLIDS			
1	0.783		0.798	750			350	240	6.7	18.3			38	1.9					
2	0.769		0.878	752					6.7	18.6	20	7.6	36	1.4					
3	0.754		0.812	745					6.7	18.9			38	2.0			<0.1		
4	0.731		0.595	423															
5	0.734		0.588	417															
6	0.802		0.581	410															
7	0.792		0.701	767					6.7	19.1			36	1.4			<1.8		
8	0.766		0.933	949					6.6	18.7			36	1.6					
9	0.783		0.969	979					6.6	19.2			36	1.3					
10	0.755		0.960	987					6.6	19.1			32	1.5					
11	0.749		0.888	1088			360	360	6.7	19.4	15	11	36	1.9			<0.1		
12	0.768		0.581	412															
13	0.813		0.577	408															
14	0.786		0.218	407					6.8	18.7			38	3.0			<1.8		
15	0.780		0.000	0					Washed CCB										
16	0.762		0.644	2220					6.6	19.2			36	11.0					
17	0.763		0.937	1306					6.8	18.9			34	2.4					
18	0.761		0.700	1088			360	380	6.7	19.1	13	9	34	6.6			<0.1		
19	0.762		0.553	391															
20	0.793		0.548	386															
21	0.779		0.597	906															
22	0.761		0.676	977					6.8	19.2			32	4.0			130.0		
23	0.771		0.887	1084					6.7	19.2			32	5.0					
24	0.775		1.118	1082					6.8	19.6			36	4.9					
25	0.767		0.819	933					6.8	19.7			32	2.5					
26	0.753		0.485	343			310	320	6.7	19.2	17	12	32	6.3			<0.1		
27	0.805		0.480	341															
28	0.793		0.706	1238					6.8	19.3			32	4.4			<1.8		
29	0.762		0.772	1254					6.8	19.0			30	6.0					
30	0.785		0.681	1339					6.7	19.3			28	5.7					
31	0.758		0.663	1296					6.9	19.0			30	6.2					

SPILLS:

None to report

DATE	MONTHLY TESTS			
	TDS	AMMONIA	NITRATE	BORON
7/31/2014	320	ND	N/A	320

Semi-Annual Tests		Value in ug/l
Bis phthalate		N/A
alpha-BHC		N/A
4,4'-DDT		N/A
carbon tetrachloride		N/A

Quarterly Tests		Value in ug/l
Dichlorobromomethane		DNQ
Bromoform		ND
Chlorodibromomethane		ND
Chloroform		2.14

30 DAY AVERAGE		BOD mg/L	BOD LBS/DAY	BOD % Removal	NFR mg/L	NFR LBS/DAY	NFR % Removal
		15	101	96	11	72	97

ACUTE TOXICITY

DATE	% Survival
	N/A
	N/A
	N/A

Rainbow Trout
C. dubia

CHRONIC TOXICITY		TESTED	SURVIVAL
		Minnow	N/A
		C. Dubia	N/A
		Algae	N/A
			TUC

Total Coliform	Monthly
MEDIAN	<1.8
Daily	
Maximum	130

SIGNATURE: _____

REMARKS:

Indicates Permit Exceedance