

NEW ISSUE  
BOOK-ENTRY ONLY

RATING  
S&P: \_\_\_\_\_

(See “CONCLUDING INFORMATION - Rating on the 2024 Bonds” herein)

*In the opinion of Aleshire & Wynder, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax, although Bond Counsel observes that it is included in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on applicable corporations. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

**CARSON PUBLIC FINANCING AUTHORITY**  
**\$84,600,000\***  
**2024 LEASE REVENUE BONDS**

**Dated: Date of Delivery**

**Due: As shown on the inside front cover page**

The Carson Public Financing Authority 2024 Lease Revenue Bonds (the “2024 Bonds”) are being issued to finance the costs of improvements to certain roads and facilities, to satisfy the reserve requirement for the 2024 Bonds by purchasing a municipal bond debt service reserve insurance policy and to pay the costs incurred in connection with the issuance of the 2024 Bonds. See “INTRODUCTION - Purpose” and “THE FINANCING PLAN” herein. The 2024 Bonds are payable from the revenues pledged under the Indenture, as defined herein, consisting primarily of base rental payments (the “Base Rental”) to be paid by the City of Carson (the “City”) to the Carson Public Financing Authority (the “Authority”) for rental of certain property (the “Leased Property”) pursuant to a Property Lease, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Property Lease to pay Base Rental in each fiscal year in consideration of the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the 2024 Bonds, subject to abatement, as described herein. See “SOURCES OF PAYMENT FOR THE 2024 BONDS” and “RISK FACTORS” herein.

Interest on the 2024 Bonds is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2024, until maturity or earlier optional, sinking fund or mandatory redemption. See “THE 2024 Bonds - General Provisions” and “THE 2024 Bonds - Redemption” herein.

**THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

The scheduled payment of principal of and interest on the 2024 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_. See “MUNICIPAL BOND INSURANCE” and “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

[LOGO]

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2024 Bonds.

The 2024 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. Certain legal matters will be passed on for the City and the Authority by Aleshire & Wynder, LLP, Irvine, California, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the 2024 Bonds, in book-entry form, will be available for delivery on or about August \_\_, 2024 through the facilities of The Depository Trust Company.

**Ramirez & Co., Inc.**

The date of the Official Statement is \_\_, 2024.

\* Preliminary, subject to change.

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

**CARSON PUBLIC FINANCING AUTHORITY**  
**\$84,600,000\***  
**2024 LEASE REVENUE BONDS**

**MATURITY SCHEDULE**

Base CUSIP®† \_\_\_\_\_

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

\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. Copyright (c) 2024 CUSIP Global Services. All rights reserved. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2024 Bonds. None of the Authority, the City, the Municipal Advisor, the Underwriter or their agents or counsel is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2024 Bonds.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

*Investment in the 2024 Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand (either alone or with competent investment advice) those risks should consider such an investment.*

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority and the City. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Municipal Advisor to give any information or to make any representations in connection with the offer or sale of the 2024 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2024 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2024 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or any other parties described herein since the date hereof. All summaries of the Indenture, Lease or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith. While the City maintains an internet website and certain social media accounts for various purposes, none of the information on that website or those accounts is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2024 Bonds or any other bonds or obligations of the Authority or the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

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

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

IN CONNECTION WITH THE OFFERING OF THE 2024 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2024 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2024 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

\_\_\_\_\_ (“\_\_\_\_\_” or the “Bond Insurer”) makes no representation regarding the 2024 Bonds or the advisability of investing in the 2024 Bonds. In addition, \_\_\_\_\_ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding \_\_\_\_\_, supplied by \_\_\_\_\_ and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX H- SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

## **CITY OF CARSON, CALIFORNIA**

### **CITY COUNCIL**

Lula Davis-Holmes, *Mayor*  
Jawane Hilton, *Mayor Pro Tem, District 1*  
Jim Dear, *Council Member, District 2*  
Cedric L. Hicks, Sr., *Council Member, District 3*  
Arleen Bocatija Rojas, *Council Member, District 4*

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### **CITY KEY ADMINISTRATIVE PERSONNEL**

David C. Roberts, *City Manager*  
Robert Lennox, ED.D, *Assistant City Manager – Administrative Services*  
John Raymond, *Assistant City Manager – Economic Development*  
Tarik Rahmani, *Deputy City Manager*  
William Jefferson, *Finance Director*  
Saied Naaseh, *Director of Community Development*  
Michael Whittaker, *Director of Community Services*

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### **PROFESSIONAL SERVICES**

#### **Bond Counsel**

Aleshire & Wynder, LLP  
Irvine, California

#### **Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

#### **Municipal Advisor**

Harrell & Company Advisors, LLC  
Tustin, California

#### **Trustee**

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

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**OFFICIAL STATEMENT**  
**CARSON PUBLIC FINANCING AUTHORITY**  
**\$84,600,000\***  
**2024 LEASE REVENUE BONDS**

This Official Statement which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Carson Public Financing Authority 2024 Lease Revenue Bonds (the “2024 Bonds”), in the aggregate principal amount of \$84,600,000\*.

**INTRODUCTION**

*This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2024 Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2024 Bonds, see the summary included in “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.*

**The City and the Authority**

The City was incorporated in 1968 and became a charter city on January 1, 2019. The City encompasses approximately 19.2 square miles in southern Los Angeles County (the “County”) in an area known as South Bay. The City is located approximately 13 miles south of downtown Los Angeles. Neighboring communities include the cities of Long Beach, Compton and Lakewood (see “APPENDIX A – CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE CITY OF CARSON” herein).

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City and the Carson Housing Authority formed the Authority by the execution of an amended and restated joint exercise of powers agreement on October 6, 2015.

Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to acquire or construct and to refinance public capital improvements, such revenue bonds to be repaid from the base rental payments described herein.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor serves as the President of the Authority. The City Manager of the City acts as the Chief Administrative Officer.

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\* Preliminary, subject to change.

## **Purpose**

The 2024 Bonds are being issued to finance costs of improvements to certain roads and facilities, to satisfy the reserve requirement for the 2024 Bonds by purchasing a municipal bond debt service reserve insurance policy and to pay the costs incurred in connection with the issuance of the 2024 Bonds. See “THE FINANCING PLAN” herein.

## **Security and Sources of Repayment**

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

The 2024 Bonds are payable from the revenues pledged under the Indenture. The revenues consist primarily of Base Rental (the “Base Rental”) to be paid by the City to the Authority for the rental of real property and improvements thereon (the “Leased Property”) and from certain funds held under the Indenture and investment earnings thereon (collectively with the Base Rental, the “Revenues”), and from net proceeds of insurance or condemnation awards with respect to the Leased Property. See “THE LEASED PROPERTY” herein.

Pursuant to a Site and Facility Lease, dated as of June 1, 2024 (the “Site Lease”), by and between the Authority and the City, the City has leased the Leased Property to the Authority. The Authority has subleased the Leased Property back to the City under a Property Lease dated as of June 1, 2024 (the “Lease”), by and between the City and the Authority. The Base Rental are to be paid by the City pursuant to the Property Lease.

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

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

In general, the City is required under the Property Lease to pay to the Authority specified amounts for use and possession of the Leased Property which are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the 2024 Bonds. The City is also required to pay any taxes and assessments levied on the Leased Property and all costs of maintenance and repair of the Leased Property. Except for the Authority’s right, title and interest in and to the Base Rental and otherwise to the Property Lease which have been assigned to the Trustee, no funds or properties of the Authority or the City are pledged to or otherwise liable for the 2024 Bonds (see “RISK FACTORS” herein).

## **Municipal Bond Insurance Policy; Reserve Policy**

The scheduled payment of the principal of and interest on the 2024 Bonds when due will be guaranteed under a municipal bond insurance policy (the “2024 Policy”) to be issued by \_\_\_\_\_ ( “\_\_\_”)

simultaneously with the delivery of the 2024 Bonds. See “MUNICIPAL BOND INSURANCE” and APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY. In addition, \_\_\_ has made a commitment to issue a municipal bond debt service reserve insurance policy (the “Reserve Policy”) which will be deposited in the reserve account, in lieu of a cash funding of the Reserve Account, in an amount equal to the Reserve Requirement. See “SOURCES OF PAYMENT FOR THE BONDS - Reserve Account.”

## **Limited Obligation**

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

## **Offering of the 2024 Bonds**

**Authority for Issuance and Delivery.** The 2024 Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture, and by Resolution No. \_\_\_ of the Authority and by Resolution No. \_\_\_ of the City, each adopted on July \_\_\_, 2024.

**Offering and Delivery of the 2024 Bonds.** The 2024 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. It is anticipated that the 2024 Bonds, in book-entry form, will be available for delivery on or about August \_\_\_, 2024 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX G - THE BOOK-ENTRY SYSTEM.”

## **Summaries Not Definitive**

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Property Lease, the 2024 Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2024 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the 2024 Bonds from the City, 701 E. Carson Street, Carson, California 90745.

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# THE FINANCING PLAN

## The Project

The City expects to fund a variety of capital projects with the proceeds of the 2024 Bonds.

**Emergency Operations Center Renovation.** The City's Emergency Operations Center is located in the basement of City Hall. The City anticipates a complete renovation of the facility that will include \_\_\_\_\_. The contract for construction is expected to be awarded in July 2024, with construction commencing in August 2024.

**Citywide Street Repair.** The City has embarked on a multi-phase repair of many of the City's non-arterial streets. The first phase was completed in April 2024. Construction on the second phase is underway, and the third phase will commence upon completion of the second phase. Phases two and three are expected to be completed within 12 months.

**Lenardo Drive Construction.** This project consists of a new roadway to serve a 157-acre development site. The City will utilize a variety of sources to fund this \_\_\_million construction project, in addition to 2024 Bond proceeds. Construction is expected to commence in September 2024.

**Foisia Park.** The City will renovate the existing park, installing new irrigation, sports fields and courts, playground surfacing and equipment and new turf, and add an amphitheater/entertainment area to the existing facilities, which include a swimming pool and gym and community center. The contract for construction is expected to be awarded in July 2024, with construction commencing in August 2024.

**Carriage Crest Park.** The City will renovate this existing 5-acre park that includes a community center, basketball courts, sports fields and picnic areas. The City will also expand the park by 10 acres, adding synthetic turf sports fields, lighting, a dog park and additional parking. The contract for construction is expected to be awarded in October 2024, with construction commencing in October 2024.

**Mills Park.** The City will be making improvements consisting of \_\_\_\_\_.

**Anderson Park.** The City will be making ADA improvements to sidewalks and parking.

**Event Center.** At the Event Center, the City will be constructing an outdoor amphitheater to provide outdoor space for events, making improvements to the parking areas and making interior renovations such as improvements to the technology and audio/visual equipment and a new coiling wall.

**City Hall.** Improvements to the City Hall's restroom and kitchenette areas.

The City expects to fund these capital projects in the following amounts:

Emergency Operations Center	\$ 4,300,000
Citywide Street Repair	32,000,000
Lenardo Drive Construction	26,000,000
Foisia Park	4,250,000
Carriage Crest Park	6,400,000
Mills Park	3,000,000
Anderson Park	2,000,000
Event Center	10,000,000
City Hall	<u>2,850,000</u>
Total	\$90,800,000

## **Estimated Sources and Uses of Funds**

The estimated sources and uses of funds related to the sale and issuance of the 2024 Bonds is set forth below:

### **Sources of Funds**

Par Amount of Bonds

Net Original Issue Premium

Total Sources

### **Uses of Funds**

Improvement Fund

Underwriter's Discount

Costs of Issuance Fund <sup>(1)</sup>

Total Uses

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<sup>(1)</sup> Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee and rating fees, costs of printing the Official Statement, municipal bond insurance and surety bond premiums and other costs of issuance of the 2024 Bonds.

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## THE LEASED PROPERTY

The Leased Property may consist of any or all of the following:

**Event Center.** The Carson Event Center (“Event Center”) is an approximate 94,000 square foot facility that offers 40,000 square feet of versatile meeting space, including a 12,000 square foot ballroom, meeting rooms and state of the art audio visual services. Surrounding the Event Center is parking for \_\_\_\_ cars. A Doubletree by Hilton is located adjacent to the facility and shares the parking. The City operates the Event Center, provides event bookings and staffing. Food service at the Event Center is contracted to a third party. On average, the City hosts \_\_\_\_ events per year, including weddings and conferences. The facility is located on approximately 10 acres.

**Veteran’s Park.** Veteran’s Park is a 10-acre park providing a community activity center (“Community Center”) with room for 75 people, baseball fields, picnic area, skate park, tennis courts, basketball courts and an amphitheater. The Community Center is approximately 16,400 square feet, built in 1990.

**Hemingway Park.** Hemingway Park is a 13-acre park providing an activity center (“Activity Center”) with room for 75 people, a recreation room that holds up to 30 people, an aquatic center with 3 pools and waterslide, a baseball field, grass picnic area, skate park, pickleball courts, a basketball court and an amphitheater. The Activity Center is approximately 4,000 square feet, built in 1980. The pools were added to the park in 2009.

**Anderson Park.** Anderson Park is an 8-acre park with 3 picnic shelter areas, tennis courts, basketball courts and an amphitheater.

**Carson Park.** Carson Park is an 11-acre park providing an activity room (“Activity Room”) with room for 120 people, including a gymnasium, dance room and fitness center, a multi-purpose room that holds up to 30 people, a pool, picnic shelter areas, basketball courts and a splash pad. The Activity Room is approximately 21,000 square feet, built in 2013.

**Corporate Yard.** The City’s corporate yard is located on approximately 6 acres. This site contains facilities for the operations & street maintenance and fleet & facilities divisions of the Public Works Department. The Public Works building is approximately 60,000 square feet. This location also includes the Parks and Recreation Department, in an approximate 18,000 square foot building. The buildings were constructed in 1979 and recently renovated when the City purchased the property with the existing buildings.

Casualty insurance on the Leased Property currently includes earthquake damage and flood damage. However, earthquake coverage is only required in the future if such coverage is available at reasonable cost from reputable insurers in the judgment of the City (see “SOURCES OF PAYMENT FOR THE 2024 BONDS - Insurance Relating to the Leased Property” herein). The insured value of the facilities is \$\_\_\_\_\_.

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

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# THE 2024 BONDS

## General Provisions

The 2024 Bonds will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover page of this Official Statement.

Interest on the 2024 Bonds shall be payable semiannually on December 1 and June 1 of each year commencing December 1, 2024 (each, an “Interest Payment Date”). Interest with respect to each 2024 Bond shall accrue from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date, or (ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date in which event interest with respect thereto shall be payable from its dated date; provided, however, that if at the time of authentication of any 2024 Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment.

Interest with respect to any 2024 Bond shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2024 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest shall be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners by first class mail not less than 10 days prior thereto.

**Payments of Principal and Interest; Book-Entry System.** The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the 2024 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC’s book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the 2024 Bonds (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the 2024 Bonds and DTC’s book-entry method is used for the 2024 Bonds, the Trustee will send any notices to Bond Owners only to DTC.

## Redemption

**Mandatory Redemption From Insurance or Condemnation Proceeds.** The Trustee shall, on such date as is set forth in a Request of the Authority, redeem the Bonds, as defined herein, including the 2024 Bonds, as a whole, or in part by lot within any maturity if less than all of the Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, the Indenture, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium. See “SOURCES OF PAYMENT FOR THE 2024 BONDS - Insurance Relating to the Leased Property.” In the event that the Authority issues “Additional Bonds,” as defined herein, any such Additional Bonds would also be subject to redemption as described above on a pro rata basis. There can be no assurance that such proceeds will be adequate to redeem all of the 2024 Bonds, and if issued, any Additional Bonds (see “RISK FACTORS - Base Rental – Insurance,”

“THE 2024 BONDS - Additional Bonds” and “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS–The Indenture” herein).

**Optional Redemption from Prepayments of Base Rental.** The 2024 Bonds maturing on or after June 1, \_\_\_\_ shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after June 1, 2034, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Property Lease, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The 2024 Bonds maturing June 1, \_\_\_\_ and June 1, \_\_\_\_ (the “Term Bonds”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on \_\_\_\_ 1 in the years as set forth in the following tables.

**SINKING FUND SCHEDULE FOR  
TERM BONDS MATURING JUNE 1, \_\_\_\_**

<b>Sinking Account Redemption Date (June 1)</b>	<b>Principal Amount To Be Redeemed</b>
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**SINKING FUND SCHEDULE FOR  
TERM BONDS MATURING JUNE 1, \_\_\_\_**

<b>Sinking Account Redemption Date (June 1)</b>	<b>Principal Amount To Be Redeemed</b>
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If some but not all of the Term Bonds have been redeemed pursuant to the mandatory redemption from insurance or condemnation proceeds provisions or optional redemptions provisions, the total amount of all future sinking fund payments (including the principal amount of the Term Bonds coming due at the maturity thereof) will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

**Purchase In-Lieu of Redemption.** In lieu of redemption of the 2024 Bonds, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Fund or the Principal Fund during the current Bond Year) may also be used and withdrawn by the Authority, upon the Request of the Authority delivered to the Trustee, at any time for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine.

**Notice of Redemption; Rescission.** Notice of redemption shall be mailed by the Trustee by first class mail, not less than 20 nor more than 60 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website and (iii) the Securities Depositories. The Authority shall provide written notice to the Trustee of any prepayment under the Property Lease as provided in the Property Lease and, upon the receipt of such notice or upon the receipt of a Request of the Authority to redeem Bonds, the Trustee shall prepare and mail notice of redemption. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses and telephone number or numbers of the Trustee), the CUSIP number (if any) of the maturity or maturities, the interest rate and maturity date of each Bond to be redeemed, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Each notice relating to a redemption of Bonds other than a mandatory sinking fund redemption of Term Bonds shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

The Trustee shall mail by certified mail with return receipt requested a second notice of redemption sixty (60) days after the scheduled redemption date to Owners who failed to surrender their Bonds on such redemption date.

Failure by the Trustee to give notice to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website or any one or more of the Securities Depositories or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

The Authority shall have the right to provide a conditional redemption notice and to rescind any redemption notice by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

**Selection of Bonds for Redemption.** For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of \$5,000 portions or any integral multiple thereof. Unless otherwise directed by the Authority, whenever less than all of the Outstanding Bonds of more than one series are called for redemption at any one time, the Trustee will select the Outstanding Bonds or portions thereof to be redeemed on a pro rata basis between the series.

Whenever less than all the Outstanding Bonds of the same issue maturing on any one date are called for redemption at any one time, the Trustee shall select the Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, on a pro rata basis, unless otherwise directed by the Authority

**Partial Redemption of Bonds.** If only a portion of any Bond is called for redemption, then upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity..

**Effect of Redemption.** When notice of redemption has been duly given as provided in the Indenture, and moneys for payment of the redemption price are deposited with the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

## **Additional Bonds**

In addition to the 2024 Bonds, the Authority and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the issuance and delivery of Additional Bonds in one or more series (the “Additional Bonds”). Together, the 2024 Bonds and any Additional Bonds are referred to herein as the “Bonds.” The proceeds of such Additional Bonds may be used for any purpose, including for the purpose of refunding Outstanding Bonds. See “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -THE INDENTURE – Additional Bonds.”

# Scheduled Base Rental and Debt Service on the 2024 Bonds

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

<b>Period Ending</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Annual Total</u></b>
<b><u>June 1</u></b>			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Total			

## **SOURCES OF PAYMENT FOR THE 2024 BONDS**

### **General**

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

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

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

As security for the 2024 Bonds, the Authority has assigned to the Trustee the Authority’s rights, title and interest in the Property Lease (with certain exceptions), including the right to receive Base Rental to be paid by the City under the Property Lease.

The 2024 Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

### **Base Rental; Abatement**

The City is required to pay the Base Rental to the Authority for use of the Leased Property, which are equal to the principal of and interest due with respect to the 2024 Bonds. The Property Lease requires the City to pay Base Rental to the Authority at least 5 Business Days preceding each Interest Payment Date. Base Rental to be paid by the City are assigned to the Trustee under the Indenture and are to be transmitted by the City directly to the Trustee. The Indenture provides that the Base Rental will be deposited in the Revenue Fund maintained by the Trustee under the Indenture and applied to pay the principal of and interest on the 2024 Bonds.

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

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

Leased Property, or the portion thereof so damaged or destroyed, and the term of this Lease shall be extended as provided in the Property Lease.

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

The term of the Property Lease will terminate on June 1, 2054, or such earlier or later date on which the Base Rental are paid in full or provisions made for such payment, but in no event later than June 1, 2064, being ten years after the stated maturity date of the 2024 Bonds.

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

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

## **Reserve Fund**

A Reserve Account has been established under the Indenture to be held by the Trustee to secure the timely payment of principal of and interest on each series of the 2024 Bonds. The Reserve Requirement for the 2024 Bonds is a fixed amount equal to the least of (a) maximum annual debt service on the 2024 Bonds, (b) 125% of average annual debt service on the 2024 Bonds, and (c) 10% of the par amount of the 2024 Bonds; *provided, however*, that if the 2024 Bonds are partially refunded, such amount shall be reduced to an amount equal to the maximum annual debt service on the 2024 Bonds following such redemption.

All amounts on deposit in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Revenue Fund in the event of any deficiency at any time in such fund of the amount then required for payment of the principal of and interest and any premium on the 2024 Bonds.

The Reserve Account established for the 2024 Bonds secures only the 2024 Bonds, and does not secure any other series of future Additional Bonds that may be issued under the Indenture (see “THE 2024 BONDS - Additional Bonds” herein).

The Indenture provides that the Authority will satisfy the Reserve Requirement by means of the Reserve Policy (see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE” herein). Concurrently with the issuance of the Bonds, \_\_\_ (see “MUNICIPAL BOND INSURANCE” below) will issue the Reserve Policy in the face amount of \$ \_\_\_\_\_, equal to the Reserve Requirement. For a further description of the provisions of the Indenture applicable to the Reserve Account, see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE - Reserve Account.”

The Authority is not required under the Indenture to replace the Reserve Policy with cash or a replacement instrument in the event the ratings of \_\_\_ decline or are withdrawn or \_\_\_ fails to honor a draw on the Reserve Policy. If circumstances should ever cause the Reserve Policy to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the Reserve Requirement previously satisfied by the Reserve Policy. Under the Indenture, in the event that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the City is required to transfer to the Trustee an amount

sufficient to maintain the amount in the Reserve Account at such Reserve Requirement. Should the amount available to maintain the Reserve Account at the Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture, but the requirement of the City to transfer available funds to the Trustee would continue.

## **Insurance Relating to the Leased Property**

***Fire and Extended Coverage Insurance.*** The City shall maintain or cause to be maintained fire and lightning insurance (with an extended coverage endorsement [and with a vandalism and malicious mischief endorsement]) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) 100% of the replacement cost of such structures or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement and shall include earthquake coverage if available at reasonable cost from reputable insurers in the judgment of the City.

***Rental Interruption Insurance.*** The City shall maintain or cause to be maintained, throughout the term of the Property Lease, rental income interruption insurance in an amount not less than the maximum total Base Rental payable by the City during any consecutive 24-month period, to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by the Property Lease.

***Insurance Proceeds.*** If all or any part of the Leased Property shall be destroyed or damaged (in whole or in part) by fire or other casualty, the net proceeds of insurance resulting from claims for such losses shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee is furnished with a report to the effect that such damage or destruction has not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations under the Indenture, and if such report states that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall treat such proceeds as Revenues and shall apply such proceeds to payment of principal and interest on the Bonds.

(ii) If the Trustee is furnished with a report to the effect that such damage or destruction has not materially affected the operation of the Leased Property or, even if it has, that such damage or destruction has not materially affected the ability of the Authority to meet any of its obligations under the Indenture, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amounts to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(iii) The Trustee shall be provided a report of an engineer, insurance adjuster, risk manager or other appropriate professional, who may be an employee of the City, regarding the extent of such damage or destruction and its effect on the ability of the Authority to meet its obligations under the Indenture, and whether the proceeds of insurance required by the Indenture are needed for the repair or rehabilitation of the Leased Property.

(iv) If less than all of the Leased Property shall have been damaged or destroyed, and if the Trustee is furnished with a report to the effect that such damage or destruction has materially affected the ability of the Authority to meet any of its obligations under the Indenture, the Trustee shall either apply the net proceeds of insurance (A) to the redemption of Bonds in the manner provided in the Indenture, but only if the Authority determines in a Certificate provided to the Trustee that (1) the Base Rental payments thereafter to be made by the City and available to the Trustee, together with other available Revenues, will

be sufficient to pay the principal of and interest on the Bonds Outstanding after such redemption when due and (2) the Base Rental payments thereafter to be made by the City and available to the Trustee will not exceed the fair rental value of the Leased Property, and otherwise (B) as provided in subparagraph (ii) above. The Trustee shall apply said proceeds as directed by the Authority pursuant to a Request of the Authority. If the Authority directs the Trustee to redeem Bonds as set forth in (A) above, it shall provide the Trustee with revised Base Rental payment schedules under the Property Lease.

(v) If all of the Leased Property shall have been damaged or destroyed and if that portion of such proceeds available to the Trustee, together with any other moneys then available or made available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall at the Request of the Authority, apply such proceeds in accordance with the provisions of Indenture insofar as the same may be applicable. Notwithstanding the above, in the event that the insurance moneys received by the Trustee in connection with damage to or destruction of all of the Leased Property are insufficient to redeem all of the Bonds, then the Authority shall use such insurance moneys received under the Property Lease to repair and rehabilitate the Leased Property.

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

***Title Insurance.*** The City is required to obtain upon the execution and delivery of the Property Lease, additional title insurance on the Leased Property, in an amount not less than the aggregate principal amount of Bonds issued, subject only to Permitted Encumbrances.

If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(a) (1) If the Trustee is furnished with a report to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations under the Indenture, and if such report states that such proceeds are not needed for repair or such rehabilitation of the Leased Property, the Trustee shall treat proceeds as Revenues and shall apply such proceeds to payment of principal and interest on the Bonds.

(2) If the Trustee is furnished with a report to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or, even if they have, that such proceedings have not materially affected the ability of the Authority to meet any of its obligations under the Indenture, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amount to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(3) The Trustee shall be provided, at the expense of the Authority, a report of an engineer or other appropriate professional, who may be an employee of the City, regarding the extent of such eminent domain proceedings and its effect on the ability of the Authority to meet its obligations under the Indenture and whether the proceeds from the eminent domain proceedings are needed for the repair or rehabilitation of the Leased Property.

(b) If less than all of the Leased Property shall have been taken in such eminent domain proceedings, and if the Trustee is furnished a report of an independent engineer concluding that such eminent domain proceedings have materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations under the Indenture, the Trustee shall apply such proceeds to the redemption of Bonds in the manner provided in the Indenture, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption.

(c) If all of the Leased Property shall have been taken in such eminent domain proceedings and if such proceeds, together with any other moneys then available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall apply such proceeds in accordance with the provisions of the Indenture to the extent that the same may be applicable.

(d) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, has been paid in full, and all other sums required to be paid under the Indenture by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City and the Authority in accordance with their respective interests pursuant to a Certificate of the Authority.

(e) This provision of the Indenture shall not apply to the proceeds of the taking by eminent domain proceedings (or the sale to a government threatening to exercise the power of eminent domain) of the Leased Property if the City has established Substitute Leased Property in place of the Leased Property that was taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) and, in such event, the Trustee shall pay all of such proceeds to the City.

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

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

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## **Remedies on Default**

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

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

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## **MUNICIPAL BOND INSURANCE**

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made by the Authority, the City, the Municipal Advisor or the Underwriter as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. See APPENDIX H for specimens of the 2024 Policy.

### **Bond Insurance Policy**

(to be completed)

## RISK FACTORS

*The purchase of the 2024 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2024 Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.*

### Base Rental

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

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

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

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

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

Net Proceeds are insufficient. See “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – PROPERTY LEASE - Abatement of Base Rental.”

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Property Lease or at the time of the abatement. If the latter, the value of the Leased Property could be substantially higher or lower than its value at the time of the issuance of the 2024 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2024 Bonds.

Notwithstanding the provisions of the Property Lease and the Indenture specifying the extent of abatement of Base Rental and the application of other funds in the event of the City’s failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental of the City may not be sufficient to pay all of the remaining principal and interest on the 2024 Bonds.

**Insurance.** The Property Lease obligates the City to obtain and keep in force various forms of insurance to ensure repair or replacement of the Leased Property in the event of damage or destruction to the Leased Property and to maintain rental interruption insurance in an amount equal to maximum annual Base Rental in any future 24-month period (see “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – PROPERTY LEASE - Insurance” herein). The Property Lease does not require earthquake or flood insurance if earthquake coverage is not available at reasonable cost from reputable insurers in the reasonable opinion of the City. The City currently maintains earthquake insurance for the buildings and maintains flood insurance for all of the Leased Property. See “Natural Hazards” below. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Property Lease. In addition, certain risks may not be covered by such property insurance (see “SOURCES OF PAYMENT FOR THE 2024 BONDS - Insurance Relating to the Leased Property” herein).

In the event the Leased Property is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Base Rental will be partially or completely abated. If any Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could prevent the City from timely paying Base Rental after rental interruption insurance proceeds are exhausted.

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

## **Natural Hazards**

**General.** The City, like all California communities, may be subject to unpredictable seismic activity, fires or floods. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the City.

**Seismic Conditions.** Southern California is a seismically active area, and the City is in one of the more seismically active portions of southern California. According to the Safety Element of the City's General Plan, the active faults within close proximity to the City include the Newport-Inglewood Fault Zone, the Avalon-Compton Fault Zone, the San Andreas Fault Zone, the Palos Verdes Fault Zone, the Santa Monica Fault Zone and the Whittier Fault Zone. Ground shaking and ground failure are the primary risks due to active faults. Because of the area's unstable sub-base of sandy soil, the City (as well as the entire South Bay area) is regarded as one of the most severe shock areas in the Los Angeles area in terms of ground shaking. Seismically induced ground failure includes liquefaction, differential compaction, ground lurching and ground cracking. A significant portion of the City has been designated as potential liquefaction area and geotechnical investigation reports are required as part of the environmental and building permit processes for most development within these areas. The potential for ground cracking exists especially in those areas of the City that have a moderate to high potential for liquefaction. The only active fault within the City limits is the Avalon-Compton structural zone, which is part of the Newport-Inglewood Fault Zone. Although the Newport-Inglewood structural zone is seismically active, surface faulting does not appear to be a significant potential hazard in the City.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to pay debt service on the Bonds would be likely to occur.

**Flood.** Flooding hazards may be considered in two categories: natural flooding and dam inundation. Historically, flooding problems in the City of Carson have occurred in low lying areas and in areas where slopes are very flat and peak storm flows are unable to be quickly conveyed into the storm water collection system. Although Carson is located relatively close to the Pacific Ocean, the City has not been vulnerable to storm surge inundation associated with hurricanes and/or tropical storms. The limits of the 100-year storm are limited to the Dominguez Channel. In the event of a 500-year storm, the entire City would be flooded. Areas outside the 100-year storm limits may also flood due to deficient storm water conveyance.

The Whittier Narrows Dam and Reservoir (the "Dam") is situated in a highly urbanized area of Los Angeles County. It is located on the San Gabriel River and Rio Hondo, approximately 11 miles east of downtown Los Angeles and approximately 7.5 miles downstream from the Santa Fe Dam. The reservoir portion of the Dam, with a capacity of 67,060 acre-feet, is surrounded by the cities of South El Monte (to the north), Industry (to the east), Pico Rivera (to the south), and Montebello (to the south). The combined drainage area of the San Gabriel River watershed and the Rio Hondo sub-watershed is 556 square miles. The City and many other cities, are located within this combined drainage area.

The Dam was constructed in 1957 and is operated by the U.S. Army Corps of Engineers ("USACE"). In May 2016, the USACE placed the Dam in the agency's highest risk category, "very high urgency," when it became clear three potential failure modes threatened the downstream population. The three failure modes are premature opening of the San Gabriel River Spillway gates, erosion resulting from water piping through the foundation of the earthen dam and overtopping during an extreme flood. While the first would result in downstream flooding as the levees were overtopped, the latter two could result in a catastrophic failure of the dam.

The Whittier Narrows Dam Safety Modification Study was completed in June 2019 and the USACE awarded a \$5 million contract to Metro Builders of California to complete construction on the spillway gates. Work has begun to address deficiencies identified. Issues with the San Gabriel River Spillway gates have been addressed, which was one of the biggest factors driving the dam's risk to the public. The remaining work is to prevent the earthen dam from eroding or failing if overtopped, include placing soil cement on the crest and downstream slope of the embankment and improving the seepage control system with features like trench drains and graded filter/drainage blankets.

According to the USACE, minor construction started in 2021, and larger construction contracts for the dam modification are anticipated to be awarded in 2025 following completion of design work. Major work is anticipated to take between four and five years to complete.

Significant flooding in the City as a result of overtopping or failure of the Dam could have materially adverse consequences for the City's finances and operations. If such a flood were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to pay debt service on the Bonds would be likely to occur.

**Fire.** The City's commercial and industrial facilities increase the possibility of fires involving hazardous materials that could affect nearby residential areas. The City is also surrounded and bisected by major transportation networks and pipeline transfer systems that add further risk.

**Risks Associated with Global Climate Change.** (to be completed).

## **Cybersecurity**

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

The City is also reliant on other entities and service providers in connection with the administration of the 2024 Bonds, including the Trustee, and the dissemination agent. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond Owners.

## **Dependence on State for Certain Revenues**

A number of the City's revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties. See the caption "Constitutional Limitation on Taxes and Expenditures- Proposition 1A and Proposition. 22."

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, [www.govbud.dof.ca.gov](http://www.govbud.dof.ca.gov). An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

## **Limited Recourse on Default; No Acceleration**

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

The Property Lease permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the City under the Property Lease. Even if the Trustee could readily re-lease the Leased Property, the rents may not be sufficient to enable it to pay principal of and interest on the 2024 Bonds in full when due. Any such re-leasing of the Leased Property would be subject to existing encumbrances thereon. In addition, the Leased Property is used for essential governmental services of the City, and no assurances can be given that a court would permit the Authority or the Trustee to exercise the remedies which are granted under the Property Lease to re-enter and re-let the Leased Property. See "THE LEASED PROPERTY" herein.

## **Enforcement of Remedies**

The enforcement of any remedies provided in the Property Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Property Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against counties, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the 2024 Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the 2024 Bonds, the Indenture, the Property Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities and counties in the State. See "Bankruptcy" below.

## **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to pay Base Rental, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response,

Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Leased Property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

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

## **Bankruptcy**

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

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

Under the Indenture, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Base Rental, for the benefit of the Owners of the 2024 Bonds, but such security interest arises only when the Base Rental are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of the Owners of the 2024 Bonds. In the event of a bankruptcy filed by the City and the subsequent rejection of the Property Lease by the City, the Trustee is entitled to recover possession of the Leased Property, although as discussed above no assurances can be given that a Court would permit such action to be taken by the Trustee due to the essential governmental purposes served by the Leased Property. In addition, the Trustee would have a claim for damages against the City, although such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the 2024 Bonds; and

(iv) the possibility of the adoption of a plan (the “Plan of Adjustment”) for the adjustment of the City’s debt without the consent of the Trustee or all of the Owners of the 2024 Bonds, which Plan of Adjustment may restructure, delay, compromise or reduce the amount of any claim of the Owners of the 2024 Bonds if the Bankruptcy Court finds that the Plan of Adjustment is fair and equitable and in the best interests of creditors.

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

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

## **Constitutional Limitation on Taxes and Expenditures**

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

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

**Article XIII A.** Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” of the Leased Property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County assessor’s valuation of real property as shown

on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction (such as in the case of property destroyed or damaged by the CZU Lightning Complex Fire) or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances. There may also be declines in valuations if the California Consumer Price Index is negative.

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

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

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

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

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

reductions. See “APPENDIX B –CITY OF CARSON FINANCIAL INFORMATION - FINANCIAL INFORMATION - Ad Valorem Property Taxes -Taxable Property and Assessed Valuation” herein.

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

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

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

Section 7910 of the Government Code requires the City to adopt a formal appropriations limit for each fiscal year. The City’s appropriations limit for 2024-25 is \$287,462,884. The City’s appropriations subject to the limit for 2024-25 are \$183,906,526.

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

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

local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

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

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

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

The City levies an oil industry business tax, approved by voters in 2017, a sales tax, approved by voters in 2020 and a utility users tax, approved by voters in 2022. The City also levies (1) a franchise tax on its cable television, and certain utility franchises, (2) a business license tax and (3) a transient occupancy tax. None of such taxes were approved by voters. Rates for the transient occupancy tax were last increased in 1993. Rates for the franchise tax and the business license tax have been changed from time to time. See “CITY FINANCIAL INFORMATION - Local Taxes” herein for a discussion of these taxes.

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

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

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

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

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

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

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

**Future Initiatives.** From time to time other initiative measures could be adopted, limiting or otherwise affecting the ability of the City to increase revenues and appropriations.

## **Early Redemption Risk**

Early payment of the Base Rental and early redemption of the 2024 Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance. Early payment of the Base Rental and early redemption of the 2024 Bonds may also occur in whole or in part without premium, on any date on or after June 1, 2034 if the City exercises its right to prepay Base Rental in whole or in part. See "THE 2024 BONDS - Redemption."

## **Loss of Tax Exemption on the 2024 Bonds**

As discussed under the heading “TAX MATTERS,” interest on the 2024 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2024 Bonds were issued as a result of future acts or omissions of the Authority or the City in violation of the covenants in the Indenture and the Property Lease.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2024 Bonds were to be includable in gross income for purposes of federal income taxation, the 2024 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions of the Indenture. See “THE 2024 BONDS - Redemption.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

## **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (“IRS”) has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2024 Bonds, as the case may be, is commenced, under current procedures, the IRS is likely to treat the Authority or the City as the “taxpayer,” and the owners of the 2024 Bonds, as the case may be, would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2024 Bonds, as the case may be, the Authority or the City may have different or conflicting interests from the owners of the 2024 Bonds. Public awareness of any future audit of the 2024 Bonds, as the case may be, could adversely affect the value and liquidity of the 2024 Bonds, as the case may be, during the pendency of the audit, regardless of its ultimate outcome.

## **Risks Relating to Municipal Bond Insurance Policy**

In the event of default of the payment of principal of or interest on the 2024 Bonds when all or some becomes due, any owner of the 2024 Bonds shall have a claim under the 2024 Policy for such payments. The 2024 Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory sinking fund or optional redemption of the 2024 Bonds which is recovered by the City from the 2024 Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by \_\_\_\_ at such time and in such amounts as would have been due absence such prepayment by the City unless \_\_\_\_ chooses to pay such amounts at an earlier date.

\_\_\_\_ may direct and must consent to any remedies and \_\_\_\_'s consent may be required in connection with amendments to any applicable legal documents.

In the event \_\_\_\_ is unable to make payment of principal and interest as such payments become due under the 2024 Policy, the 2024 Bonds are payable solely from the moneys received pursuant to the applicable legal documents. In the event \_\_\_\_ becomes obligated to make payments with respect to the 2024 Bonds, no assurance is given that such event will not adversely affect the market price of the 2024 Bonds or the marketability (liquidity) for the 2024 Bonds.

The long-term ratings on the 2024 Bonds are dependent in part on the financial strength \_\_\_\_ and its claim paying ability. The financial strength and claims paying ability of \_\_\_\_ are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of \_\_\_\_ and of the

ratings on the 2024 Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2024 Bonds or the marketability (liquidity) for the Bonds. See “CONCLUDING INFORMATION – Ratings on the 2024 Bonds.”

The obligations of \_\_\_\_\_ are general obligations of \_\_\_\_\_ and in an event of default by \_\_\_\_\_, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the Authority, the City, the Municipal Advisor or Underwriter have made independent investigation into the claims paying ability of \_\_\_\_\_ and no assurance or representation regarding the financial strength or projected financial strength of \_\_\_\_\_ is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the 2024 Bonds and the claims paying ability of \_\_\_\_\_, particularly over the life of the investment.

## **Secondary Market Risk**

There can be no assurance that there will be a secondary market for purchase or sale of the 2024 Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

## **Substitution or Removal of Property**

The Property Lease provides that, upon the satisfaction of the conditions specified therein, the City may substitute real property for all or any portion of the Leased Property, and may release all or a portion of the Leased Property from the Property Lease. See “THE LEASED PROPERTY” and “APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – PROPERTY LEASE - Substitution of Property, Release of Property.” Such a substitution, removal or addition could have an adverse impact on the security for the 2024 Bonds, particularly if an event requiring abatement of Base Rental were to occur subsequent to such substitution, removal or addition.

# **LEGAL MATTERS**

## **Enforceability of Remedies**

The remedies available to the Trustee and the Owners of the 2024 Bonds upon an event of default under the Indenture, the Property Lease, the Site Lease, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the 2024 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Property Lease, the Site Lease and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

## **Approval of Legal Proceedings**

Aleshire & Wynder, LLP, Irvine, California, Bond Counsel, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Property Lease, and as to the validity of the 2024 Bonds. See “APPENDIX F” hereto for the proposed form of Bond Counsel’s opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture, the Property Lease, the Site Lease or the 2024 Bonds are not enforceable against the Authority

and the City, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the City and the Authority by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney and Authority General Counsel. Additionally, certain matters will be passed on for the Underwriter by its Counsel, Kutak Rock LLP, Irvine, California. Fees payable to Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the 2024 Bonds.

## **Litigation**

The Authority and the City will each furnish a certificate dated as of the date of delivery of the 2024 Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Property Lease or the sale or delivery of the 2024 Bonds or in any manner questioning the proceedings and authority under which the Indenture, the Site Lease and the Property Lease are to be executed or delivered or the 2024 Bonds are to be delivered or affecting the validity thereof.

Lawsuits and claims against the City exist that are incidental to the ordinary course of the City's operations. In the view of the City's management and City Attorney, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City's ability to pay Base Rental when due.

## **TAX MATTERS**

(to be provided by Bond Counsel)

A copy of the form of opinion of Bond Counsel relating to the 2024 Bonds is included in APPENDIX F hereto.

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## **CONCLUDING INFORMATION**

### **Rating on the 2024 Bonds**

S&P is expected to assign its municipal bond rating of “\_\_\_” to the 2024 Bonds with the understanding that the Policy insuring the payment when due of the principal of and interest on the 2024 Bonds will be issued concurrently by the Bond Insurer with the delivery of the 2024 Bonds. The 2024 Bonds have received the underlying rating of “\_\_\_” by S&P. Such ratings reflects only the views of S&P and any desired explanation of the significance of such rating, and any outlook associated with such rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any 2024 Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2024 Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

### **Underwriting**

The 2024 Bonds were sold to Samuel A. Ramirez & Co., Inc. (the “Underwriter”) pursuant to a Bond Purchase Agreement dated \_\_\_\_\_, 2024. The Underwriter is offering the 2024 Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2024 Bonds at a price equal to \$\_\_\_\_\_, which amount represents the principal amount of the 2024 Bonds, plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter’s discount.

### **The Municipal Advisor**

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the 2024 Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2024 Bonds.

### **Continuing Disclosure**

The City will provide annually certain financial information and data relating to the City by not later than February 1 in each year commencing February 1, 2025 (the “Annual Report”), and will provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City’s Disclosure Certificate attached in “APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The City and certain other entities related to the City have entered into previous undertakings pursuant to the Rule. Other than as described below, the City believes it has complied in all material respects with any undertaking made pursuant to the Rule. Within the last five years, the City has failed to comply with its prior undertakings in the following respects:

- (i) with respect to the City's Fiscal Year 2018-19 filings for all outstanding issues, the Fiscal Year 2018-19 audited financial statements were not timely filed by February 1, 2020, and notice of failure to timely file such audited financial statements for the affected issues was filed on February 1, 2020. Unaudited financial statements were filed on February 2, 2020 and audited financial statements were filed on March 18, 2020;
- (ii) with respect to the City's Fiscal Year 2019-20 filings for all outstanding issues, the Fiscal Year 2019-20 audited financial statements were not timely filed by February 1, 2021, and notice of failure to timely file such audited financial statements for the affected issues was filed on February 1, 2021. Unaudited financial statements were filed on February 2, 2021 and audited financial statements were filed on April 5, 2021;
- (iii) with respect to the City's Fiscal Year 2020-21 filings for all outstanding issues, the Fiscal Year 2020-21 audited financial statements were not timely filed by February 1, 2022, and notice of failure to timely file such audited financial statements for the affected issues was filed on February 1, 2022. Unaudited financial statements were timely filed on January 21, 2022 and audited financial statements were filed on March 1, 2022;
- (iv) with respect to the City's Taxable Pension Obligation Bonds, the Fiscal Year 2020-21 Annual Report was filed on May 18, 2022, 107 days late;
- (v) with respect to the Authority's Revenue Bonds, Series 2019, the Fiscal Year 2020-21 Annual Report was filed on March 12, 2022, 405 days late and the Fiscal Year 2021-22 Annual Report was filed on March 12, 2022, 40 days late;
- (vi) with respect to the Authority's Reassessment Revenue Bonds, Series 2006A and 2006B, the Fiscal Year 2017-18 audited financial statements were not timely filed by February 15, 2019, and notice of failure to timely file such audited financial statements for the affected issues was filed on February 15, 2019. Unaudited financial statements were filed on June 3, 2019 and audited financial statements were filed on July 1, 2019;
- (vii) in certain cases, information was timely filed on EMMA under the applicable base CUSIP number for the issuer but not linked to all of the individual CUSIP numbers for a series of bonds;
- (viii) in certain cases, not all required operating information was included in the applicable annual report; and
- (ix) with respect to the City's Taxable Pension Obligation Bonds, the City did not timely file a notice of incurrence of a financial obligation that was entered into on January 29, 2021. The notice was filed on July \_\_, 2024. This notice was also filed with respect to the Authority's Reassessment Revenue Refunding Bonds, Series 2019 and Revenue Bonds, Series 2019 (Measure M& R Streets Project) on July \_\_, 2024.

In 2022, the City implemented a system to track the filing dates and filing requirements and has retained the services of outside consultants to assist in the reporting process. The City's Finance Department has assigned a specific person to coordinate with the outside consultants and to monitor compliance.

## **Additional Information**

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Property Lease, the 2024 Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the 2024 Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture, the Site Lease and the Property Lease may be obtained after delivery of the 2024 Bonds from the City at 701 East Carson Street, Carson, California 90745.

## **References**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2024 Bonds.

## **Execution**

The execution of this Official Statement by the Chief Administrative Officer of the Authority and the City Manager of the City has been duly authorized by the Authority and by the City, respectively.

### **CARSON PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Chief Administrative Officer

### **CITY OF CARSON**

By: \_\_\_\_\_  
City Manager

# APPENDIX A

## CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE CITY OF CARSON

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

### GENERAL INFORMATION

The City encompasses approximately 19.2 square miles in southern Los Angeles County in an area known as South Bay. The City is located approximately 13 miles south of downtown Los Angeles. Neighboring communities include the cities of Long Beach, Compton and Lakewood.

### Government Organization

The City was incorporated as a general law city in 1968, and became a charter city on January 1, 2019. The City operates under the City Council/Manager form of government. The City is governed by a five-member council currently consisting of four members each elected by district for four-year alternating terms and a Mayor elected for a 4-year term. Positions of City Manager and City Attorney are filled by appointments of the City Council.

The current members of the City Council, the expiration dates of their terms and key administrative personnel and other elected officials are set forth below.

#### CITY COUNCIL

<u>Council Member</u>	<u>Term Expires</u>
Lula Davis-Holmes, <i>Mayor</i>	November 2024
Jawane Hilton, <i>Mayor Pro Tem, District 1</i>	November 2024
Jim Dear, <i>Council Member, District 2</i>	November 2026
Cedric L. Hicks, Sr., <i>Council Member, District 3</i>	November 2024
Arleen Bocatija Rojas, <i>Council Member, District 4</i>	November 2026

#### CHIEF ADMINISTRATIVE PERSONNEL

David C. Roberts, *City Manager*  
Robert Lennox, ED.D, *Assistant City Manager – Administrative Services*  
John Raymond, *Assistant City Manager – Economic Development*  
Tarik Rahmani, *Deputy City Manager*  
William Jefferson, *Finance Director*  
Saied Naaseh, *Director of Community Development*  
Michael Whittaker, *Director of Community Services*

### Governmental Services

The City’s Fiscal Year 2024-25 budget provided for 364 full-time equivalent positions under the direction of the City Manager, including the public safety employees. City services include building permit and inspection, landscape and public infrastructure maintenance, weed abatement, municipal code compliance and parks and recreation programs and facilities.

Public safety is provided under a contract with the Los Angeles County Sheriff. Fire protection and flood control is provided by the Los Angeles County Fire Protection District and the Los Angeles County Flood Control District.

Students living in the City are served by the Los Angeles Unified School District. There are several junior and state colleges and universities within commuting distance from the City.

## Transportation

The City enjoys easy access to the Los Angeles Freeway System. A major north-south freeway, Interstate 405 (San Diego Freeway) bisects the City. The City is also served by Interstate 110 (Harbor Freeway) to the west and Interstate 710 (Long Beach Freeway) to the east, both providing access to downtown Los Angeles and the Port of Los Angeles, making the City a desirable location for logistics.

Los Angeles International Airport is located 14 miles north of the City and is served by every major airline.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Population

The following table shows the January 1 State of California Department of Finance estimates of total population in the City and the County of Los Angeles for each year since 2019, and the change from the previous year.

**TABLE A-1  
CITY OF CARSON AND COUNTY OF LOS ANGELES  
POPULATION**

January 1 <u>Year</u>	<u>CITY OF CARSON</u>		<u>COUNTY OF LOS ANGELES</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2020 <sup>(1)</sup>	92,121		10,135,614	
2021 <sup>(2)</sup>	93,364	1.3%	9,955,445	(1.8)%
2022 <sup>(2)</sup>	92,785	(0.6)	9,861,493	(0.9)
2023 <sup>(2)</sup>	92,403	(0.4)	9,819,312	(0.4)
2024 <sup>(2)</sup>	91,924	(0.5)	9,824,091	0.0

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

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

## Employment and Industry

Civilian labor force, employment and unemployment statistics for the County, the State and the nation, for the years 2019 through 2023 are shown in the following table. As a result of the COVID-19 pandemic, the unemployment rates spiked throughout the nation, but are now trending back toward pre-pandemic historical averages.

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

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2019</u>				
City of Carson	46,300	44,100	2,200	4.8%
Los Angeles County	5,121,600	4,894,300	227,300	4.4
California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of Carson	44,900	39,000	5,900	13.1%
Los Angeles County	4,974,700	4,363,300	611,300	12.3
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Carson	45,300	40,800	4,500	9.9%
Los Angeles County	5,007,600	4,558,900	448,700	9.0
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Carson	45,000	42,600	2,400	5.3%
Los Angeles County	5,013,400	4,764,500	248,800	5.0
California	19,252,000	18,440,900	811,100	4.2
United States	164,278,000	158,291,000	5,996,000	3.6
<u>2023</u>				
City of Carson	44,800	42,600	2,200	4.9%
Los Angeles County	5,015,600	4,763,600	252,000	5.0
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6

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

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

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2019 through 2023 are shown in the following table.

**TABLE A-3  
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION  
WAGE AND SALARY WORKERS BY INDUSTRY <sup>(1)</sup>**

<b><u>Industry</u></b>	<b>Calendar Year</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Government	586,900	570,200	560,200	570,000	582,300
Other Services	158,400	128,800	135,700	153,000	157,800
Leisure and Hospitality	547,300	393,700	434,200	512,400	534,100
Educational and Health Services	840,100	821,700	844,400	871,100	914,500
Professional and Business Services	648,400	601,000	630,800	666,900	652,500
Financial Activities	224,300	213,200	213,200	215,700	211,000
Information	215,600	191,100	208,800	234,900	193,000
Transportation, Warehousing and Utilities	213,100	207,900	215,200	223,600	218,800
Service Producing					
Retail Trade	413,600	375,700	396,100	406,500	407,200
Wholesale Trade	221,900	201,100	202,600	204,400	200,400
Manufacturing					
Nondurable Goods	139,500	125,100	127,100	132,200	128,200
Durable Goods	201,800	190,300	186,000	189,500	191,000
Natural Resources, Mining and Construction	<u>151,800</u>	<u>148,300</u>	<u>150,700</u>	<u>153,000</u>	<u>152,700</u>
Total Nonfarm	4,562,600	4,168,100	4,305,100	4,533,000	4,543,500
Farm	<u>4,400</u>	<u>4,400</u>	<u>4,600</u>	<u>4,800</u>	<u>4,700</u>
Total (all industries)	<u>4,566,900</u>	<u>4,172,500</u>	<u>4,309,700</u>	<u>4,537,900</u>	<u>4,548,200</u>

<sup>(1)</sup> Annual average.

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

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

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## Major Employers

The major employers operating within the City as of June 30, 2023 are shown in Table A-4.

**TABLE A-4  
CITY OF CARSON  
MAJOR EMPLOYERS**

<u>Name of Company</u>	<u>Number of Employees</u>	<u>Product/Service</u>
Marathon Refining Logistics Services	1,014	Refinery
See's Candy Shops Inc.	625	Candy Distributor
Select Staffing	520	Employment Search
Lakeshore Learning Materials, LLC	484	Teacher Supply Distributor
Natural History Museum Of L A County	460	Museum
Yusen Logistics Americas Inc	348	Distributor
Ruggable LLC	307	Distributor
Dermalogica	287	Los Angeles Headquarters – Skin Care
Mag Aerospace Industries LLC	279	Aircraft Parts Manufacturer
Two Chefs On A Roll	270	Food Manufacturer and Distributor

Source: City of Carson Annual Comprehensive Financial Report.

## Per Capita Personal Income

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

**TABLE A-5  
PER CAPITA PERSONAL INCOME  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AND UNITED STATES  
2018 – 2022**

<u>Calendar Year</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
2018	\$59,004	\$60,984	\$53,309
2019	62,573	64,174	55,547
2020	67,383	70,061	59,151
2021	73,385	76,991	64,427
2022	74,142	77,036	65,473

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

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

## Commercial Activity

Taxable transactions by type of business for the City are summarized below for 2019 through 2023 (the most recent year for which full-year statistics are available).

**TABLE A-6**  
**CITY OF CARSON**  
**TAXABLE TRANSACTIONS BY TYPE OF BUSINESS**  
**(in thousands)**  
**2019 – 2023**

	<b>Calendar Year</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<i>Retail and Food Services</i>					
Motor Vehicle and Parts Dealers	\$ 571,939	\$ 519,796	\$ 659,530	\$ 656,820	\$ 611,094
Home Furnishings and Appliance Stores	137,386	144,879	180,274	169,936	167,496
Building Material, Garden Supplies	95,825	113,957	114,379	129,386	132,873
Food and Beverage Stores	42,347	45,485	48,136	49,815	50,840
Gasoline Stations	225,357	162,511	218,069	346,890	254,110
Clothing and Accessories Stores	48,836	36,940	52,889	57,715	54,480
General Merchandise	115,440	107,534	119,197	131,919	129,404
Food Services and Drinking Places	216,509	158,392	207,194	246,093	262,598
Other Retail Group	<u>144,873</u>	<u>149,471</u>	<u>175,302</u>	<u>197,027</u>	<u>354,926</u>
<b>Total Retail and Food Services</b>	<b>1,598,512</b>	<b>1,438,966</b>	<b>1,774,969</b>	<b>1,985,602</b>	<b>2,017,822</b>
All Other Outlets	<u>837,663</u>	<u>810,413</u>	<u>880,124</u>	<u>1,052,814</u>	<u>1,147,613</u>
<b>Total All Outlets</b>	<b>\$2,436,175</b>	<b>\$2,249,378</b>	<b>\$2,655,093</b>	<b>\$3,038,416</b>	<b>\$3,165,434</b>

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

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

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## Building Activity

The following table summarizes building activity and valuations for the City for the five calendar years from 2018 through 2022.

**TABLE A-7**  
**CITY OF CARSON**  
**BUILDING ACTIVITY AND VALUATION**  
**(in \$ thousands)**  
**2018 – 2022**

	<b>Calendar Year</b>				
	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>	<u><b>2022</b></u>
Residential <sup>(1)</sup>	\$39,085	\$27,505	\$13,730	\$8,238	\$33,198
Non-Residential	<u>61,466</u>	<u>12,958</u>	<u>9,353</u>	<u>9,512</u>	<u>28,238</u>
<b>Total Valuation</b>	<u><b>\$100,551</b></u>	<u><b>\$40,463</b></u>	<u><b>\$23,083</b></u>	<u><b>\$17,750</b></u>	<u><b>\$61,436</b></u>
<b>No. of New Dwelling Units:</b>					
Single-Family Units	7	17	11	9	16
Multi-Family Units	<u>401</u>	<u>200</u>	<u>100</u>	<u>34</u>	<u>122</u>
<b>Total New Units</b>	<b>408</b>	<b>217</b>	<b>111</b>	<b>43</b>	<b>138</b>

<sup>(1)</sup> New construction only, excludes remodels, additions, etc.

Source: Construction Industry Research Board.

**APPENDIX B**  
**CITY OF CARSON FINANCIAL INFORMATION**

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# FINANCIAL INFORMATION

## Fiscal Policies

The City Council adopted Resolution No. 12-014 establishing a number of financial policies relating to balanced budgeting, funding operating expenditures with operating revenue, infrastructure replacement, and cost recovery. The policies also include establishing a General Fund Reserve for economic uncertainties equal to 20% of the General Fund budget. As of June 30, 2024, the City expects to have approximately \$116.5 million in unassigned and committed reserves, which is nearly 100% of the General Fund estimated expenditures for Fiscal Year 2023-24. See Table B-1 and B-6 herein.

In addition, the City has separately adopted a Debt Management Policy and an Investment Policy.

## Budgetary Process and Administration

The following procedures are utilized by the City in formulating its annual budget:

- Early in the calendar year, the Directors prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget.
- The City Manager submits the proposed budget to the City Council for the subsequent fiscal year. The operating budget includes both the sources and types of funds for the proposed expenditures. The City Council and staff meet in budget workshops in order to relate requests with available resources.
- Public hearings are conducted to obtain taxpayer comments on the proposed budget being adopted. Pursuant to provisions of the Carson Municipal Code, the General Fund budget must be adopted no later than July 20 of the new fiscal year. The budget is legally enacted through passage of a resolution.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council. The budget is generally amended during the fiscal year to reflect adjustments, as authorized by the City Council. Expenditures may not legally exceed appropriations at the fund level.
- Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are treated as a reservation of fund balance since they do not constitute expenditures or liabilities.
- It is the practice of the City to give Finance staff some discretion with respect to budget amounts for year-end purposes.

Budgeted amounts are reported on the same basis of accounting as the fund types they relate to (modified-accrual) and adopted on a basis consistent with accounting principles generally accepted in the United States of America. All unexpended appropriations expire at year-end and if warranted are reappropriated in the next budget cycle. Annual budgets are prepared for all governmental fund types expected to have activity during the fiscal year. No budgets were adopted for the Asset Forfeiture Special Revenue Fund, the Proposition 1B Special Revenue Fund, the HOME Grant Special Revenue Fund, and the Development Impact Fees Special Revenue Fund.

The annual budget also includes a 5-Year estimate of capital improvement projects and the proposed method of their funding.

Quarterly and mid-year budget updates are provided to the City Council comparing the budget with actual revenues and expenditures, together with proposed budget adjustments, if any.

## **Fiscal Year 2023-24**

In November 2017, a tax was approved by voters to levy a tax equal to 0.25% of gross receipts for businesses operating an oil refinery or facility that stores petroleum products. The two largest refineries account for approximately 34% of the annual revenue from this tax. An audit of the tax through 2021 was completed in 2023, resulting in an additional \$75 million increase in the taxes paid over the 2017-2021 time period. However, due to a protest by the refineries paying the tax, the additional funds are currently restricted until the dispute is resolved. The City has commenced an audit of the 2022 and 2023 taxes.

The unassigned General Fund fund balance is anticipated to be \$88.7 million as of June 30, 2024, an increase of \$8 million from the June 30, 2023 balance. The committed General Fund fund balance is established at 20% of General Fund expenditures, and increased to \$27.8 million as of June 30, 2024.

## **Fiscal Year 2024-25 Overview**

For the third consecutive year, the City of Carson adopted a structurally balanced budget where recurring revenues are equal to or exceed recurring expenditures. The Fiscal Year 2024-2025 budget focuses on the City Council's newly adopted priorities:

- Make quality of life improvements (infrastructure, maintenance, beautification)
- Prioritize economic development
- Adopt governance policies and procedures pertaining to districts
- Promote housing development
- Increase public safety
- Make progress on development that provides community benefits in the long term
- Maintain quality City programs and services
- Advocate for funds from county, state and federal government
- Increase outreach and information to the community

The Los Angeles County Sheriff Contract is approximately 19% of the General Fund Budget. On June 18, 2024, the City Council approved a five-year contract renewal agreement with the Los Angeles Sheriff's Department for the period of July 1, 2024, through June 30, 2029. For Fiscal Year 2024-25, the contract amount is estimated to increase 3.44%.

## **General Fund Revenues and Expenditures**

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

### **Budget and Actual Comparisons**

A comparison of the General Fund actual revenues and expenditures for Fiscal Years 2021-22, 2022-23, estimated revenues and expenditures for Fiscal Year 2023-24, and the Fiscal Year 2024-25 Proposed Budget is shown in Table B-1.

The revenues in Table B-1 are categorized as:

- **Taxes.** Taxes are detailed in “TABLE B-5 - TAX REVENUES BY SOURCE,” and include general property tax (and property tax in lieu of vehicle license fees), sales tax, business license tax, franchise tax, transient occupancy tax, and other taxes. The City’s Oil Industry Business Tax is also included in this category.
- **Licenses and Permits.** These revenues consist primarily of building construction permit fees, and other development related fees.
- **Intergovernmental Revenues.** These revenues consist primarily of state payments from the Supplemental Law Enforcement Services Fund and reimbursement for other State-mandated costs.
- **Fines and Forfeitures.** These revenues are generated from vehicle code fines, parking and truck parking citations and code enforcement citations.
- **Use of Money and Property.** These revenues consist primarily of investment earnings and facility rental income.
- **Charges for Services.** The City charges fees for plan checking, building inspection and other municipal services. In addition, the City collects fees for its recreation programs.
- **Other Revenue.** This category consists generally of sale of property and other miscellaneous revenues.

The expenditures in Table B-1 are categorized by governmental function. Each function generally includes salaries and benefits, services and supplies and other charges. Salaries and benefits include direct personnel costs, pension and post-retirement benefits, health insurance costs and workers’ compensation and unemployment insurance costs. Services and supplies include non-personnel operating costs and contract professional services.

Historical General Fund activity is shown in Tables B-7 and B-8.

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**TABLE NO. B-1  
GENERAL FUND REVENUES AND EXPENDITURES**

	<b>Fiscal Year 2021-22 <u>Audited</u></b>	<b>Fiscal Year 2022-23 <u>Audited</u></b>	<b>Fiscal Year 2023-24 <u>Estimated</u></b>	<b>Fiscal Year 2024-25 <u>Adopted Budget</u></b>
<b>Revenues:</b>				
Taxes <sup>(1)</sup>	\$105,595,868	\$200,994,762	\$104,092,300	\$117,335,690
Licenses and permits	8,380,077	9,382,855	9,914,167	11,509,614
Fines and forfeitures	1,560,652	1,988,740	2,121,081	2,161,093
Intergovernmental	105,953	116,206	115,935	106,079
Charges for services	2,941,102	3,928,928	1,726,765	3,002,842
Use of money and property	981,744	1,953,560	6,671,002	5,872,313
Miscellaneous	<u>9,810,862</u>	<u>10,456,819</u>	<u>8,841,087</u>	<u>270,903</u>
Total Revenues	129,376,258	228,821,870	133,482,337	140,258,534
<b>Expenditures:</b>				
General government	22,989,070	27,909,031	28,186,895	30,677,771
Public safety	25,774,588	26,971,053	26,510,847	32,240,799
Community development	4,310,803	4,733,375	5,246,715	9,385,106
Public works	18,749,423	21,985,167	31,060,101	25,093,227
Community services	12,897,631	15,081,342	15,135,918	25,774,904
Capital improvement programs	-	7,773,158	-	-
Nondepartmental <sup>(2)</sup>	-	-	13,320,177	16,073,775
Debt Service	<u>3,310,964</u>	<u>8,279,163<sup>(3)</sup></u>	<u>-</u>	<u>-</u>
Total Expenditures	88,032,479	112,732,289	119,460,653	139,245,582 <sup>(4)</sup>
<b>Other Sources (Uses):</b>				
Sale of land	7,369,817	-	-	-
SBITA	-	900,150	186,262	-
Transfers In	966	76,392	7,684	-
Transfers Out	<u>(255,742)</u>	<u>(2,008,317)</u>	<u>(22,300)</u>	<u>-</u>
Net Sources (Uses):	<u>7,115,041</u>	<u>(1,031,775)</u>	<u>171,646</u>	<u>-</u>
Net Change in Fund Balance	48,458,820	115,057,806	14,193,330	1,012,952
Beginning Fund Balance	<u>59,399,074</u>	<u>107,857,894</u>	<u>222,915,700</u>	<u>237,109,030</u>
Ending Fund Balance <sup>(5)</sup>	<u>\$107,857,894</u>	<u>\$222,915,700</u>	<u>\$237,109,030</u>	<u>\$238,121,982</u>

(1) See discussion of Oil Industry Business Tax.

(2) The City budgets debt service on its pension obligation bonds and certain post-employment costs in the "Nondepartmental" category.

(3) Includes first fully amortized annual payment on the pension obligation bonds.

(4) See "Financial Statements - GASB Statement No. 54 Fund Balance Reserves" and Table B-6 herein for a breakdown of fund balance into non-spendable, restricted, committed, assigned and unassigned categories.

(5) Does not include debt service on the Bonds to be issued.

Source: City of Carson.

## Ad Valorem Property Taxes

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

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

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

**Tax Collections.** A five-year history of property tax levies and collections for the City is set forth in Table B-2.

**TABLE B-2  
CITY OF CARSON  
SECURED TAX LEVIES AND COLLECTIONS <sup>(1)</sup>**

Fiscal Year	Total Tax Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
		Amount	Percentage of Levy			
2018-19	\$46,915,395	\$46,483,736	99.1%	\$431,659	\$46,915,395	100.0%
2019-20	49,228,078	48,320,458	98.2	907,620	49,228,078	100.0
2020-21	42,709,869	41,996,685	98.3	713,183	42,709,869	100.0
2021-22	45,702,862	44,757,459	97.9	945,402	45,702,862	100.0
2022-23	48,114,403	47,418,379	98.6	696,024	48,114,403	100.0

<sup>(1)</sup> The amounts presented include City property taxes and Successor Agency tax increment. This schedule also includes amounts collected by the City and the Successor Agency that were passed-through to other agencies. Source: City of Carson Annual Comprehensive Financial Report.

## Taxable Property and Assessed Valuation

Set forth in Table B-3 are assessed valuations for secured and unsecured property within the City. Article XIII A of the California Constitution prescribes the method for determining the full cash value of real property and the maximum ad valorem tax on real property. The full cash value, once established, is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the California Consumer Price Index. There may also be declines in valuations if the California Consumer Price Index is negative.

In addition, certain refinery assessed values are affected by the price of oil. See Table B-4 – Largest Taxpayers” below.

**TABLE B-3**  
**CITY OF CARSON**  
**GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY**  
**(in thousands of dollars)**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Exemptions</u>	<u>Total</u>	<u>Change</u>
2019-20	\$14,488,929	\$1,319,598	\$(84,931)	\$15,723,597	
2020-21	15,328,326	1,325,095	(83,206)	16,570,216	5.4%
2021-22	15,323,133	1,510,954	(82,281)	16,751,806	1.1
2022-23	18,558,961	1,101,603	(81,479)	19,579,085	16.9
2023-24	19,915,041	1,203,846	(79,827)	21,039,060	7.5

Source: City of Carson Annual Comprehensive Financial Report; Los Angeles County Auditor-Controller.

**Proposition 8 Adjustments.** Proposition 8 (see “RISK FACTORS - Constitutional Limitation on Taxes and Appropriations - Proposition 8 Adjustments”) provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by an inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. There are always a minor number of properties in the City that are subject to Proposition 8 reductions, even before the great recession caused a larger number of properties to be reduced below their factored base year values between Fiscal Years 2009-10 and 2012-13.

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

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**Largest Taxpayers.** The largest taxpayers in the City for the 2022-23 Fiscal Year are shown below.

**TABLE B-4  
CITY OF CARSON  
LARGEST TAXPAYERS**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2022-23 Assessed Valuation</u>	<u>% of Total Assessed Valuation 2022-23</u>
Marathon Petroleum	Refinery	\$3,033,262,505	15.43%
Watson Partners LP	Office/Warehouse Complex	693,338,469	3.53
Tesoro Refining and Marketing Co.	Refinery	502,455,350	2.56
Gatx Tank Storage Terminals Corp.	Fuel Storage	311,827,074	1.59
Prologis	Logistics and Distribution	294,914,393	1.50
Phillips 66 Company	Refinery	286,843,148	1.46
Equilon Enterprises LLC	Pipeline Operator	165,846,223	0.84
Rexford Industrial Realty LP	Office/Industrial	161,830,112	0.82
Ineos Polypropylene LLC	Polypropylene Manufacturing	154,738,397	0.79
Anschutz So. Cal. Sports Complex	Multi-Use Sports Complex	<u>149,699,897</u>	<u>0.76</u>
Total		\$ 5,754,755,568	29.28%

Source: City of Carson Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2022.

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

The State Legislature approved a bill, AB X1 26, during the 2011-12 State budget process. AB X1 26 eliminated redevelopment agencies State-wide. On December 29, 2011, the California Supreme Court issued its opinion and upheld AB X1 26. As a result of the decision, all California redevelopment agencies, including the City’s Redevelopment Agency and other redevelopment agencies formed by cities within the City, were dissolved as of February 1, 2012. Certain tax revenues allocable to the City’s former Redevelopment Agency will continue to be available to the City, as successor agency to the City’s Redevelopment Agency (“Successor Agency”), to pay certain obligations of the Successor Agency, and any residual amounts available after payment of obligations is redirected to other taxing agencies, such as the City, school districts, and cities. The City received approximately \$1.5 million in residual taxes in Fiscal Year 2023-24. Residual taxes will continue to increase over time as obligations payable by the former redevelopment agencies in the City are paid down or paid in full.

**Enhanced Infrastructure Financing Districts.** Enhanced Infrastructure Financing Districts (“EIFD”) are authorized by Part 1 of Division 2 of Title 5 of the Government Code of the State. EIFDs create an alternative path to use tax increment financing to fund public improvements, similar to the how the former redevelopment agencies were funded. EIFDs can fund public capital facilities, infrastructure improvements, maintenance for projects funded by the EIFD, or other specified projects of communitywide significance. Unlike redevelopment, other affected taxing entities are not required to forgo their tax

increment for an EIFD. However, all City property tax increment revenue generated within the Carson EIFD boundary, above the base year, is allocated to the Carson EIFD until the early of 45 years from the first issuance of bonds by the EIFD, or 2099. Carson formed its EIFD in 2021, and it encompasses approximately 1,735 acres of primarily developed land in the northern area of the City, adjacent to the I-405 Freeway. There is a \$156.5 million cap on the amount of property tax that can be allocated from the City’s share of tax increment within the Carson EIFD and another \$156.5 million cap on the amount of property tax that can be allocated from the County’s share of tax increment within the Carson EIFD. To date, approximately \$192,000 has been allocated to the Carson EIFD.

## Other Local Taxes

In addition to ad valorem taxes on real property, the City receives other local taxes described below. A history of actual tax revenue by source is shown in Table B-5, together with estimated amounts for Fiscal Year 2023-24 and budgeted amounts for Fiscal Year 2024-25.

**TABLE B-5  
CITY OF CARSON  
TAX REVENUES BY SOURCE**

<u>Source</u>	<b>Fiscal Year 2020-21 <u>Audited</u></b>	<b>Fiscal Year 2021-22 <u>Audited</u></b>	<b>Fiscal Year 2022-23 <u>Audited</u></b>	<b>Fiscal Year 2023-24 <u>Estimated</u></b>	<b>Fiscal Year 2024-25 <u>Budget</u></b>
Sales and use tax	\$30,133,399	\$ 32,509,654	\$ 40,644,726	\$36,460,097	\$ 39,063,239
Sales tax- Measure K	2,726,988	14,508,391	21,965,974	18,293,485	19,505,000
Property tax	17,177,864	17,363,971	20,269,041	21,102,776	22,671,901
Franchise tax	11,355,476	12,663,295	16,188,600	9,500,000	15,645,550
Transient occupancy tax	1,648,497	2,026,323	2,077,142	1,700,000	2,000,000
Utility users tax	8,670,113	11,828,914	16,509,125	9,500,000	10,000,000
Real property transfer tax	583,413	632,148	554,150	535,942	350,000
Oil industry business tax	2,990,315	2,776,488	6,309,275	5,500,000	6,100,000
Oil industry business tax <sup>(1)</sup>	<u>23,416</u>	<u>11,286,684</u>	<u>76,476,729</u>	<u>1,500,000</u>	<u>2,000,000</u>
<b>Total Tax Revenues</b>	<b>\$75,309,481</b>	<b>\$105,595,868</b>	<b>\$200,994,762</b>	<b>\$104,092,300</b>	<b>\$117,335,690</b>

<sup>(1)</sup> Protested amounts. See “Oil Industry Business Tax” below.

Source: City of Carson.

**Sales and Use Taxes.** Sales tax is collected and distributed by the California Department of Tax and Fee Administration. Each local jurisdiction receives an amount equal to 1% of taxable sales within their jurisdiction.

**Measure K.** On November 8, 2020, voters in the City approved “Measure K,” the levy of an additional 3/4% sales tax, commencing April 1, 2021.

**Franchise Taxes.** The City levies a franchise fee on its gas, electric, water and waste disposal companies operating within the City. There is also a franchise fee levied on pipelines.

**Utility User Tax.** The City is authorized to levy a user tax on natural gas and electric usage. The current authorization to levy the tax by voters was approved in November 2022. 64 percent of the tax is generated by natural gas usage.

**Transient Occupancy Tax.** The City levies a transient occupancy tax on hotel and motel bills. The City's current transient occupancy tax resolution provides for a rate of 9%.

**Business License Taxes.** The City levies a business license tax based on fixed fee based on type of business.

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

**Oil Industry Business Tax.** A tax approved by voters in 2017 to levy a tax equal to 0.25% of gross receipts for businesses operating an oil refinery or facility that stores petroleum products. An audit of the tax through 2021 was completed in 2023, resulting in an additional \$75 million increase in the taxes paid over the 2017-2021 time period. However, due to a protest by the refineries paying the tax, the additional funds are currently being set aside until the dispute is resolved. The City has commenced an audit of the 2022 and 2023 taxes.

The City currently budgets this tax in the amount of expected undisputed collections, not necessarily the amount that they expect to receive about audit and successful resolution of any disputed amounts paid.

There is no expiration date for the City's authorization to levy and collect the franchise tax, transient occupancy tax, business license tax, utility users tax or oil industry business tax. See "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Proposition 218" herein.

## Long-Term Obligations

**Pension and OPEB Liability.** The City has pension obligation bonds with \$99.79 million in principal amount outstanding as of June 30, 2024.

The City's net pension liability as of June 30, 2023 was \$10.2 million and the net OPEB liability as of June 30, 2023 was \$36.4 million.

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

**Lease Obligation.** The City has a lease arrangement to finance capital projects and purchase equipment under a master lease agreement with a lender. Currently, there has been one lease executed under this master lease agreement, in 2021. Upon expiration of the lease, title to the equipment vests in the City. There is \$4.3 million in principal amount of the 2021 lease outstanding as of June 30, 2024. The City also leases other assets under operating leases.

The City has other obligations to be paid from specifically pledged revenues, such as tax allocation bonds and assessment bonds.

## Retirement Program

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

*The Annual Comprehensive Financial Reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by*

reference herein. The City and the Municipal Advisor cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

**Plan Description.** The City provides retirement benefits, disability benefits, periodic cost-of-living adjustments, and death benefits to plan members and beneficiaries (the “Plan”). The Plan is part of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. Benefit provisions are established by State statute and by City contracts with employee bargaining groups.

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

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

**Benefit Tiers.** In 2010 the City established a new tier of benefits for employees based on date of hire (“Tier 1”). Benefits were reduced for Tier 1 employees hired on or after November 21, 2010.

Due to PEPRA, the City added a benefit tier for employees subject to PEPRA (“PEPRA Tier 2”). Ultimately, PEPRA is expected to reduce the City’s long-term pension obligation as existing employees retire and new employees are hired to replace them.

The Plan’s provisions and benefits in effect on June 30, 2023, are summarized as follows:

	<u>Original</u>	<u>Tier 1</u>	<u>PEPRA Tier 2</u>
Benefit Formula	3% at 60	2% at 55	2% at 62
Benefit Vesting Schedule	5 years	5 years	5 years
Earliest Retirement Age	50-37	50-67	52-67
Benefit Factor as a % of Salary	2.0 to 3.0%	1.426 to 2.418%	1.0 to 2.5%
Required Employee Contribution Rates	8.0%	7.0%	7%

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

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability.** The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies <sup>(1)</sup>
Mortality	<sup>(2)</sup>
Post Retirement Benefit Increase	<sup>(3)</sup>

<sup>(1)</sup> Depending on entry age and service and type of employment.

<sup>(2)</sup> The probabilities of mortality are based on CalPERS’ 2021 Experience Study for the period from 2001 to 2019. Pre-retirement and post-retirement mortality rates include general mortality improvement using 80% of Scale MP - 2020 published by the Society of Actuaries.

<sup>(3)</sup> The lesser of contract COLA or 2.3% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.3% thereafter.

**Changes in Actuarial Assumptions.** Changes in actuarial assumptions generally take two years to affect the City’s contribution rate due to the time required by CalPERS to calculate and implement the change. For example, a change made effective July 1, 2022 will be reflected in the City’s contribution rates (normal cost or unfunded liability) for Fiscal Year 2024-25.

The CalPERS Board of Administration has made numerous changes over the last 8 years that are reflected in the calculation of the pension liability and the annual contribution toward the unfunded pension liability. The most significant change was a reduction over a period of years to reduce the discount rate from 7.5% to 7.0%, and then more recently to 6.8% as described below. Other assumption changes include a reduction in the payroll growth and inflation and, beginning with the June 30, 2019 calculation, changing the amortization of investment gains or losses to 20 years from 30 years. CalPERS’ Chief Actuary stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers about future contribution rates. These changes accelerate the repayment of unfunded liabilities of the City’s Plans in the near term.

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

**Contribution Rates.** The contribution requirements of Plan members and the City are established by CalPERS. The employer’s normal cost is shown as a percentage of payroll and includes a dollar amount for the amortization of the unfunded actuarial liability (“UAL”). The actual or CalPERS projections of the normal cost and amortization of the UAL is shown in the table below. These rates do not include the employees’ contribution rates.

The City issued pension obligation bonds in June 2020, to prepay the then-current UAL which was first reflected in the 2020-21 contribution.

**CITY OF CARSON  
HISTORICAL AND PROJECTED EMPLOYER RETIREMENT CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Amortize UAL</u>
2019-20 <sup>(1)</sup>	11.766%	\$6,974,023
2020-21 <sup>(2)</sup>	12.335	-
2021-22 <sup>(3)</sup>	11.740	133,670
2022-23 <sup>(4)</sup>	11.600	580,106
2023-24 <sup>(5)</sup>	12.450	-
2024-25 <sup>(6)</sup>	12.060	529,560

<sup>(1)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2017.

<sup>(2)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2018.

<sup>(3)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2019.

<sup>(4)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2020.

<sup>(5)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2021.

<sup>(6)</sup> Source: California Public Employees’ Retirement System annual valuation report dated June 30, 2022.

In July 2022, CalPERS disclosed the rate of return for its investment portfolio for the Fiscal Year 2021-22 was negative 6.1%. These investment losses (below 6.8%) created a loss that increased future liabilities and will begin affecting the City’s UAL costs starting in Fiscal Year 2024-25. In July 2023, CalPERS disclosed the rate of return for its investment portfolio for the Fiscal Year 2022-23 was 5.8%. This investment underperformance (below 6.8%) will create a loss that will increase future liabilities and begin affecting the County’s UAL costs starting in Fiscal Year 2025-26. The 2022-23 investment result is not reflected in Table B-6. Pursuant to CalPERS methodology, the net investment gain credits or losses will increase annually during the first five years and then level out for the remaining 15 years over which to amortize any net investment gains or losses. The new unfunded liability created by the reduction in the discount rate will be amortized in level payments over 20 years.

**Pension Liabilities.** The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The City’s changes in net pension liability for the Plan between July 1, 2019 and June 30, 2022 are shown in the following table.

**CITY OF CARSON  
CHANGES IN NET PENSION LIABILITY**

	<b>Measurement Date Fiscal Year Ended June 30</b>			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total pension liability	\$302,811,949	\$313,342,021	\$321,925,161	\$339,733,315
Plan fiduciary net position	<u>200,513,126</u>	<u>312,592,424</u>	<u>369,058,733</u>	<u>329,544,126</u>
Plan net pension liability (asset)	\$102,298,823	\$ 749,597	\$(47,133,572)	\$ 10,179,189
Plan fiduciary net position as a				
of the total pension liability	66.22%	99.76%	114.64%	97.00%
Covered payroll	\$23,237,828	\$23,745,257	\$23,656,414	\$24,200,705
Plan net pension liability as a percentage of covered payroll	440.23%	3.16%	(199.24%)	42.06%

Source: City of Carson Annual Comprehensive Financial Report.

See “Required Supplementary Information (Unaudited)” section in the City’s Annual Comprehensive Financial Report included in “APPENDIX C” for a detailed calculation of the changes in pension liabilities, fiduciary net position and net pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City’s UAL on June 30, 2022, calculated using the discount rate of 6.8%, as well as what the City’s UAL would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease in Discount Rate	\$60,349,656
June 30, 2022 Discount Rate	16,317,507
1% Increase in Discount Rate	(20,250,041)

Source: California Public Employees’ Retirement System.

See Note 8 of the City’s Annual Comprehensive Financial Report included in “APPENDIX C” for further information about the Plan.

## Other Post-Employment Benefits

**Plan Description.** The City offers a defined benefit OPEB plan (“OPEB Plan”), which provides medical insurance benefits to eligible retirees and qualified family members through an agent multiple employer trust administered by CalPERS. An employee is eligible for the City contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the City. Vesting requires at least 5 years of PERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. The City contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The City’s financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum.

**Funding Policy.** The OPEB Plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City joined the California Employer’s Retiree Benefit Trust (CERBT) to pre-fund its OPEB liability. No contributions were made to CERBT during Fiscal Year 2022-23. However, the City did directly pay retiree insurance premiums of \$2,717,706 during Fiscal Year 2022-23 and the implicit rate subsidy for the OPEB Plan was \$546,999 for that period.

**Changes in OPEB Liability.** The changes in OPEB liability as of June 30, 2022 are shown in the table below. The schedule of changes in total OPEB liabilities, included in the required supplementary information section of the City’s Annual Comprehensive Financial Report, will present comparative year by year information about the total OPEB liability.

**CITY OF CARSON  
CHANGES IN NET OPEB LIABILITY**

	<b>Measurement Date Fiscal Year Ended June 30</b>			
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Total OPEB liability	\$68,858,549	\$66,418,278	\$48,231,396	\$58,238,397
Plan fiduciary net position	<u>19,158,755</u>	<u>19,826,413</u>	<u>25,270,069</u>	<u>21,880,883</u>
Plan net OPEB liability	\$49,699,794	\$46,591,865	\$22,961,327	\$36,357,514
Plan fiduciary net position as a of the total OPEB liability	27.82%	29.85%	52.39%	37.57%
Covered payroll	\$28,889,774	\$29,684,243	\$23,949,613	\$38,450,978
Plan net OPEB liability as a percentage of covered payroll	172.03%	156.96%	95.875	94.56%

Source: City of Carson Annual Comprehensive Financial Report.

See “Required Supplementary Information (Unaudited)” section in the City’s Annual Comprehensive Financial Report included in “APPENDIX C” for a detailed calculation of the changes in OPEB liabilities, fiduciary net position and net OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the City’s net OPEB liability on June 30, 2022, calculated using the discount rate of 6.0%, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease in Discount Rate	\$44,035,598
June 30, 2022 Discount Rate	36,357,514
1% Increase in Discount Rate	30,026,709

Source: City of Carson Annual Comprehensive Financial Report.

See Note 10 in the City’s Annual Comprehensive Financial Report included in “APPENDIX C” for further information about the OPEB Plan.

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

In the June 30, 2021 actuarial valuation, the entry age normal actuarial cost method was used to value liabilities. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. The actuarial assumptions included (1) a 6.00% discount rate, (2) inflation of 2.5%, (3) 2.75% payroll increases and (4) retirement and mortality probabilities based on the CalPERS 2021 Experience Study.

See Note 10 in the City’s Annual Comprehensive Financial Report included in “APPENDIX C” for further information about the OPEB Plan.

## Employee Relations and Collective Bargaining

City employees are represented by four bargaining units. The largest unit is the American Federation of State, County and Municipal Employees (AFSCME) (Local 1017), which represents approximately 74% of all City employees. Most City employees are covered by negotiated agreements.

<u>Bargaining Unit</u>	<u>Expiration Date</u>
AFSCME Local 1017	June 30, 2024
AFSCME Local 809	June 30, 2024
Association of Management Employees	June 30, 2024
Carson Professionals and Supervisors	June 30, 2024

Negotiations for expired contracts have commenced, and the terms of the original contracts will remain in place under new contracts can be negotiated.

## Risk Management

The City is self-insured for general and unemployment insurance. Additionally, the City is self-insured for the first \$250,000 per liability claim, including employment practices. The liability excess insurance carrier is Lloyds Syndicates. The City is self-insured for the first \$750,000 per workers' compensation claim. The workers' compensation excess insurance carrier is Great American Insurance Company. The City is self-insured for the first \$10,000 per property claim. The property insurance carrier is Affiliated FM Insurance Company. The City is self-insured for the first \$10,000 per crime claim. The crime insurance carrier is Fidelity and Deposit Company of Maryland.

**Claims Liabilities.** The change in the balance of claims liabilities during the fiscal years ended June 30, 2023, and two prior years is as follows:

	<u>Fiscal Year</u> <u>2020-21</u>	<u>Fiscal Year</u> <u>2021-22</u>	<u>Fiscal Year</u> <u>2022-23</u>
Unpaid claims beginning of the fiscal year	\$3,558,224	\$3,651,708	\$5,479,017
Additions	1,955,937	2,243,258	1,446,355
Claim payments	<u>(1,862,453)</u>	<u>(415,949)</u>	<u>(1,743,040)</u>
Unpaid claims end of the fiscal year	\$3,651,708	\$5,479,017	\$5,182,332

Source: City of Carson Annual Comprehensive Financial Report.

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## City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. Under the City's current investment policy and in accordance with the Government Code, the City may invest in the following types of investments subject to certain limitations on maturity and amount:

- United States Treasury Bills, Notes and Bonds
- Obligations of Various Agencies of the Federal Government
- Collateralized Time Deposits
- Commercial Paper
- Banker's Acceptance
- Negotiable Certificates of Deposit
- Certificates of Deposit – private placement
- Local Agency Investment Fund
- Money Market Funds or Mutual Funds
- Medium-term Notes
- State/Municipal Bonds

As of April 30, 2024, the market value of the City Treasurer's investment portfolio (excluding funds deposited in checking accounts and held under bond indentures) was \$225 million. The diversification of the City Treasurer's investment portfolio assets as of such date is shown in the following table.

<u>Type of Investment</u>	<u>% of Combined Portfolio</u>
Certificates of Deposit	<u>14.67%</u>
Local Agency Investment Fund	15.27
State/Municipal Bonds	19.20
Medium-term Notes	36.29
U.S. Agencies	<u>14.57</u>
	100.0%

## Financial Statements

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

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

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

The City retained the firm of Vasquez + Company LLP, Certified Public Accountants, Glendale, California, to examine the general purpose financial statements of the City as of and for the year ended June 30, 2023. The following Tables B-14 and B-15 summarize the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the City's General Fund for the last five fiscal years. The City received a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ended June 30, 2022.

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

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

The Table B-6 on the following page shows General Fund fund balances as of June 30, 2021, 2022, 2023 and estimated for June 30, 2024 and 2025. The fund balance "committed for economic uncertainties" represents the City's 20% general fund reserve under the reserve policy (see "Fiscal Policies" above). The fund balance "assigned for litigation" represents the oil industry business tax paid under protest (see "Local Taxes – Oil Industry Business Tax" above).

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**TABLE NO. B-6  
GENERAL FUND RESERVES**

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>Estimated June 30, 2024</u>	<u>Budget June 30, 2025</u>
Nonspendable	\$ 262,227	\$ 677,723	\$ 764,071	\$ 421,759	\$ 421,759	\$ 421,759
Restricted						
Capital Projects	<u>2,262,501</u>	<u>2,262,501</u>	<u>2,262,501</u>	<u>27,000,000</u>	<u>27,000,000</u>	<u>27,000,000</u>
Total Restricted	2,262,501	2,262,501	2,262,501	27,000,000	27,000,000	27,000,000
Committed:						
Economic Uncertainties	15,274,165	15,274,165	15,274,165	24,146,695	27,849,116	27,849,116
Reward Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-	-
Total Committed	15,324,165	15,324,165	15,324,165	24,146,695	27,849,116	27,849,116
Assigned:						
Self-insurance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Litigation <sup>(1)</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,574,302</u>	<u>92,074,302</u>	<u>94,074,302</u>
Total Assigned	1,000,000	1,000,000	1,000,000	91,574,302	93,074,302	95,574,302
Unassigned	<u>26,335,503</u>	<u>40,134,685</u>	<u>88,507,157</u>	<u>79,772,944</u>	<u>88,763,853</u>	<u>88,776,805</u>
Total Committed/Assigned/Unassigned	42,659,668	56,458,850	104,831,322	195,493,941	209,687,271	210,700,223
<b>Total</b>	<b>\$45,184,396</b>	<b>\$59,399,074</b>	<b>\$107,857,894</b>	<b>\$222,915,700</b>	<b>\$237,109,030</b>	<b>\$238,121,982</b>

<sup>(1)</sup> The oil industry business tax is being protested by some of the taxpayers, and as a result, the City has excluded certain taxes collected from its unassigned fund balance pending resolution of the dispute.

Source: City of Carson Comprehensive Annual Financial Reports.

**TABLE B-7  
CITY OF CARSON  
GENERAL FUND  
BALANCE SHEET  
As of June 30**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Assets:</b>					
Cash and investments	\$49,990,676	\$48,535,898	\$4,567,428	\$102,218,597	\$195,053,046
Cash and investments with fiscal agents	-	209,801	1,655,482	1,665,482	-
Restricted cash		2,262,501	2,262,501	2,262,501	2,262,501
Receivables:					
Taxes	5,844,264	5,804,721	8,954,309	5,954,931	29,102,005
Accounts	1,765,158	2,460,970	3,153,000	4,724,729	4,889,385
Accrued interest	-	140,573	34,929	42,859	262,538
Loans, net of allowance	20,132	23,599	17,596	8,842	6,343
Leases	-	-	-	143,769	84,547
Due from other funds	3,298,353	1,447,449	2,623,640	3,765,131	3,665,057
Due from Carson Reclamation Authority	-	68,539	67,527	238,539	378,834
Due from Successor Agency	500,633	358,770	904,000	1,275,145	3,770,130
Inventory	311,048	262,227	124,991	199,984	421,759
Prepays items	<u>2,686</u>	<u>-</u>	<u>552,732</u>	<u>564,087</u>	<u>=</u>
<b>Total Assets</b>	<b><u>\$61,732,950</u></b>	<b><u>\$61,575,048</u></b>	<b><u>\$74,918,135</u></b>	<b><u>\$123,064,596</u></b>	<b><u>\$239,896,145</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$14,144,045	\$10,385,557	\$ 9,325,273	\$ 8,012,962	\$ 7,286,183
Accrued payroll	1,669,198	2,258,514	1,851,807	1,393,158	1,481,295
Due to other funds	18,055	-	-	9,960	-
Due to government agencies	1,597	-	-	-	1,756,460
Retentions payable	84,037	36,863	139,598	72,980	428,778
Unearned revenue	644,606	69,345	-	-	-
Refundable deposits	<u>-</u>	<u>3,277,759</u>	<u>2,740,793</u>	<u>2,271,097</u>	<u>1,865,710</u>
<b>Total Liabilities</b>	<b>16,561,538</b>	<b>16,028,038</b>	<b>14,057,471</b>	<b>11,760,157</b>	<b>12,818,426</b>
<b>Deferred Inflows of Resources:</b>					
Leases	-	-	-	139,613	79,779
Unavailable revenues	<u>-</u>	<u>362,614</u>	<u>1,461,590</u>	<u>3,306,932</u>	<u>4,082,240</u>
<b>Total Deferred Inflows of Resources:</b>	<b>-</b>	<b>362,614</b>	<b>1,461,590</b>	<b>3,446,545</b>	<b>4,162,019</b>

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	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Fund Balance:</b>					
Nonspendable	313,734	262,227	677,723	764,071	421,759
Restricted	683,361	2,262,501	2,262,501	2,262,501	27,000,000
Committed	15,324,165	15,324,165	15,324,165	15,324,165	24,146,695
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	91,574,302
Unassigned	<u>27,850,152</u>	<u>26,335,503</u>	<u>40,134,685</u>	<u>88,507,157</u>	<u>79,772,944</u>
<b>Total Fund Balance</b>	<u>45,171,412</u>	<u>45,184,396</u>	<u>59,399,074</u>	<u>107,857,894</u>	<u>222,915,700</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$61,732,950</u>	<u>\$61,575,048</u>	<u>\$74,918,135</u>	<u>\$123,064,596</u>	<u>\$239,816,366</u>

Source: City of Carson Comprehensive Annual Financial Reports.

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**TABLE B-8**  
**CITY OF CARSON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the year ended June 30**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Revenues:</b>					
Taxes	\$68,919,788	\$68,283,057	\$75,309,481	\$105,595,868	\$200,994,762
Licenses and permits	9,465,400	7,801,750	7,064,940	8,380,077	9,382,855
Fines and forfeitures	1,542,202	1,502,207	1,315,833	1,560,652	1,988,740
Intergovernmental	104,854	124,083	68,289	105,953	116,206
Charges for services	3,367,010	2,504,187	857,153	2,941,102	3,928,928
Investment Income	1,844,324	2,211,473	694,672	981,744	1,953,560
Contribution from property owner	-	2,262,501	-	-	-
Miscellaneous	<u>7,564,937</u>	<u>4,076,573</u>	<u>3,676,355</u>	<u>9,810,862</u>	<u>10,456,819</u>
<b>Total Revenues</b>	92,808,515	88,765,831	88,986,723	129,376,258	228,821,870
<b>Expenditures</b>					
Current:					
General government	27,530,697	140,225,399 <sup>(1)</sup>	22,468,789	22,989,070	27,909,031
Public safety	22,635,739	24,381,967	25,224,443	25,774,588	26,971,053
Community development	4,109,743	6,267,451	3,703,270	4,310,803	4,733,375
Public works	16,545,258	17,373,517	17,208,718	18,749,423	21,985,167
Community services	-	11,485,258	9,636,790	12,897,631	15,081,342
Capital improvement programs	187,779	1,163,438	-	-	7,773,158
Debt Service	<u>-</u>	<u>939,071</u>	<u>2,218,852</u>	<u>3,310,964</u>	<u>8,279,163</u>
<b>Total Expenditures</b>	82,930,664	201,836,101	80,460,862	88,032,479	112,732,289
Excess (deficiency) of revenues over (under) expenditures	9,877,851	(113,070,270)	8,525,861	41,343,779	116,089,581
<b>Other Financing Sources (Uses):</b>					
Proceeds from sale of land	402,738	2,211,777	5,305,473	7,369,817	-
Bond and loan proceeds	-	108,565,982 <sup>(1)</sup>	127,817	-	-
SBITA	-	-	-	-	900,150
Transfers in	9,354	19,676	290,357	966	76,392
Transfers out	<u>(338,500)</u>	<u>(130,768)</u>	<u>(34,830)</u>	<u>(255,742)</u>	<u>(2,008,317)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>73,592</u>	<u>110,666,667</u>	<u>5,688,817</u>	<u>7,115,041</u>	<u>(1,031,775)</u>
<b>Net Change in Fund Balance</b>	9,951,443	(2,403,603)	14,214,678	48,458,820	115,057,806
<b>Fund Balance:</b>					
<b>Beginning of year</b>	<u>35,219,969</u>	<u>47,587,999</u>	<u>45,184,396</u>	<u>59,399,074</u>	<u>107,857,894</u>
<b>End of year</b>	<u>\$45,171,412</u>	<u>\$45,184,396</u>	<u>\$59,399,074</u>	<u>\$107,857,894</u>	<u>\$222,915,700</u>

<sup>(1)</sup> Pension obligation bond proceeds used to pay retirement plan unfunded liability.  
Source: City of Carson Annual Comprehensive Financial Reports.

**APPENDIX C**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE**  
**CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**APPENDIX D**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of \_\_\_\_\_, 2024, is executed and delivered by the City of Carson (the “City”) in connection with the issuance of Carson Public Financing Authority (“the Authority”) 2024 Lease Revenue Bonds (the “2024 Bonds”) pursuant to an Indenture dated as of June 1, 2024 (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A.

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2024 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

“*Annual Report Date*” means the date that is seven months after the end of the City’s fiscal year (currently February 1 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means means Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement executed by the Authority and the City in connection with the issuance of the 2024 Bonds.

“*Participating Underwriter*” means the original underwriter of the 2024 Bonds required to comply with the Rule in connection with offering of the 2024 Bonds.

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

#### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 1, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as

provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) An update of the information in Tables \_\_\_\_\_ of the Official Statement;

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2024 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing,

notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2024 Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2024 Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the 2024 Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental City has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental agency, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental agency having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2024 Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

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

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2024 Bonds, or type of business conducted;

(b) *Compliance as of Issue Date.* The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2024 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The proposed amendment or waiver either (i) is approved by holders of the 2024 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2024 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2024 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed

to be acting in any fiduciary capacity for the City, the 2024 Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2024 Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2024 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2024

CITY OF CARSON

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Dissemination Agent

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

**APPENDIX F**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

## **APPENDIX G**

### **THE BOOK-ENTRY SYSTEM**

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2024 Bonds, payment of principal, interest and other payments on the 2024 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2024 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the 2024 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2024 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2024 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2024 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2024 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on such Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

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

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

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

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

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**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**