PRELIMINARY OFFICIAL STATEMENT DATED ____, 2020 – DRAFT OF MAY 14, 2020

NEW ISSUE **RATING**

BOOK-ENTRY ONLY **S&P: ___**

(See "CONCLUDING INFORMATION - Rating on the Bonds" herein)

In the opinion of Aleshire & Wynder, LLP, Irvine, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

$108,290,000*
CITY OF CARSON
2020 TAXABLE PENSION OBLIGATION BONDS

Dated: Date of Delivery **Due: June 1 as shown on the inside front cover page**

The City of Carson (the "City") is issuing its 2020 Taxable Pension Obligation Bonds (the "Bonds") pursuant to Articles 10 and 11 (commencing with Section 53750) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and a Trust Agreement, dated as of June 1, 2020 (the "Trust Agreement")., between the City and The Bank of New York Mellon Trust Company, N. A., as trustee (the "Trustee").

The Bonds are being issued to pay the City's currently unamortized, unfunded accrued actuarial liability ("Unfunded Liability") to the California Public Employees' Retirement System ("CalPERS") for the benefit of City employees, and pay the costs of issuing the Bonds. Pursuant to the Retirement Law (as defined herein), the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the portion of the Unfunded Liability evidenced by the Bonds. The Bonds are payable from any legally available funds of the City. See "SOURCE OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2020, until maturity or earlier redemption. See "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein.

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 Bonds.

The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. The Bonds do not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are being 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 also be passed upon for the City by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain matters will be passed upon for the Underwriter by Quint & Thimmig LLP, Larkspur, California. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about _____, 2020 (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein).

The date of the Official Statement is ____________, 2020.

Cabrera Capital Markets, LLC PIPER | SANDLER

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* Preliminary, subject to change.

$108,290,000*
CITY OF CARSON
2020 TAXABLE PENSION OBLIGATION BONDS

MATURITY SCHEDULE

(Base CUSIP®† __________)

Maturity Date June 1	Principal Amount	Interest Rate	Reoffering Yield	Reoffering Price	CUSIP®†

* 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 S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the owners of the Bonds. None of the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 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 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

No Offering May be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of This Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions 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 City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Trust Agreement or other documents, are made subject to the provisions of such documents 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 Clerk for further information. See "INTRODUCTION - Summaries Not Definitive."

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 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.

Bonds are Exempt From Securities Laws Registration. The issuance, sale and delivery of the Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(l2) of the Securities Exchange Act of 1934.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, any press release and any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. As described herein under the caption "COVID-19 Impacts" the COVID-19 Pandemic is expected to materially adversely impact the City's financial condition. Historical information set forth in the Official Statement is not intended to be predictive of future results.

Stabilization of and Changes to Offering Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 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 Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

City Website. The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

CITY OF CARSON, CALIFORNIA

CITY COUNCIL MEMBERS

Albert Robles, *Mayor*
Jim Dear, *Mayor Pro Tem*
Lula Davis-Holmes, *Council Member*
Cedric L. Hicks, Sr., *Council Member*
Jawane Hilton, *Council Member*

CITY STAFF

Sharon L. Landers, *City Manager*
John Raymond, *Assistant City Manager – Economic Development*
David Roberts, *Assistant City Manager – Administrative Services*
Dr. Maria Slaughter, *Director of Public Works*
Tarik Rahmani, *Director of Finance*
Said Naaseh, *Director of Community Development*
Donesia L. Gause-Aldana, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel
Aleshire & Wynder, LLP
Irvine, California

Disclosure Counsel
Nixon Peabody LLP
Los Angeles, California

Municipal Advisor
Harrell & Company Advisors, LLC
Orange, California

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

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OFFICIAL STATEMENT

$108,290,000*
CITY OF CARSON
2020 TAXABLE PENSION OBLIGATION BONDS

This Official Statement which includes the cover page, the inside front cover page and appendices (the "Official Statement"), is provided to furnish certain information concerning the sale of the City of Carson 2020 Taxable Pension Obligation Bonds (the "Bonds"), in the aggregate principal amount of $108,290,000*.

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 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 Bonds, see the summary included in "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" herein.

The City

The City was incorporated in 1968. 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 "CITY OF CARSON" herein).

Purpose

The Bonds are being issued to pay the City's currently unamortized, unfunded accrued liability to the California Public Employees' Retirement System ("CalPERS") for the benefit of City employees and pay the costs of issuing the Bonds.

Security and Sources of Repayment

The Bonds are secured under a Trust Agreement, dated as of June 1, 2020 (the "Trust Agreement") by and between the City and The Bank of New York Mellon Trust Company, N. A., Los Angeles, California, as trustee (the "Trustee") (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" herein).

For the purpose of paying the principal of and interest on the Bonds, the City Council is obligated, under the Trust Agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds, including the General Fund, to ensure that sufficient sums are available to pay the annual principal of and interest on the Bonds as the same become due. See "SOURCE OF PAYMENT FOR THE BONDS" herein.

For a summary of the Trust Agreement, see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in "APPENDIX A."

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* Preliminary, subject to change.

Limited Obligation

The obligation of the City to pay the Bonds 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 the Bonds does not constitute a debt of the State of California (the "State") or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

COVID-19 Pandemic

The COVID-19 pandemic (the "Pandemic") has had a material adverse impact on the City's finances. See "FINANCIAL INFORMATION – COVID-19 Impacts" and "RISK FACTORS - COVID-19 Pandemic" for a discussion of certain risks associated with an investment in the Bonds, including the impacts and potential impacts of the COVID-19 pandemic on the City's operations and finances.

No Debt Service Reserve Fund

The City will not fund a debt service reserve fund for the Bonds.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading "TAX MATTERS" herein. Certain legal matters will be passed upon for the City by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain matters will be passed upon for the Underwriter by Quint & Thimmig LLP, Larkspur, California.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued pursuant to Articles 10 and 11 (commencing with Section 53750) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law"), the Trust Agreement, Resolution No. ______ of the City adopted on January 28, 2020 and default judgment entered on May 1, 2020 by the Superior Court for the County of Los Angeles. See "THE FINANCING PLAN" herein.

Offering and Delivery of the Bonds. The 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 Bonds, in book-entry form, will be available for delivery on or about ______, 2020 through the facilities of The Depository Trust Company. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Summaries Not Definitive

The summaries and references contained herein with respect to the Trust Agreement, the Bonds, the Retirement Law 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 Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, The Bank of New York Mellon Trust Company, N. A., Los Angeles, California or from the City at 701 E. Carson Street, Carson, California 90745.

THE FINANCING PLAN

The City is a member of CalPERS and, as such, is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract between the Board of Administration of CalPERS and the City Council of the City, dated January 1, 1968, as amended (the "CalPERS Contract"), to make contributions to CalPERS to (a) fund pension benefits for City employees who are members of CalPERS, (b) amortize the unfunded accrued actuarial liability (the "Unfunded Liability") with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the Unfunded Liability that is evidenced by the Bonds. See "SOURCE OF PAYMENT FOR THE BONDS."

On __, 2020, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Los Angeles seeking judicial validation of the proceedings and transactions relating to the issuance of the Bonds and certain other matters. On May 1, 2020, the court entered a default judgment (the "Validation Judgment") to the effect, among other things, that the Bonds are valid legal and binding obligations of the City in conformity with all applicable provisions of law and that the Bonds are exempt from and not subject to the debt limitations set forth in Article XVI, Section 18, of the California Constitution. See the section entitled "VALIDATION" for additional information regarding the legal effects of the Validation Judgment.

In August 2019, CalPERS notified the City as to the amount of the Unfunded Liability for the City's Miscellaneous Plan (the "Plan") based on the actuarial valuation reports as of June 30, 2018 (the "2018 CalPERS Reports"), which is the most recent actuarial valuation routinely performed by CalPERS.

The Bonds are being issued under the Trust Agreement to fund 100% of the City's June 30, 2018 Unfunded Liability for the Plan, as of June __, 2020*. Upon the issuance of the Bonds, the City will pay $107,108,953* to CalPERS for deposit to the CalPERS Payment Fund. This amount represents the June 30, 2018 Unfunded Liability for the Plan, rolled forward to June __, 2020* and taking into account payments made during Fiscal Year 2018-19 and Fiscal Year 2019-20. The Unfunded Liability is different from the Net Pension Liability shown in "FINANCIAL INFORMATION - Retirement Plans" herein due to the calculation methodology required by Governmental Accounting Standard Board Statement No. 68 for financial statement presentation.

The City expects a new Unfunded Liability will be created as of June 30, 2019, which is not included in the 2018 CalPERS Reports, based on an actual investment return of 6.7% for the fiscal year ending June 30, 2019. The City expects a significant Unfunded Liability will be created as of June 30, 2020, which is also not included in the 2018 CalPERS Reports, based on actual investment returns for the fiscal year ending June 30, 2020.

As of March 31, 2020, CalPERS estimated that the rate of return for its investment portfolio for the fiscal year-to-date was a negative 4%. There is no guarantee that CalPERS will achieve a better rate of return for the full fiscal year and it may be worse. Investment returns below 7% create additional liabilities for public agencies, including the City. Any increase in the unfunded actuarial liability created by the Fiscal Year 2019-20 rate of return will begin affecting the City's UAL costs starting in Fiscal Year 2021-22. Pursuant to CalPERS methodology, the amounts payable will increase annually during the first five years and then level out for the remaining 15 years over which to amortize investment losses. See "FINANCIAL INFORMATION - COVID-19 Impacts" and "RISK FACTORS – Risks related to COVID-19" herein.

* Preliminary, subject to change.

The amount of the new Unfunded Liability for each year will not be known until an updated actuarial study is received by the City, expected in July or August of 2020 for the Fiscal Year 2018-19 and July or August of 2021 for the Fiscal Year 2019-20, respectively. With respect to the new Unfunded Liability for the Plan the City could choose to pay a lump sum amount or in installments when due to CalPERS, or the City could choose to issue additional pension obligation bonds. Other factors could generate additional Unfunded Liabilities for the City, including failure by CalPERS to achieve its target investment returns, reduction the discount rate, future amendments to the CalPERS Contract, or changes in assumptions such as inflation, mortality, salary trend, or retirement timing. The City could potentially issue additional pension bonds to pay for part or all of any such additional Unfunded Liabilities.

Estimated Sources and Uses of Funds

Under the provisions of the Trust Agreement, the Trustee will receive the $___________ proceeds from the sale of the Bonds (the par amount of the Bonds) and will apply them as follows:

Transfers to CalPERS Payment Fund
Underwriter's Discount
Costs of Issuance Fund (1)
Total Uses of Funds

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

THE BONDS

General Provisions

Payment of the Bonds. The Bonds are issuable in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated as of the Closing Date and will mature on June 1 in the years and in the respective principal amounts and bear interest at the respective rates per annum (calculated on the basis of a year of 360 days comprised of twelve 30-day months) set forth on the inside front cover page hereof. Interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 2020, (each, an "Interest Payment Date") until maturity or earlier redemption.

Interest on each Bond shall accrue from the Interest Payment Date next preceding the date of authentication and delivery thereof, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication; (ii) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such Interest Payment Date; or (iii) it is authenticated prior to the close of business on the first Record Date, in which event interest thereon shall be payable from the Closing Date; provided, however, that if at the time of authentication of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Closing Date "Record Date" means the fifteenth day of each calendar month preceding any Interest Payment Date, regardless of whether such day is a Business Day.

Principal, premium, if any, and interest on the Bonds shall be payable in currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest on any of the Bonds will be made on each Interest Payment Date by check of the Trustee sent by Mail, or by wire transfer to any Holder of $1,000,000 or more of Bonds, to the account specified by such Owner in a written request delivered to the Trustee on or prior to the Record Date for such Interest Payment Date, to the Owner thereof on the Record Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Trustee which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest. Payment of the principal of the Bonds upon redemption or maturity will be made upon presentation and surrender of each such Bond, at the Principal Office of the Trustee.

Book-Entry System. DTC will act as securities depository for the Bonds. The 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 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption

Optional Redemption*. The Bonds maturing on or after June 1, 20___ may be redeemed at the option of the City from any source of funds on any date on or after June 1, ___ in whole or in part from such maturities as are selected by the City and by lot within a maturity at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Sinking Account Redemption*. The Bonds maturing June 1, 20__ (the "20__ Term Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds shall be so redeemed on the following dates and in the following amounts:

Redemption Date (June 1)	Principal Amount
(maturity)	

The Bonds maturing June 1, 20__ (the "20__ Term Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds shall be so redeemed on the following dates and in the following amounts:

Redemption Date (June 1)	Principal Amount
(maturity)	

* Preliminary, subject to change.

The Bonds maturing June 1, 20__ (the "20__ Term Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds shall be so redeemed on the following dates and in the following amounts:

Redemption Date (June 1)	Principal Amount
(maturity)	

On or before each April 15 next preceding any mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption pro-rata from all Term Bonds subject to mandatory sinking fund redemption at that time, an aggregate principal amount of such Term Bonds equal to the amount for such year as set forth in the tables above and shall call such Term Bonds or portions thereof for redemption. At the option of the City, to be exercised by delivery of a written certificate to the Trustee on or before April 1 next preceding any mandatory sinking fund redemption date, it may (a) deliver to the Trustee for cancellation Term Bonds or portions thereof (in the amount of an Authorized Denomination) of the stated maturity subject to such redemption or (b) specify a principal amount of such Term Bonds or portions thereof (in the amount of an Authorized Denomination) which prior to said date have been purchased or redeemed and cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. If City elects to notify the Trustee on or before April 1 based on the foregoing sentence, then the City shall provide the Trustee with a revised sinking fund schedule. Each such Term Bonds or portion thereof so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount of the Term Bonds so delivered to the Trustee by the City against the obligation of the City on such mandatory sinking fund redemption date.

Notice of Redemption. Notice of redemption shall be given by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) in the case of Bonds not registered in the name of a Securities Depository or its nominee, to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) in the case of Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Bonds; and (iii) to the Information Services. Notice of redemption to the Holders pursuant to (i) above shall be given by mail at their addresses appearing on the registration books of the Trustee, or any other method agreed upon by such Holder and the Trustee. Notice of redemption to the Securities Depositories pursuant to (ii) above and the Information Services pursuant to (iii) above shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Each notice of redemption shall state the Bonds or designated portions thereof to be redeemed, the date of redemption, the place of redemption, the redemption price, the CUSIP number (if any) of the Bonds to be redeemed, the distinctive 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, the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or part. Each such notice shall also state that on said date there will become due and payable on each of the Bonds to be redeemed the redemption price, and redemption premium, if any, thereof, and that from and after such redemption date interest thereon shall cease to accrue.

Failure to give the notices described in the Trust Agreement or any defect therein shall not in any manner affect the redemption of any Bonds. Any notice sent as provided in the Trust Agreement will be conclusively presumed to have been given whether or not actually received by the addressee.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Right to Rescind Notice of Redemption. The City shall have the right to rescind any notice of optional redemption. Any such notice of rescission shall be sent in the same manner as the notice of redemption. Neither the City nor the Trustee shall incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

Partial Redemption of Bonds. Bonds are subject to redemption pro rata within a maturity. Upon surrender of a Bond to be redeemed in part, the Trustee will authenticate for the registered owner a new Bond or Bonds of the same maturity and tenor equal in principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. Upon surrender to the Trustee or the Trustee's agent, Bonds called for redemption shall be paid at the redemption price stated in the notice, plus interest accrued to the redemption date. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement relating to such Bonds as are to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, the Bonds so called for redemption shall become and be due and payable on the redemption date, interest on such Bonds shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Trust Agreement and the owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price and accrued interest to the redemption date.

Additional Bonds

From time to time, the City may enter into (i) one or more other trust agreements or indentures and/or (ii) one or more agreements supplementing and/or amending the Trust Agreement, for the purpose of providing for the issuance of Additional Bonds to refund the Bonds or to refund all or any portion of any Unfunded Liability under the CalPERS Contract arising subsequent to the issuance of the Bonds or any other obligations due to CalPERS. Such Additional Bonds may be issued on a parity with the Bonds.

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Scheduled Debt Service on the Bonds

The following is a schedule of annualized debt service on the Bonds, assuming no optional redemptions are made.

Period Ending June 1	Principal	Interest	Annual Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
Total			

[Remainder of Page Intentionally Left Blank]

SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds shall be obligations of the City payable from any lawfully available funds and shall not be limited as to payment to any special source of funds of the City. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligation of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.

The Trust Agreement requires the City to pay debt service payments to the Trustee at least 3 Business Days preceding each Interest Payment Date. The Trust Agreement secures the payment of the Bonds and obligates the Trustee to hold all the amounts on deposit in the Revenue Fund and its accounts in trust for the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Trust Agreement.

Revenue Fund

The Trust Agreement creates a fund to be held by the Trustee designated "City of Carson 2020 Taxable Pension Obligation Bonds Revenue Fund" (the "Revenue Fund"), and within the Revenue Fund, two separate accounts designated the "Bond Interest Account" and "the Bond Principal Account."

All amounts received by the Trustee from the City in respect of interest payments on the Bonds shall be deposited in the Bond Interest Account and shall be disbursed to pay interest on the Bonds. All amounts held at any time in the Bond Interest Account shall be held for the security and payment of interest on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Interest Account are insufficient to provide for the payment of such interest, the City shall promptly deposit funds to such Account to cure such deficiency. On June 2 of each year beginning in 2021, so long as no Event of Default has occurred and is continuing, the Trustee shall transfer all amounts on deposit in the Bond Interest Account to the City to be used for any lawful purpose.

All amounts received by the Trustee from the City in respect of principal payments on the Bonds shall be deposited in the Bond Principal Account and all amounts in the Bond Principal Account will be disbursed to pay principal on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Principal Account are insufficient to provide for the payment of such principal, the City shall promptly deposit funds to such Account to cure such deficiency.

The moneys in such Funds and Accounts shall be held by the Trustee in trust and applied as provided above and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such holders until paid out or transferred as provided in the Trust Agreement.

As described herein, the City may issue Additional Bonds under the Trust Agreement. In the event the City issues Additional Bonds under the Trust Agreement, amounts on deposit in the Revenue Fund and the accounts therein will secure the Bonds and such Additional Bonds on a parity basis.

No Debt Service Reserve Fund

The City will not fund a debt service reserve fund for the Bonds.

CITY OF CARSON

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.

General 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 at large 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

Council Member	Term Expires
Albert Robles, *Mayor*	November 2020
Jim Dear, *Mayor Pro Tem*	November 2022
Lula Davis-Holmes, *Council Member*	November 2022
Cedric L. Hicks, Sr., *Council Member*	November 2020
Jawane Hilton, *Council Member*	November 2020

CHIEF ADMINISTRATIVE PERSONNEL

Sharon L. Landers, *City Manager*
John Raymond, *Assistant City Manager – Economic Development*
David Roberts, *Assistant City Manager – Administrative Services*
Dr. Maria Slaughter, *Director of Public Works*
Tarik Rahmani, *Director of Finance*
Said Naaseh, *Director of Community Development*
Donesia L. Gause-Aldana, *City Clerk*

Governmental Services

The City's Fiscal Year 2019-20 budget provides for 326 full-time equivalent positions under the direction of the City Manager, including the public safety employees.

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.

Other City services include building permit and inspection, landscape and public infrastructure maintenance, weed abatement, municipal code compliance and parks and recreation programs and facilities.

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.

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

Population

The following table provides population growth for the City and the County between 2015 and 2019.

TABLE NO. 1
CHANGE IN POPULATION
CITY OF CARSON AND LOS ANGELES COUNTY
2015 – 2019

	CARSON		LOS ANGELES COUNTY	
As of January 1 Year	Population	Percentage Change	Population	Percentage Change
2015	93,486		10,155,753	
2016	93,458	(0.0%)	10,185,851	0.3%
2017	93,508	0.1%	10,226,920	0.4%
2018	93,609	0.1%	10,254,658	0.3%
2019	93,604	0.0%	10,253,716	0.0%
% Change Between 2015 - 2019		0.1%		1.0%

Source: *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2019, with 2010 Census Benchmark"* Sacramento, California, May 2019.

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Per Capita Personal Income

The most recent available per capita personal income information from the U.S. Department of Commerce, Bureau of Economic Analysis as of March 2020, for the County, the State of California and the United States compared to the City of Carson are summarized in the following table.

TABLE NO. 2
PER CAPITA PERSONAL INCOME
CARSON, LOS ANGELES COUNTY, STATE OF CALIFORNIA AND UNITED STATES
2014 – 2018

Year	Carson	Los Angeles County [1]	State of California [1]	United States [1]
2014		$52,233	$52,324	$47,058
2015		55,470	55,758	48,978
2016		57,127	57,739	49,870
2017		59,058	60,156	51,885
2018		62,224	63,557	54,446

(1) For Los Angeles County, State of California and United States, per capita personal income was computed using Census Bureau midyear population estimates.

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Carson Comprehensive Annual Financial Report.

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Employment and Industry

As of ________, the civilian labor force for the City was approximately _____, of whom ___ were employed. The unadjusted unemployment rate as of ________ was _% for the City as compared to __% for the County and __% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2015 through 2019 are shown in the following table. As a result of the COVID-19 Pandemic, the unemployment rate in California has increased to nearly 20% as of April 30, 2020. The City does not have information on the employment rate in the City, but the City anticipates that the unemployment rate in the City, County, State and nation will increase significantly above the levels shown in Table No. 3.

TABLE NO. 3
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2015				
City of Carson	39,700	38,200	1,500	3.8%
Los Angeles County	1,598,800	1,534,100	64,700	4.0%
California	18,851,100	17,681,800	1,169,200	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
2016				
City of Carson	40,300	38,600	1,800	4.4%
Los Angeles County	1,598,800	1,534,100	64,700	4.0%
California	19,044,500	18,002,800	1,041,700	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
2017				
City of Carson	40,300	38,800	1,600	3.9%
Los Angeles County	1,609,800	1,553,400	56,400	3.5%
California	19,205,300	18,285,500	919,800	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%
2018				
City of Carson	40,700	39,400	1,300	3.2%
Los Angeles County	1,625,400	1,577,900	47,500	2.9%
California	19,398,200	18,582,800	815,400	4.2%
United States	162,075,000	155,761,000	6,314,000	3.9%
2019				
City of Carson				
Los Angeles County				
California				
United States				

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 as of ___ for the years 2015 through 2019 are shown in the following table.

TABLE NO. 10
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY (1)
(in thousands)

Industry	2015	2016	2017	2018	2019
Government					
Other Services					
Leisure and Hospitality					
Educational and Health Services					
Professional and Business Services					
Financial Activities					
Information					
Transportation, Warehousing and Utilities					
Service Producing					
Retail Trade					
Wholesale Trade					
Manufacturing					
Nondurable Goods					
Durable Goods					
Goods Producing					
Construction					
Mining and Logging					
Total Nonfarm					
Farm					
Total (all industries)					

(1) Annually, as of ____.

Source: State of California Employment Development Department, Labor Market Information Division, "*Industry Employment & Labor Force - by month ______ Benchmark.*"

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TABLE NO. 5
MAJOR EMPLOYERS

The major employers within the City and their respective number of employees as of June 30, 2019 were as follows:

Name of Company	Employment	Percent of Total	Type of Business/Service
Tesoro Refining & Marketing Company	1,164	2.70%	Refinery
Marathon Refining Logistics Services	1,124	2.60%	Refinery
Lakeshore Learning	485	1.12%	Teacher Supply Distributor
See's Candy Shops Inc.	442	1.02%	Candy Distributor
Prime Wheel Corporation	433	1.00%	Aftermarket and OEM Auto Wheel Manufacturer
Select Staffing	391	0.91%	Employment Search
Mag Aerospace Industries	384	0.89%	Aircraft Parts Manufacturer
Los Angeles Chargers	375	0.87%	Sports Team
Huck International Inc.	362	0.84%	Aerospace Parts Manufacturer
Yusen Logistics America Inc.	358	0.83%	Distributor
Total Ten Largest Employers	5,518	12.78%	
Total City Employment	43,189		

Source: City of Carson.

The Los Angeles Chargers will be hosting their NFL games at a different stadium next season. At this time, the City is not aware of any other significant changes in its largest employers since June 2019. However, some of the businesses listed may have been impacted by the stay at home orders, in effect beginning March 19, 2020, and the City cannot guarantee that all of these largest businesses will continue to operate in the City.

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Commercial Activity

Taxable transactions by type of business for the City are summarized below for 2015 through 2018. Taxable transactions for the calendar year 2019 are not yet available from the California Department of Tax and Fee Administration.

TABLE NO. 6
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2015 – 2019

	2015	2016	2017	2018
Motor Vehicle and Parts Dealers	$ 514,837	$ 545,106	$ 545,692	$ 578,230
Home Furnishings and Appliance Stores	118,252	121,054	110,502	98,239
Building Material and Garden Equipment and Supplies Dealers	80,565	83,349	86,170	90,740
Food and Beverage Stores	34,853	37,026	38,050	40,480
Gasoline Stations	153,029	139,759	169,924	344,276
Clothing and Clothing Accessories Stores	29,023	33,168	34,882	37,172
General Merchandise Stores	129,506	122,950	117,544	119,302
Food Services and Drinking Places	162,941	175,563	193,954	202,802
Other Retail Group	178,128	161,612	149,215	150,261
Total Retail and Food Services	**1,401,134**	**1,419,587**	**1,445,933**	**1,661,502**
All Other Outlets	641,727	676,960	697,931	712,564
Total All Outlets	**$2,042,861**	**$2,096,547**	**$2,143,864**	**$2,374,066**

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

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

Taxable sales have been impacted by the stay at home orders, in effect beginning March 19, 2020. On Friday May 8, 2020, the Governor of the State authorized opening of certain businesses, known as "Stage 2." See "FINANCIAL INFORMATION – COVID-19 Impacts" and "RISK FACTORS - COVID-19 Pandemic" herein.

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Building Activity

The following table summarizes building activity valuations for the City for the five Fiscal Years 2014-15 through 2018-19.

TABLE NO. 7
BUILDING ACTIVITY AND VALUATION
2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
Estimated Valuation					
Building Permits Issued					

Source: Community Development Department, City of Carson

Building activity may be impacted by the stay at home orders, in effect beginning March 19, 2020. See "FINANCIAL INFORMATION – COVID-19 Impacts" and "RISK FACTORS - COVID-19 Pandemic" herein.

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, 2020, the City expects to have approximately $39 million in reserves, which equal 45% of the General Fund budget. See Table No. 16 herein. As a result of the Pandemic, the City expect to draw from its reserves to balance its budget for Fiscal Year 2020-21. See "COVID-19 Impact" below.

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 includes a 5-Year General Fund projection of revenues, expenditures and fund balance. The projection includes the current budget structure and various assumptions for the future. The results of the projection provides a mid-term outlook and indicators of where structural budget adjustments may be needed.

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.

Comparative 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 2016-17, 2017-18 and 2018-19, and the Fiscal Year 2019-20 Budget is shown in Table No. 8.

Table No. 9 presents the Fiscal Year 2019-20 adopted Budget and the estimated actual revenues and expenditures for Fiscal Year 2019-20 as revised to include the City's estimate of the financial impact of COVID-19. A discussion of the potential financial impacts of the COVID-19 pandemic on City operations and finances are discussed under the caption "COVID-19 Impacts" below. See also "RISK FACTORS – Risks related to COVID-19" herein.

Historical General Fund activity is shown in Table Nos. 17 and 18.

Revenues

Revenues in Table Nos. 8 and 9 are categorized as:

- **Taxes.** Taxes are detailed in "TABLE NO. 14 - 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.

- **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 largest components of Fiscal Year 2019-20 General Fund budgeted revenues are sales tax (35.2%) and property tax, including property tax in-lieu of motor vehicle license fees and Successor Agency residual property tax (23.9%).

Expenditures

The expenditures in Table Nos. 8 and 9 are categorized by governmental function. Each function generally includes salaries and benefits, materials and supplies, and capital outlay, if any.

Salaries and Benefits include direct personnel costs, benefits, health insurance costs and workers' compensation and unemployment insurance costs. Materials and supplies include non-personnel operating costs and contract professional services.

Public safety expenditures represent approximately 61% of the total budgeted General Fund expenditures for Fiscal Year 2019-20.

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TABLE NO. 8
CITY OF CARSON
GENERAL FUND REVENUES AND EXPENDITURES

	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Adopted Budget [(2)]
Revenues:				
Taxes	$57,099,495	$61,164,249	$68,919,788	$65,136,396
Licenses and permits	7,253,603	11,277,101	9,465,400	11,277,101
Fines and forfeitures	1,821,718	1,710,330	1,542,202	1,710,330
Intergovernmental	260,032	122,550	104,854	122,550
Charges for services	3,722,573	3,127,469	3,367,010	3,127,469
Investment Income	1,805,097	1,890,644	1,844,324	1,844,870
Miscellaneous	5,019,810	15,209,674	7,564,937	3,701,100
Sale of land	-	-	402,738	-
Transfers in	150,697	4,222	9,354	20,301
Total Revenues	77,133,025	94,506,239	93,220,607	86,940,117
Expenditures:				
General government	40,263,034	24,204,302	27,530,697	25,826,550
Public safety	-	21,265,535	22,635,739	24,578,395
Community development	4,610,699	4,773,761	4,109,743	7,131,688
Public works	15,365,345	14,788,704	16,545,258	17,237,015
Community services	13,362,962	11,938,353	11,921,448	14,026,165
Capital improvement programs	15,849	527,150	187,779	-
Transfers out	3,262,569	751,467	338,500	460,000
Total Expenditures	76,880,458	78,249,272	83,269,164	89,259,813
Net Change in Fund Balance	252,567	16,256,967	9,951,443	(2,319,696)
Beginning Fund Balance	18,710,435	18,963,002	35,219,969	45,171,412
Ending Fund Balance	$ 18,963,002	$35,219,969	$45,171,412	$42,851,716
Fund Balance:				
Nonspendable/Reserved	$ 517,772	$ 490,436	$ 997,095	$ 997,095
Committed/Assigned	16,324,165	16,324,165	16,324,165	17,759,963
Unassigned	2,121,065	18,405,368	27,850,152	24,094,658
Total Fund Balance	$18,963,002	$35,219,969	$45,171,412	$42,851,716

[(1)] See “Major Variances” herein for a description of significant year-to-year changes.

[(2)] Does not incorporate mid-year budget amendments or the impacts of the COVID-19 Pandemic. See Table No. 9 and “COVID-19 Impacts” below.

Source: City of Carson.

Major Variances

The following describes significant year-to-year changes in revenues and expenditures through the Fiscal Year 2019-20 adopted budget, as shown in Table No. 8 above and Table No. 14 below:

Utility Users Tax. This tax is based on the price of natural gas and utility usage, and is subject to fluctuations and reductions if more users switch to solar power.

Property Tax. Assessed value in the City increased 5.1% in Fiscal Year 2018-19 due to new construction.

Sales Tax. There was also a one-time payment in Fiscal Year 2018-19 for monies received in Fiscal Year 2017-18 but delayed due to implementation of a new sales tax system at the California Department of Tax and Fee Administration.

Oil Industry Business Tax. A new tax approved in November 2018 and implemented in 2019.

License and Permits. There was a significant increase in building permit revenue in Fiscal 2017-18 relating to new construction.

Miscellaneous. In Fiscal Year 2017-18, the City received (1) a one-time non-refundable payment from Macerich, (2) $2.625 million from Tesoro Refinery pursuant to new mitigation agreement to pay $24 million over 15 years and (3) dismissal of litigation resulting in reversal of $7.9 million expense accrued in 2016. In Fiscal Year 2018-19, the City sold 2 properties for $2.3 million.

General Government Expenditures. The City contracts with the County Sheriff department to provide police protection. Until Fiscal Year 2016-17, the contract with the County Sheriff was categorized as General Government expenditures.

Transfers Out. In Fiscal Year 2016-17, the City transferred $1 million to a capital asset replacement fund and $1.1 million to an utility underground in-lieu fund.

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As noted above, Table No. 9 presents the Fiscal Year 2019-20 adopted Budget, the budget adjustments to reflect estimated actual revenues and expenditures for Fiscal Year 2019-20 as impacted by COVID-19 stay at home orders and preliminary estimates for Fiscal Year 2020-21. See "COVID-19 Impacts" below and "RISK FACTORS – Risks related to COVID-19" herein. The City will adopt a budget for Fiscal Year 2020-21 that is based on the best information available, sets targets that give flexibility if the economy does better or worse than projected, includes phased cuts to be evaluated on monthly basis during Fiscal Year 2020-21, with a focus on spending.

TABLE NO. 9
GENERAL FUND REVENUES AND EXPENDITURES

	2019-20 Adopted Budget	COVID-19 Adjustments	2019-20 Estimated Actual	2020-21 Preliminary Estimated
Revenues:				
Taxes	$65,136,396	(3,533,914)	$61,602,482	$62,305,995
Licenses and permits	11,277,101	(2,083,852)	9,193,249	9,621,144
Fines and forfeitures	1,710,330	(19,654)	1,690,676	1,694,712
Intergovernmental	122,550	-	122,550	127,452
Charges for services	3,127,469	(872,915)	2,254,554	2,480,482
Investment Income	1,844,870	-	1,844,870	1,844,870
Miscellaneous	3,701,100	(206,192)	3,494,908	3,537,247
Sale of land	-	-	-	-
Transfers in	20,301	-	20,301	15,201
Total Revenues	86,940,117	(6,716,527)	80,223,590	81,627,103
Expenditures:				
General government	25,826,550	(1,537,000)	24,289,550	24,922,621
Public safety	24,578,395	(174,000)	24,404,395	25,598,395
Community development	7,131,688	(261,000)	6,870,688	7,773,540
Public works	17,237,015	(522,000)	16,715,015	14,651,463
Community services	14,026,165	(406,000)	13,620,165	11,922,240
Capital improvement programs	-		-	-
Transfers out	460,000	(25,300)	434,700	23,000
Total Expenditures	89,259,813	(2,925,300)	86,334,513	84,891,259
Net Change in Fund Balance	(2,319,696)	(3,791,227)	(6,110,923)	(3,264,156)
Beginning Fund Balance	45,171,412		45,171,412	39,060,489
Ending Fund Balance	$42,851,716		39,060,489	35,796,333
Fund Balance:				
Nonspendable/Reserved	$ 997,095		$ 908,879	$ 908,879
Committed/Assigned	17,759,963		16,188,683	14,759,896
Unassigned	24,094,658		21,962,927	20,127,558
Total Fund Balance	$42,851,716		$39,060,489	$ 35,796,333

COVID-19 Impacts

The COVID-19 Pandemic is expected to materially adversely impact the City's financial condition. Based on current projections the City expects a projected approximately 7.7% decrease in General Fund revenues (approximately $6.7 million) for the remainder of Fiscal Year 2019-20 as a result of the COVID-19 Pandemic. Such projections include:

- an approximately 14.3% ($3.5 million) reduction in sales tax revenues compared to the Fiscal Year 2019-20 budget, followed by a 10% increase in Fiscal Year 2020-21,

- an approximate 18.4% ($2million) reduction in license and permit revenueand

- an approximate 23% ($724,000) reduction in charges for services from revenue loss of community services fees and rentals compared to the Fiscal Year 2019-20 budget, increasing to a loss of $1 million in Fiscal Year 2020-21.

The reduction in sales tax revenues for Fiscal Year 2019-20 shown in Table No. 14 includes an $885,000 deferral of certain sales tax to a future date. See "RISK FACTORS - Certain Risks Associated with Sales Tax and Other Local Tax Revenues" herein.

The City is not projecting any material decreases in taxes that are not based on consumer or business spending (such as property tax, franchise tax or the oil industry business tax) in Fiscal Year 2019-20 from what was budgeted.

The City expects to balance its Fiscal Year 2019-20 budget by drawing down the $6 million from its unassigned fund balance as well as reduced operating expenses.

In its Fiscal Year 2019-20 budget, the City included a 5-year estimate of General Fund operating results. Prior to the COVID-19 Pandemic, the City was expecting an approximate $6.8 million reduction in fund balance to pay for operations unless some expenditure reductions were implemented. As a result of the COVID-19 Pandemic, that estimate is currently $11.9 million.

City staff expects to present the Fiscal Year 2020-21 budget to the City Council in June 2020 for their approval. The City has developed 3 scenarios for expenditure reductions:

- Hiring freeze scenarios vary: 6 months, 9 months or 12 months;

- Professional development expenditure freeze;

- Events budget is reduced at 50% (scenario 1), 75% (scenario 2) and 100% (scenario 3); and

- Non-personnel budget reduction scenarios are 5%, 10% and 15%.

The expenditure savings under the 3 scenarios range from $2.9 million to $6.5 million, reducing the anticipated deficit in Fiscal Year 2020-21 to a range of $5.4 million to $9 million.

The City expects that the use of $3 million in reserves will cause its economic uncertainties fund balance reserve to temporarily decrease to ___%.

A history of the City's General Fund reserves are shown in Table No. 16 under the caption "Financial Statements" below.

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 after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a $10 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 l½% 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. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Due to the financial impact of the COVID-19 pandemic, the County announced a waiver of any penalties associated with non-payment of the installment of property taxes that became delinquent if not paid by April 10, 2020. The City's property taxes are not paid on the Teeter Plan, so this may affect the amount of property taxes paid to the City. See "COVID-19 Impacts" above and "RISK FACTORS – Risks related to COVID-19" herein. The City can make no assurance that the County will not announce similar waivers with respect to future property tax amounts.

Property taxes on the unsecured roll become delinquent, if unpaid after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of l½% 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.

Taxable Property and Assessed Valuation. Set forth in Table No. 10 are historical assessed valuations for secured and unsecured property within the City. Article XIIIA 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.

An initiative measure (the "Split Roll Initiative") to amend Article XIIIA has qualified for the State's November 2020 ballot. See "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Article XIIIA" herein.

Proposition 8 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 City experienced Proposition 8 reductions in property values during the recent recession, which declined by approximately 2% between 2009 and 2012, although assessed value increased to pre-recession levels by 2015. See "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Article XIIIA" and "- Proposition 8 Adjustments" herein. In future years, the number of Proposition 8 adjustments may increase as a result of the COVID-19 impact on the economy. See "COVID-19 Impacts" above and "RISK FACTORS – Risks related to COVID-19" herein.

TABLE NO. 10
CITY OF CARSON
GROSS AND NET ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in Thousands)

Fiscal Year	Total Value	% Change in Total Value
2009-10	$13,333,770	
2010-11	13,242,223	(0.7%)
2011-12	13,091,009	(1.1%)
2012-13	13,078,250	(0.1%)
2013-14	13,091,424	0.1%
2014-15	13,394,567	2.3%
2015-16	13,922,185	3.9%
2016-17	14,038,978	0.8%
2017-18	14,413,483	2.7%
2018-19	15,145,551	5.1%
2019-20	15,723,597	3.8%

Source: County of Los Angeles Auditor-Controller.

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Largest Taxpayers. The largest property taxpayers for Fiscal Year 2018-19 are as shown in Table No. 11.

TABLE NO. 11
CITY OF CARSON
LARGEST PROPERTY TAXPAYERS

Taxpayer	Assessed Valuation	Percent of Total Value
Tesoro Refining and Marketing Co.	$1,441,189,482	9.46%
Phillips 66	614,274,400	4.03%
Watson Land Co	545,941,259	3.58%
Gatx Tank Storage Terminals Corp.	303,329,301	1.99%
Prologis USLV NEWCA LLC	250,146,564	1.64%
Watson Cogeneration Co.	247,842,659	1.63%
Anschutz So. Cal. Sports Complex	141,844,423	0.93%
Equilon Enterprises LLC	135,597,449	0.89%
Ineos Polupropylene LLC	130,989,601	0.86%
Carson Dominguez Properties LP	124,517,851	0.82%
Total	$ 3,935,672,989	25.84%

Source: City of Carson.

Property Tax Collections. A five-year history of secured property tax levies and collections for the City are set forth in Table No. 12. As noted above, delinquency rates are generally higher during a recession, and the City anticipates that the delinquency rates may be higher than recent delinquency rates in future years depending on the length of time it takes for the economy to recover from COVID-19 impacts. See "COVID-19 Impacts" above and "RISK FACTORS – Risks related to COVID-19" herein.

TABLE NO. 12
CITY OF CARSON
SECURED PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year Ended June 30	Tax Levy for Fiscal Year[1]	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
		Amount	Percentage of Levy			
2015	$36,104,610	$35,622,156	98.66%	$482,454	$36,104,610	100.0%
2016	28,869,646	28,368,269	98.26%	501,377	28,869,646	100.0%
2017	41,886,952	41,297,617	98.59%	589,335	41,886,952	100.0%
2018	42,672,136	41,977,300	98.37%	694,836	42,672,136	100.0%
2019	46,915,395	46,483,736	99.08%	431,659	46,915,395	100.0%

(1) The amounts presented include city property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: City of Carson and Los Angeles County Auditor-Controller.

Redevelopment - Related Property Tax Considerations. The California Redevelopment Law (Part 1 of Division 24 of the Health and 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. Although Assembly Bill No. 26, enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as such statutory provisions may be amended from time to time the "Dissolution Act").

There were four active redevelopment projects in the City when the Dissolution Act was enacted (the "Project Areas"), which had been merged into one consolidated project area.

In the first year after redevelopment agencies were statutorily dissolved, the Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controller for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review process" and was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Generally, redevelopment agencies were required to remit to their respective county auditor-controller the amount of unobligated balances determined by the State Department of Finance. In turn, such remitted unobligated balances were distributed to taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment project) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

The Dissolution Act also provides for proceeds of the sale of land owned by redevelopment agencies at the time of their statutory dissolution to be remitted to the applicable county auditor-controller for distribution to the affected taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment project) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

Further, under the Dissolution Act, taxing entities within the City's Project Areas, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value of such redevelopment project on each June 1 and January 2, after payment of: (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. The City's approximate share of the residual amounts is 6.7%. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time. Currently, the City receives approximately $1.2 million in residual property tax, which is included in the property tax shown in Table No. 14 below.

Property Taxes in Lieu of Motor Vehicle License Fees. The motor vehicle license fee ("VLF") is an annual fee on the ownership of a registered vehicle in California. The City received a portion of VLF collected state-wide, until State budget changes altered the payment from a distribution of VLF to a payment of property taxes in lieu of VLF. The total amount budgeted for Fiscal Year 2019-20 is approximately $7.9 million and is included in the property tax shown Table No. 14.

Local Taxes

In addition to ad valorem taxes on real property, the City receives the following non-real estate local taxes (see "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Proposition 218" herein):

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.

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 expires in 2023. Sixty 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 ___%.

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

Oil Industry Business Tax. A tax 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 tax does not apply to gas stations.

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

A history of actual tax revenue by source are shown in Table No. 14, together with the budgeted amounts for Fiscal Year 2019-20. Table No. 14 also includes the City's estimate of taxes for Fiscal Years 2019-20 and 2020-21 taking into account the COVID-19 Pandemic impacts the local economy. The sales tax shown below for Fiscal Year 2019-20 will experience significant declines. Such declines are expected to reverse somewhat in Fiscal Year 2020-21. The negative impact of COVID-19 Pandemic into fiscal years beyond Fiscal Year 2020-21 is uncertain and may continue to be significant.

The COVID-19 impact on property tax is likely to be seen in future years through reduced property values and increased delinquencies, similar to or more severe than 2008 recession. See "COVID-19 Impacts" above and "RISK FACTORS – Risks related to COVID-19" herein.

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TABLE NO. 14
CITY OF CARSON
TAX REVENUES BY SOURCE

	2016-17	2017-18	2018-19	Budget 2019-20	Estimated 2019-20 [1]	% of 2019-20 Revenue	Preliminary 2020-21 [1]
Sales and use tax	$24,721,304	$24,439,171	$28,554,425	$24,672,756	$21,138,838[2]	24.5%	$23,203,365
Franchise tax	8,095,973	9,094,861	9,810,903	9,948,750	9,948,750	11.5%	9,948,750
Property tax	14,720,541	15,331,160	16,042,132	16,344,890	16,344,890	18.9%	15,475,833
Transient occupancy tax	2,225,416	2,242,192	2,245,576	2,150,000	2,150,000	2.5%	2,150,000
Utility users tax [3]	7,030,672	8,129,186	7,892,486	7,000,000	7,000,000	8.1%	7,000,000
Real property transfer tax	305,589	370,939	343,541	320,000	320,000	0.4%	320,000
Oil industry business tax	-	1,556,740	4,030,725	4,700,000	4,700,000	5.4%	4,700,000
Total	$57,099,495	$61,164,249	$68,919,788	$65,136,396	$61,602,478	71.4%	$62,797,948

(1) As discussed under the caption "COVID-19 Impacts" above, the City expects an approximate $___ million reduction in revenues in Fiscal Year 2020-21 compared to the Fiscal Year 2019-20 Adopted Budget. See also "RISK FACTORS – Risks Related to COVID-19" herein.

(2) In addition to the expected reduction in sales tax related to auto sales, business to business sales and consumer goods, the Governor's order allows small businesses to defer payment of sales and use taxes of up to $50,000 for up to twelve months, which will negatively impact municipalities in California unless the Governor proposes a plan to backfill those lost revenues for California cities. The City estimates that the impact from Governor's sales tax deferral to small businesses will be approximately $885,000. See "RISK FACTORS – Certain Risks Associated with Sales Tax and Other Local Tax Revenues" herein.

(3) Utility users tax will sunset in 2023.

Source: City of Carson.

Employee Relations and Collective Bargaining

City employees are represented by 3 labor bargaining units. All employees are covered by negotiated agreements. The negotiated agreement with the largest employee group is effective through June 30, 2020. The City has begun negotiating with this bargaining unit.

Retirement Plans

Defined Benefit Plan

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 has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City 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. The Plan as described herein covers the employee group known as "Miscellaneous."

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 after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired 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. Due to PEPRA, the City added a benefit tier for employees hired after January 1, 2013 and subject to PEPRA ("PEPRA Tier"). 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 City also added a benefit tier for employees hired after May 6, 2011 and before the effective date of PEPRA. Employees hired prior to the effective date of PEPRA are in what is referred to as the Tier 1 or Tier 2.

The Plan provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan		
	Tier 1*	Tier 2*	PEPRA Tier 3
Hire date	Prior to May 6, 2011	On May 6, 2011 and prior to January 1, 2013	January 1, 2013 and after
Benefit formula	3.0% @ 50	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 52 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.426% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates (b)	10.627%	10.627%	6.25%

* Closed to new entrants.

(b) Normal cost rate, excluding UAL payment.

Funding Policy. Active members in the Plan are required to contribute a percent of their annual covered salary as shown in the chart above. As of Fiscal Year 2019-20, all employees pay their own employee contributions towards retirement.

Contributions. Section 20814 (c) of the Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Employer Contribution to the Plan for the last four fiscal years are as follows:

2016-17	$6,899,003
2017-18	7,293,749
2018-19	8,354,811
2019-20	

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Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The total pension liabilities in the CalPERS June 30, 2017 actuarial valuations, rolled forward to June 30, 2018, using standard update procedures, were determined using the following actuarial assumptions:

Valuation Date/Measurement Date	June 30, 2017/June 30, 2018
Actuarial Cost Method	Entry-Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by entry age and service
Mortality Rate Table [1]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on the table, please refer to the 2014 experience study report.

Source: California Public Employees' Retirement System.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study ("Experience Study") for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under "Forms and Publications."

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 for Fiscal Year 2018-19 will be reflected in the City's contribution rates (normal cost or unfunded liability) for Fiscal Year 2020-21.

The CalPERS Board of Administration has made numerous changes that are reflected in the calculation of the pension liability and the annual contribution toward the unfunded pension liability. The most significant change was a reduction over a period of three years to reduce the discount rate from 7.5% to 7.0%. The reduced rate is fully reflected in the CalPERS June 30, 2018 actuarial valuation and subsequent calculated contributions.

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. Also beginning with the June 30, 2019 calculation of Unfunded Liability amortization, new amortizations of gains and losses will be amortized on a level dollar basis. Investment gains and losses will have a 5 year ramp up and no ramp down. Other gains and losses will have no ramp up or ramp down. 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. When compared with prior policies, these changes accelerate the repayment of unfunded liabilities of the City's Plan.

In 2015, the CalPERS Board of Administration also adopted a funding risk mitigation policy intended to incrementally lower its discount rate. The funding risk mitigation policy was revised in 2017 and the CalPERS Board of Administration suspended implementation of the policy for the June 30, 2020 valuation.

The City anticipates the policy will result in a lowering of the discount rate in the future, but cannot guarantee when the discount rate will be lowered and at what rate. According to a November 2019 CalPERS Finance and Administration Committee report, "The policy had been suspended during the period over which the discount rate was being reduced to 7.0 percent. The policy is once again effective, meaning an investment return of 9 percent or higher for the fiscal year ending June 30, 2020 will trigger a risk mitigation event [discount rate reduction]."

As of March 31, 2020, CalPERS estimated that the rate of return for its investment portfolio for the fiscal year-to-date was a negative 4%. There is no guarantee that CalPERS will achieve a better rate of return for the full fiscal year and it may be worse. Investment returns below 7% create additional liabilities for public agencies, including the City. Any increase in the unfunded actuarial liability created by the Fiscal Year 2019-20 rate of return will begin affecting the City's UAL costs starting in Fiscal Year 2021-22. Pursuant to CalPERS methodology, the amounts payable will increase annually during the first five years and then level out for the remaining 15 years over which to amortize investment losses. See "COVID-19 Impacts" above and "RISK FACTORS – Risks related to COVID-19" herein.

Contribution Rates. The contribution requirements of Plan members and the City are established by CalPERS. CalPERS modified the calculation of the contribution rates beginning in Fiscal Year 2017-18. CalPERS now represents only the employer's normal cost as a percentage of payroll, and includes a dollar amount for the amortization of the unfunded actuarial liability ("UAL"). Shown in Table No. 15 are the actual or CalPERS projections of the normal cost and amortization of the UAL for the City.

TABLE NO. 15
PROJECTED EMPLOYER RETIREMENT CONTRIBUTIONS

Fiscal Year	Normal Cost	Amortize UAL
2017-18	10.627%	$5,048,701
2018-19	11.143	5,982,446
2019-20	11.766	6,974,023
2020-21 (1)	12.335	7,800,842
2021-22 (1)	12.300	8,619,000
2022-23 (1)	12.300	9,284,000
2023-24 (1)	12.300	9,670,000

(1) Projected by CalPERS based on various assumptions used in the June 30, 2018 actuarial valuation; does not take issuance of Bonds to fund UAL into account or investment rates of return since June 30, 2018, and particularly the expected loss on investments in Fiscal Year 2019-20 described above.

Source: California Public Employees' Retirement System.

Pension Liabilities. The City's net pension liability for the each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of each June 30, using the annual actuarial valuation as of the prior June 30 rolled forward using standard update procedures. The City's changes in net pension liability for the Plan for the last 5 years as reported by CalPERS is shown below.

The Total Pension Liability, Fiduciary Net Assets, and Net Pension Liability calculations and sensitivity of the Net Pension Liability to Changes in the Discount Rate that follow are prepared using the requirements in GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 ("GASB No. 68"). The plan fiduciary net position pursuant to the GASB No. 68 accounting valuation report may differ from the plan assets reported in the annual actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the actuarial valuation.

NET PENSION LIABILITY

Measurement period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Total Pension Liability:					
Service Cost	$ 4,634,164	$ 4,326,829	$ 4,558,044	$ 4,806,568	$ 4,901,075
Interest on total pension liability	16,199,814	17,550,999	18,605,765	19,276,794	19,821,114
Changes in assumptions	-	(4,237,527)	-	15,778,040	(1,676,966)
Differences between expected and actual experience	-	6,597,837	2,148,324	(923,400)	(1,748,992)
Benefit payments, including refunds of employee contributions	(9,448,777)	(9,777,863)	(10,930,075)	(12,569,527)	(13,614,042)
Net Change in Total Pension Liability	11,385,201	14,460,275	14,382,058	26,368,475	7,682,189
Total Pension Liability - Beginning of Year	218,404,819	229,790,020	244,250,295	258,632,353	285,000,828
Total Pension Liability - End of Year (a)	$229,790,020	$244,250,295	$258,632,353	$285,000,828	$292,683,017
Plan Fiduciary Net Position:					
Plan to plan resource movement	$ -	$ (228,538)	$ -	$ -	$ (447)
Contributions - employer	6,276,475	5,746,641	6,254,187	6,899,003	7,293,749
Contributions - employee	2,460,111	2,169,417	2,155,129	2,015,333	1,930,908
Net investment income	25,449,700	3,717,143	1,013,852	18,521,130	15,376,239
Benefit payments	(9,448,777)	(9,777,863)	(10,930,075)	(12,569,527)	(13,614,042)
Administrative expense	-	(191,232)	(103,489)	(248,333)	(284,877)
Other miscellaneous income/(expense)	-	-	-	-	(540,987)
Net Change in Fiduciary Net Position	24,737,509	1,435,568	(1,610,396)	14,617,606	10,160,543
Plan Fiduciary Net Position - Beginning of Year	143,635,495	168,373,004	169,808,572	168,198,176	182,815,782
Plan Fiduciary Net Position - End of Year (b)	$168,373,004	$169,808,572	$168,198,176	$182,815,782	$192,976,325
Net Pension Liability - Ending (a)-(b)	$ 61,417,016	$ 74,441,723	$ 90,434,177	$102,185,046	$ 99,706,692
Plan fiduciary net position as a percentage of the total pension liability	73.27%	69.52%	65.03%	64.15%	65.93%
Covered - employee payroll	$ 23,683,572	$ 23,784,241	$ 25,529,537	$ 24,225,433	$ 25,068,155
Net pension liability as a percentage of covered - employee Payroll	259.32%	312.99%	354.23%	421.81%	397.74%

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshake).

Changes in Assumptions: From Fiscal Year June 30, 2015 to June 30, 2016: GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. From Fiscal Year June 30, 2016 to June 30, 2017: There were no changes in assumptions. From Fiscal Year June 30, 2017 to June 30, 2018: The discount rate was reduced from 7.65% to 7.15%. From Fiscal Year June 30, 2018 to June 30, 2019: Demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of each Plan as of June 30, 2018, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.15%) or 1% higher (8.15%) than the current rate.

	Discount Rate - 1% (6.15%)	Current Discount Rate – 1% (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	$137,858,263	$99,706,692	$68,005,525

Source: California Public Employees' Retirement System.

See Note 8 of the City's Comprehensive Annual Financial Report included in "APPENDIX B" for further information about the Plans.

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.

Contributions. 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 2018-19. However, the City did directly pay retiree insurance premiums of $1,219,256 during Fiscal Year 2018-19 and the implicit rate subsidy for the OPEB Plan was $352,850 for that period. The City also received $1,000,000 of reimbursements from CERBT for retiree premium payments made. Net contributions for the measurement period ended June 30, 2018 totaled $572,106.

Funded Status and Funding Progress. The net OPEB liability as of June 30, 2018 is calculated as shown on the following page. The schedule of funding progress, included in the required supplementary information section of the City's Comprehensive Annual Financial Report, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Accrued Actuarial Liability for the benefits. However, since Fiscal Year 2017-18 is the first year of implementation of new GASB disclosures for OPEB liabilities, the Fiscal Year 2018-19 Comprehensive Annual Financial Report shows only two years of information.

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018
Total OPEB Liability		
Service cost	$ 2,296,140	$ 2,393,726
Interest on the total OPEB liability	3,150,579	3,287,464
Changes in assumptions	-	(9,857,740)
Changes in benefit terms	-	-
Benefit payments	(2,074,858)	(2,572,106)
Net change in total OPEB liability	3,371,861	(6,748,656)
Total OPEB liability - beginning	72,872,563	76,244,424
Total OPEB liability - ending (a)	76,244,424	69,495,768
Plan Fiduciary Net Position		
Contributions – employer	1,409,106	1,572,106
Net investment income	1,757,999	1,395,100
Administrative expenses	(8,868)	(9,260)
Other income (expense)	-	(23,399)
Benefit payments	(2,074,858)	(2,572,106)
Net change in total Plan Fiduciary Net Position	1,083,379	362,441
Plan Fiduciary Net Position - beginning	16,602,739	17,686,118
Plan Fiduciary Net Position - ending (a)	17,686,118	18,048,559
Net OPEB Liability	$58,558,306	$51,447,209
Plan Fiduciary Net Position as a percent of total OPEB liability	23.20%	25.97%
Covered employee payroll	$22,132,875	$22,542,046
Net OPEB liability as a percentage of covered-employee payroll	264.58%	228.23%

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 Annual Required Contribution 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, 2018 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 4.25% discount rate, (2) a 3.0% annual salary increase, (3) inflation of 2.75% and (4) medical plan premiums (cost) rate increase of 6.5% for year 2019, decreasing overtime to 5%.

Risk Management

The City is self-insured for dental 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 of London/BRIT. The City is self-insured for the first $750,000 per workers' compensation claim. The workers' compensation excess insurance carrier is Arch 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.

Changes in the claims and judgements liability balance for the Fiscal Years ended June 30, 2017, 2018 and 2019, including a provision for incurred but not reported claims, were as follows:

Fiscal Year	Beginning Balance	Changes in Estimates	Claim Payments	Ending Balance
2017	$3,932,663	977,141	1,839,933	$3,070,871
2018	3,070,871	748,689	1,565,717	2,253,843
2019	2,253,843	1,572,853	1,361,871	2,464,825

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, 2020, the market value of the City Treasurer's investment portfolio (excluding funds deposited in checking accounts and held under bond indentures) was $___million. The diversification of the City Treasurer's investment portfolio assets as of such date is shown in the following table.

Type of Investment	% of Combined Portfolio
	100.0%

The weighted average maturity of the investment portfolio was __ days.

Long-Term General Fund Obligations

Other than the Bonds to be issued, the net OPEB liability and self-insured claims payable, the City has no outstanding obligations payable from the General Fund.

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 ("GASB").

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 White Nelson Diehl Evans LLP, Certified Public Accountants, Irvine, California, to examine the general purpose financial statements of the City as of and for the year ended June 30, 2019. The following tables summarize the audited Balance Sheet and audited Statement of Revenues, Expenditures and Changes in Fund Balance of the City's General Fund for Fiscal Years 2014-15 through 2018-19.

See "APPENDIX B" hereto for the audited financial statements for the Fiscal Year ended June 30, 2019. The City has not requested, and the auditor has not provided, any review or update of such statements in connection with the inclusion in this Official Statement.

GASB Statement No. 54. 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 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 on the following page shows General Fund "committed," "assigned" and "unassigned" fund balances as of June 30, 2016, 2017, 2018, 2019 and estimated for June 30, 2020.

TABLE NO. 16
GENERAL FUND RESERVES

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	Budget June 30, 2020 (2)	Adjusted Budget June 30, 2020 (3)
Committed:						
Economic Uncertainties	$16,585,504	$15,274,165	$15,274,165	$15,274,165	$17,707,058	$16,047,562
Reward Funds	125,000	50,000	50,000	50,000	50,000	50,000
Total Committed	16,710,504	15,324,165	15,324,165	15,324,165	17,757,058	16,097,562
Assigned:						
Self-insurance	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Loan Shed Program	226,096	-	-	-	-	-
Total Assigned	226,096	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	-	2,121,065	18,405,368	27,850,152	24,094,658	21,962,927
Total Committed/Assigned/Unassigned	$16,939,600	$18,445,230	$34,729,533	$44,174,317	$42,851,716	$39,060,489

GASB Statements Regarding Pension and OPEB Liabilities. GASB has issued various statements relating to the reporting of pension and other post-retirement benefit liabilities and expense, and most recently, new accounting and financial reporting requirements for OPEB plans. The required reporting of net pension liability was incorporated into the City's financial statements for the Fiscal Year ending June 30, 2015 and the required reporting of net OPEB liability was incorporated into the City's financial statements for the Fiscal Year ending June 30, 2019. The audited financial statements of the City for the Fiscal Year ended June 30, 2019 included in "APPENDIX B" contain additional information about the retirement plan liabilities and the OPEB liability.

See Note 1 in the City's audited financial statements attached in "APPENDIX B" for a discussion of additional accounting changes.

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TABLE NO. 17
CITY OF CARSON
GENERAL FUND BALANCE SHEET
As of June 30

	2015	2016	2017	2018	2019
Assets:					
Cash and investments	$24,324,155	$26,093,527	$27,413,069	$37,289,747	$49,990,676
Cash and investments with fiscal agents	4,486,228	-	-	-	-
Receivables:					
Taxes	4,712,553	9,402,352	5,949,102	4,509,870	5,844,264
Accounts	413,095	161,679	405,299	3,363,779	1,765,158
Accrued interest	8,886	16,883	21,215	39,613	-
Due from government agencies	347,355	69,111	214,983	246,689	-
Loans, net of allowance	31,746	27,362	28,960	23,701	20,132
Due from other funds	2,103,528	510,258	2,897,136	2,700,793	3,298,353
Due from Carson Reclamation Authority	-	-	-	55,750	-
Due from Successor Agency	822,426	18,317	60,446	438,309	500,633
Inventory	291,966	301,819	232,900	240,436	311,048
Prepaids and other assets	52,047	40,613	34,872	-	2,686
Total Assets	**$37,593,985**	**$36,641,921**	**$37,257,982**	**$48,908,687**	**$61,732,950**
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable and accrued liabilities	$ 7,934,057	$16,770,003	$16,417,126	$ 9,739,285	$14,144,045
Accrued payroll	1,032,286	1,019,804	1,630,222	1,471,027	1,669,198
Due to other funds	35,025	-	-	1,461,815	18,055
Due to Successor Agency	12,631	4,270	-	-	-
Due to government agencies	693	-	3	1,132	1,597
Retentions payable	16,386	17,249	34,941	-	84,037
Unearned revenue	177,924	120,160	212,688	240,861	644,606
Refundable deposits	22,236	-	-	-	-
Self insurance claims payable	795,555	-	-	-	-
Total Liabilities	**10,026,793**	**$17,931,486**	**18,294,980**	**12,914,120**	**16,561,538**
Deferred Inflows of Resources:					
Unavailable revenues	**-**	**-**	**-**	**774,598**	**-**
Fund Balance:					
Nonspendable	375,759	342,432	267,772	240,436	313,734
Restricted	1,760,710	1,431,403	250,000	250,000	683,361
Committed	14,380,711	16,710,504	15,324,165	15,324,165	15,324,165
Assigned	5,071,211	226,096	1,000,000	1,000,000	1,000,000
Unassigned	5,978,801	-	2,121,065	18,405,368	27,850,152
Total Fund Balance	**27,567,192**	**18,710,435**	**18,963,002**	**35,219,969**	**45,171,412**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	**$37,593,985**	**$36,641,921**	**$37,257,982**	**$48,908,687**	**$61,732,950**

Source: City of Carson Comprehensive Annual Financial Reports.

TABLE NO. 18
CITY OF CARSON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30

	2015	2016	2017	2018	2019
Revenues:					
Taxes	$55,220,879	$58,228,761	$57,099,495	$61,164,249	$68,919,788
Licenses and permits	6,306,253	7,111,989	7,253,603	11,277,101	9,465,400
Fines and forfeitures	1,779,226	1,588,678	1,821,718	1,710,330	1,542,202
Intergovernmental	577,075	342,461	260,032	122,550	104,854
Charges for services	2,411,556	2,445,836	3,722,573	3,127,469	3,367,010
Investment Income	2,017,184	1,782,338	1,805,097	1,890,644	1,844,324
Miscellaneous	3,093,676	2,676,687	5,019,810	15,209,674	7,564,937
Total Revenues	**71,405,849**	**74,176,750**	**76,982,328**	**94,502,017**	**92,808,515**
Expenditures					
Current:					
General government	21,922,895	29,956,664	40,263,034	24,204,302	27,530,697
Public safety	-	-	-	21,265,535	22,635,739
Community development	4,422,659	4,662,800	4,610,699	4,773,761	4,109,743
Public works	14,922,925	15,547,603	15,365,345	14,788,704	16,545,258
Capital improvement programs	5,779,786	529,861	15,849	527,150	187,779
Total Expenditures	**78,915,393**	**82,927,518**	**73,617,889**	**77,497,805**	**82,930,664**
Excess (deficiency) of revenues over (under) expenditures	(7,509,544)	(8,750,768)	3,364,439	17,004,212	9,877,851
Other Financing Sources (Uses):					
Proceeds from sale of land	-	-	-	-	402,738
Transfers in	1,833,964	19,884	150,697	4,222	9,354
Transfers out	(1,019,060)	(125,873)	(3,262,569)	(751,467)	(338,500)
Total Other Financing Sources (Uses)	814,904	(105,989)	(3,111,872)	(747,245)	73,592
Net Change in Fund Balance	**(6,694,640)**	**(8,856,757)**	**252,567**	**16,256,967**	**9,951,443**
Fund Balance:					
Beginning of year	34,261,832	27,567,192	18,710,435	18,963,002	35,219,969
End of year	$27,567,192	$18,710,435	$18,963,002	$35,219,969	$45,171,412

Note: See “Major Variances” for a discussion of significant year-to-year changes in revenues and expenditures.

Source: City of Carson Comprehensive Annual Financial Reports.

RISK FACTORS

The purchase of the 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 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.

Future Financial Condition

No representation is made as to the future financial condition of the City. Payment of the debt service payments on the Bonds is a General Fund obligation of the City and the ability of the City to make debt service payments on the Bonds may be adversely affected by its financial condition as of any particular time.

In the event the City's revenue sources are less than its total obligations, the City could choose to fund other services before paying debt service on the Bonds. 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 debt service may be decreased.

The City has unfunded liabilities relating 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 "FINANCIAL INFORMATION **-** Other Post Employment Benefits" herein).

Limited Obligation of the City

The obligation of the City to pay debt service on the Bonds does not constitute an obligation of the City 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 debt service payments on the Bonds does not constitute a debt or indebtedness of the City, the State of California or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

Natural Hazards

General. The City, like all southern 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. Southern California is a seismically active area, and the City is in one of the more seismically active portions of southern California. The active faults within close proximity to the City include (to be completed)

Flood. Flooding hazards may be considered in two categories: natural flooding and dam inundation (to be completed).

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.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make debt service payments on the Bonds, 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 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 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.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 4, 2020, the Governor of California (the "Governor") proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State's police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

Since declaring the emergency, the Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include his March 19, 2020 Executive Order N-33-20, which orders all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of certain critical infrastructure sectors, as described in that order and later designations. The County had issued a similar order ("County Order") effective for its residents on March 17, 2020. Since that time, County personnel have spearheaded a strategic response to battling community spread of the COVID-19, taking action which substantially aligns, among other matters, with the Governor's order. These actions are focused on "social distancing," or limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and impacts enterprise operations and the economy. The County Order is in effect until rescinded, expected on May 15, 2020. [update as needed]

The Governor issued Executive Orders N-29-20 and N-35-20 relaxing state and local agency open meeting laws to accommodate social distancing. The City expects to continue to hold meetings of its City Council substantially unhindered by the Pandemic. As permitted under Executive Order N-33-20, certain of the City's employees may continue to come to work under designated exceptions for critical sectors. And some of the City's employees are teleworking. The City does not expect its business operations to be materially curtailed by employee absences prompted by the stay-home order. However, the City offers no assurances that City Council member or employee absences due to COVID-19 illnesses will not materially and adversely impact its operations.

The Pandemic has negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. While federal and state governments (including California) have enacted legislation and taken executive actions seeking to mitigate the negative public health and economic impacts of the Pandemic, the City offers no assurances that these interventions will have the intended effects.

These negative economic impacts have reduced and negatively affected revenues to the City's General Fund. In addition, CalPERS' investments have reportedly lost significant value as a result of declines in the stock market, which could result in a significant increase in the City's future unfunded pension liability and future pension costs, after issuance of the Bonds to prepay the current UAL. The City cannot predict the magnitude of these impacts on revenues and costs, but the impacts are expected to be materially adverse.

As described under the caption "FINANCIAL INFORMATION – COVID-19 Impacts," COVID-19 has had a material adverse impact on the revenues and expenditures of the General Fund in Fiscal Year 2019-20 and that is expected to carry into Fiscal Year 2020-21 and future years. The financial and operating data contained in this Official Statement are the latest available. However, certain of the data is as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the overall potential impact of the Pandemic on the City cannot be fully quantified at this time, the continued outbreak of COVID-19 could lead to additional or modified public health restrictions and have an adverse effect on the City's operations and financial condition, and the effect could be material. Prospective investors should assume that the current disruption to the national and global economies could increase over the near term and recovery may be prolonged. Therefore, the associated impacts related to COVID-19 on the City's finances will be materially adverse. Furthermore, it is possible that there may be other outbreaks similar to COVID-19 in the future.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For Fiscal Year 2018-19, sales tax revenues were the largest source of revenue to the City's General Fund. Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. The Pandemic has already impacted sales tax revenues for Fiscal Year 2019-20 and will similarly impact sales tax revenues for Fiscal Year 2020-21 and possibly beyond. Even if the global, national, State and local economies recover from the Pandemic in a reasonably short period of time, before the final maturity of the Bonds the City may enter into another economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

Further, the Governor's order allows small businesses to defer payment of sales and use taxes of up to $50,000 for up to twelve months, which will negatively impact municipalities in California unless the Governor provides a plan to backfill those lost revenues for California cities. The City estimates that the impact from Governor's sales tax deferral to small businesses will be $885,000 in Fiscal Year 2019-20. If this deferral period were to last a full year, the City estimates that it would cost the City about $___ million in a form of sales tax revenue reduction.

[Transient occupancy tax, which is based on hotel occupancy and room rates, has also been negatively affected by the Pandemic, and the impact may continue for some time. As with sales tax, in times of economic recession, hotel occupancy and room rates often decline, and such a decline would cause the transient occupancy tax revenues received by the City to also decline.]

See "COVID-19 Pandemic" above and "FINANCIAL INFORMATION- COVID-19 Impacts" herein.

State Budget

State Budget. Information regarding the State Budget is regularly available at various State-maintained websites. The 2019-20 State Budget and the Proposed 2020-21 State Budget further defined and described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the California Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City, the Underwriter and the Municipal Advisor take no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

Prior to Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

Proposed 2020-21 State Budget. On January 10, 2020, Governor Newsom released California's Proposed Fiscal Year 2020-21 State Budget (the "Proposed 2020-21 State Budget") which reflected $153 billion in new spending from the State's general fund and tackled issues including climate change, particularly wildfires, as well as clean energy and homelessness in California. The Proposed 2020-21 State Budget totaled approximately $222 billion and included more than $1 billion in funding for homeless families to access shelter and approximately $1 billion over four years to prevent, track and fight wildfires, as well as adding approximately $2 billion to the "Rainy Day Fund" which was projected to grow to $18 billion by the end of Fiscal Year 2020-21. It also called for $12 billion over five years to respond to climate change, both through a resilience initiative that would protect vulnerable areas and a cap-and-trade program. For K-12 schools and California Community Colleges, Proposition 98 funding for Fiscal Year 2020-21 is approximately $84 billion, which combines with more than $819 million in "settle-up" payments for prior fiscal years and proposes an increased investment of $3.8 billion in K-14 education.

LAO Fiscal Perspective Report. The LAO issued a fiscal perspective report on March 18, 2020 entitled "COVID-19 and California's Evolving Fiscal Outlook," concluding that the economic uncertainty caused by the Coronavirus emergency will significantly affect California's near-term fiscal outlook. Key takeaways from the report are as follows:

- *Volatility in Financial Markets Indicate Lower Capital Gains-Related Tax Revenue***.** Taxes on capital gains are a significant source of State revenue, but they are difficult to forecast because of their correlation to stock market performance. The LAO states that the volatility of financial markets indicate lower capital gains-related tax revenue. With the market now well below the budget assumption, absent a more rapid recovery than has occurred in any modern market downturn of this severity, it appears likely that the average price level will wind up lower than the budget assumption. The LAO projects there is a high likelihood that tax revenues from capital gains income will be several billion dollars lower than what the Governor's budget assumed.

- *COVID-19 Response Brings Economic Activity to a Halt*. For the broader economy, the LAO stated that the odds of a recession have increased substantially due to the pullback in activity across wide swaths of the economy. The abrupt and nearly across-the-board curtailment of spending that is now underway sets it apart from previous downturns. An optimistic scenario is that the economy would experience a sharp but comparatively short-lived downturn lasting one or two months. Under a more pessimistic scenario, economic activity would remain depressed for longer, compounded by dislocated supply chains and reduced lending caused by elevated risk aversion in credit markets. The type of contraction the state, national, and global economies experience will have implications for revenue collections in the coming years.

- *California's Strong Fiscal Position is a Key Advantage.* The LAO notes, however, that California's budget entered 2020 on a strong footing due to strong budget reserves, the pay down of debt and multiyear balanced budgets during the economic expansion of previous years.

On April 16, 2020, the LAO informed members of the State Senate's budget committee to prepare for a projected deficit of as much as $35 billion in the near future and an additional $85 billion in the fiscal years to come - on par, with California's budget problems during the Great Recession.

Fiscal Update from Department of Finance. The State Department of Finance (the "DOF") released a fiscal update memorandum (the "Fiscal Update") on May 7, 2020 reflecting the economic forecast for the May revision to the Proposed 2020-21 Budget. The Fiscal Update makes it clear that the onset of COVID-19 has had a severe and immediate impact on the State's economy, including in excess of 4 million claims for State and federal unemployment benefits since mid-March 2020 and disproportionate job losses in lower-wage sectors of the economy. The DOF also projects that the 2020 unemployment rate will be as high as 18% and states that the May Revision economic forecast projects that COVID-19 will continue to cause economic losses in 2020, including a projected drop in State personal income by nearly 9% on an annual basis and a projected drop of 21% in permits for new housing construction, a key economic indicator. Consequently, compared to the projections included in the Proposed 2020-21 Budget, the State's three main revenues sources are projected to drop as follows: (i) personal income taxes by 25.5%, (ii) sales and use taxes by 27.2%, and (iii) corporation taxes by 22.7%. As a result, the DOF projects that State general fund revenues will decline by $41.2 billion from the projected level included in the Proposed 2020-21 Budget, including $9.7 billion allocable to fiscal year 2019-20 and $32.2 billion allocable to fiscal year 2020-21. This revenue decline would result in a reduction of the Proposition 98 minimum funding guarantee by $18.3 billion.

These revenue declines, together with $7.1 billion in caseload increases supporting health and human services programs and other expenditures of approximately $6.1 billion largely attributable to the COVID-19 outbreak, are projected to result in an overall State budget deficit of approximately $54.3 billion. Of this amount, $13.4 billion occurs in fiscal year 2019-20 and $40.9 billion would occur in fiscal year 2020-21. For additional information regarding the Fiscal Update, see the DOF website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

2020-21 May Revision. The Fiscal Year 2020-21 May Revision to the Proposed 2020-21 Budget released May 14, 2020 (the "May Revision") incorporates the significant impact of the effects of the COVID-19 pandemic on the budgets and operations of the State and local agencies and proposes to strategically use the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to support schools, public health and local governments. In an effort to respond to dramatic economic and revenue changes since the Proposed 2020-21 Budget, the May Revision proposes to cancel or reduce spending included in the 2019 Budget Act, cancel new initiatives proposed in the Proposed 2020-21 Budget, draw down reserves, borrow from special funds, temporarily increase revenues and make government more efficient.

The May Revision acknowledges that the rapid onset of the COVID-19 recession in California has resulted in more than 4 million unemployment claims being filed since mid-March 2020 with the unemployment rate projected to be 18 percent for calendar year 2020, and a $41 billion drop in revenues compared to the forecast in the Proposed 2020-21 Budget. With a higher demand for social safety net services increasing state costs, the $54.3 billion deficit is more than three times the size of the $16 billion set aside in the state's Rainy Day Fund. The May Revision stresses the necessity of additional federal funds to protect public health and safety, public education and other core government functions, as well as to support an economic recovery. If additional federal funds are not forthcoming, the May Revision spells out spending cuts necessary to meet the constitutional requirement for a balanced State budget.

The May Revision prioritizes funding for direct payments to families, children, seniors and persons with disabilities, maintaining the newly expanded Earned Income Tax Credit, which targets one billion dollars in financial relief to working families whose annual incomes are below $30,000 – and including a $1,000 credit for those families with children under the age of six. The may Revision also maintains grant levels for families and individuals supported by the CalWORKs and SSI/SSP programs and prioritizes funding to maintain current eligibility for critical health care services in both Medi-Cal and the expanded subsidies offered through the Covered California marketplace for Californians with incomes between 400 percent and 600 percent of the federal poverty level. The May Revision estimates unemployment insurance benefits in fiscal year 2020-21 will be $43.8 billion – 650 percent higher than the $5.8 billion estimated in the Proposed 2020-21 Budget.

The May Revision also targets $3.8 billion in federal funds to protect public health and safety and proposes $1.3 billion to counties for public health, behavioral health, and other health and human services programs, and also proposes $450 million to cities to support homeless individuals. In addition, the May Revision proposes an augmentation of $50 million for a total increase of $100 million to the small business loan guarantee program to fill gaps in available federal assistance. This increase will be leveraged to access existing private lending capacity and philanthropy to provide necessary capital to restart California small businesses. To support innovation and the creation of new businesses, the May Revision retains proposal in the Proposed 2020-21 Budget to support new business creation by exempting first-year businesses from the $800 minimum franchise tax.

The CARES Act allocated the Coronavirus Relief Funds to state and local governments for expenditures incurred between March 1 and December 30, 2020 in response to COVID-19, not previously accounted for in the most recent state and local budgets. Based on the state's population, California received a total of $15.3 billion with $9.5 billion paid to the state. Cities and counties with populations over 500,000 received $5.8 billion directly from the U.S. Treasury. As a result five California cities received a direct CARES Act allocation as a result of their size—for a total of $1.5 billion direct from the federal government. The funding allocated to those large cities was deducted from the county share.

The May Revision allocates a portion of the State's CARES Act funding to local governments—$450 million to cities and $1.3 billion to counties—to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. This funding is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both. The May Revision supplements this by providing $450 million to all cities that did not receive a direct allocation. Of these recipients, cities with populations above 300,000 will receive a direct state allocation while all other cities will be provided funding through their counties. Recipient jurisdictions must spend these funds consistent with federal law and are advised to prioritize these dollars to supplement existing efforts by counties and "Continuums of Care" to address the impacts of COVID-19 on people experiencing homelessness, including but not limited to outreach and hygiene efforts, shelter and housing supports, public safety, and rental subsidies. The May Revision also includes $1.1 billion in available federal funds through the Community Development Block Grant Program for critical infrastructure and disaster relief related to the 2017 and 2018 wildfires.

Potential Impact of State of California Financial Condition on the City. During the most recent recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the State there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession (prior to the Pandemic), potential changes to federal fiscal policies and unfunded long-term liabilities of more than $200 billion related to pensions and other post-retirement benefits. The State's financial condition will further be impacted by the Pandemic as described above under the caption "2020-21 May Revision"). These risks and financial pressures could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City in future years, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources in future years.

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years once recovered from the impacts of the Pandemic, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures. 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, including, and particularly, the Pandemic.

State Legislative Shifts of Property Tax Allocation. From time to time, the State has realigned certain property tax revenue to deal with its budget problems. Since 1992-93, the State has required that local agencies including cities remit a portion of property taxes received to augment school funding. These funds are deposited in each county's Education Revenue Augmentation Fund ("ERAF"). These property taxes (approximately 17.5%) are permanently excluded from the City's property tax revenues.

On July 24, 2009, the Legislature approved amendments to the 2009-10 Budget to close its anticipated $26.3 billion budget shortfall. The approved amendments included borrowing from local governments by withholding of the equivalent of 8% of Fiscal Year 2008-09 property related tax revenues from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State was required to repay with interest within three years. The first (and to date, only) shift occurred in Fiscal Year 2009-10. Fiscal Year 2012-13 was the first year that another shift was allowable, but the State has not implemented another borrowing yet.

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the Fiscal Year 2002-03 and Fiscal Year 2003-04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction were redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for property taxes in the ERAF to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provided for schools to receive other state general fund revenues. The swap of sales taxes for property taxes terminated once the deficit financing bonds were repaid in September 2015. The City treated the Triple Flip property tax revenue as sales tax in its financial statements.

The City also received a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The State VLF backfill was phased out and as of 2011-12 all of the VLF is now received through an in lieu payment from State property tax revenues.

Bankruptcy of the City

The enforceability of the rights and remedies of the Owners of the Bonds are subject to a number of limitations, including bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

In addition, the rights and remedies of the Owners of the Bonds may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. Should the City file for bankruptcy, there could be adverse effects on the Owners of the Bonds.

If the City is in bankruptcy, the parties (including the Trustee and the Owners of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the Owners of the Bonds from funds in the Trustee's possession.

The Bonds are not secured by any property other than the funds that the City has actually deposited with the Trustee, and the City is only obligated to deposit funds with the Trustee twice each year, 3 Business Days prior to each June 1 and December 1, beginning December 1, 2020. The Bonds are not secured by any funds held by the City.

If the City is in bankruptcy, it may not be obligated to make any further deposits with the Trustee. As a result, the Bonds may be treated as unsecured obligations of the City in the bankruptcy case. Under such circumstances, the Owners of the Bonds could suffer substantial losses.

The City may be able, without the consent and over the objection of the Trustee or the Owners of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants, and other terms or provisions of the Trust Agreement and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Recent bankruptcies in the City of Stockton, the City of Los Angeles and the City of Detroit have brought scrutiny to pension obligation securities. Specifically, in the Stockton bankruptcy the Court found that CalPERS was an unsecured creditor of that city with a claim on parity with those of other unsecured creditors. Additionally, in the Los Angeles bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to CalPERS. A variety of events, including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, Los Angeles and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Beneficial Owners to receive payments on the Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, Beneficial Owners may not recover the full amount of principal and interest due on the Bonds.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Bonds will be subject to various limitations on remedies including those related to bankruptcy and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX D." In the event that the City fails to comply with its covenants under the Trust Agreement or fails to pay debt service payments on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Beneficial Owners of the Bonds.

Legislative Changes

Legislative action could have an adverse effect on the City's revenues. For example, the method of apportioning Motor Vehicle License Fees among the State's cities and counties is established by statute and could be amended by future legislation. See "FINANCIAL INFORMATION - Ad Valorem Property Taxes - Property Taxes in Lieu of Motor Vehicle License Fees" herein and "State Budget" above. Although the City is not aware of any proposal to amend the applicable statute, it can provide no assurance that such legislation, or other legislation which could reduce revenues, will not be enacted in the future.

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 XIIIA") 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 Bonds.

Article XIIIA. Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the 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 XIIIA 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 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 XIIIA, 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 XIIIA 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 city, 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 XIIIA 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 XIIIA has become effective (the 1978-79 Fiscal Year), the annual increase for inflation has been at least 2% except in ten fiscal years as shown on the following page:

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

An initiative measure (the "Split Roll Initiative") to amend Article XIIIA has qualified for the State's November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than $2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to $500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the City is unable to predict how it would affect the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City or what other impacts the Split Roll Initiative might have on the local economy or the City's financial condition.

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. The City experienced Proposition 8 reductions in property values between 2009 and

2012. See "FINANCIAL INFORMATION - Ad Valorem Property Taxes - Taxable Property and Assessed Valuation" herein.

Article XIIIB. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB 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 XIIIB 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 XIIIB 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 XIIIB. 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 2019-20 is $230,333,201 The City's appropriations subject to the limit for 2019-20 are $59,176,146. Based on this, the appropriations limit is not expected to have any impact on the ability of the City to pay debt service on the Bonds.

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 XIIIC and XIIID 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 XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIIIA the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIIID. 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 (1) a franchise tax on its cable television, and certain utility franchises, (2) a utility users tax, (3) a business license tax, (4) a transient occupancy tax and (5) an oil industry business tax. See "FINANCIAL INFORMATION - Local Taxes" herein for a discussion of these taxes.

The City does not expect the application of Proposition 218 will have a material adverse impact on its ability to pay the Bonds.

Proposition 1A. 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.

See "- State Budget" above.

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 XIIIC 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 XIIID. 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 debt service on the Bonds.

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.

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. There have been a limited number of cyber security breaches in the past. However, these breaches have not resulted in the disclosure of sensitive employee or customer information.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the 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.

TAX MATTERS

(to be provided by bond counsel)

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Bonds is set forth in "APPENDIX D - FORM OF OPINION OF BOND COUNSEL."

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement 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 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Trust Agreement 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, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Trust Agreement, and as to the validity of the Bonds. See "APPENDIX D" hereto for the proposed form of Bond Counsel's opinion.

The City has no knowledge of any fact or other information which would indicate that the Trust Agreement or the Bonds are not enforceable against the City, 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 upon for the City by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain matters will be passed upon for the Underwriter by Quint & Thimmig LLP, Larkspur, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Litigation

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

Mall Litigation. (description to follow)

The City is unable to predict the outcome of this litigation or the timing of any resolution thereof. However, the City does not expect the outcome of the litigation to have material effect on its ability to pay debt service on the Bonds when due.

Other than described above, there exists lawsuits and claims against the City that are incidental to the ordinary course of the City's operations. In the view of the City, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City's ability to pay debt service on the Bonds.

VALIDATION

On _____, 2020, the City, acting pursuant to the provisions of Section 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California in and for the County of Los Angeles seeking judicial validation of the transactions relating to the CalPERS Contract and the Bonds and certain other matters entitled City of Carson v. All Persons Interested et al. (Case No. CIVDS1929877). On May 1, 2020, the court entered the Validation Judgment to the effect, among other things, (i) the Trust Agreement will be a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law and (ii) the City has the authority under California law to provide for the refunding of its Unfunded Liability by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Unfunded Liability. Pursuant to Section 870 of the California Code of Civil Procedure, the last day to timely file a notice of appeal to this judgment was May 31, 2020. On June 1, 2020, the judgment became binding and conclusive in accordance with California law. The City is unaware of any threatened challenge to this judgment. In issuing its approving opinion, Aleshire & Wynder, LLP, Irvine, California, Bond Counsel, will rely, among other things, upon the above-described judgment.

CONCLUDING INFORMATION

Rating on the Bonds

S&P Global Ratings has assigned its municipal bond ratings of "__"to the Bonds. Such rating reflects only the views of the rating agency, and any desired explanation of the significance of such rating may be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

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 ratings may have an adverse effect on the market price of the Bonds. 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 Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. 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 Bonds are being sold at an aggregate purchase price of $__________ (representing the aggregate principal amount of the Bonds less an underwriting discount of $__________) pursuant to a bond purchase contract ("Bond Purchase Contract") entered into between the City and Cabrera Capital Markets, LLC and Piper Sandler Companies (the "Underwriters").

The expenses associated with the issuance of the Bonds are being paid by the City from proceeds of the Bonds. The right of the Underwriters to receive compensation in connection with the Bonds is contingent upon the issuance and delivery by the City, and the purchase by the Underwriters, of the Bonds. The Bond Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The Underwriters will initially offer the Bonds for sale at the prices and yields set forth on the inside cover page of this Official Statement. Such prices or yields may subsequently change. The Underwriters reserve the right to join with dealers and other investment banking firms in offering the Bonds for sale and may offer to sell Bonds to dealers at prices lower than the initial offering prices.

The Municipal Advisor

The material contained in this Official Statement was prepared by the City with the assistance of the Municipal Advisor who advised the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by the City from sources which are believed to be reliable, but such information is not guaranteed by 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 Bonds.

Continuing Disclosure

The City will provide annually certain financial information and data relating to the City by not later than March 31 in each year commencing March 31, 2021 (the "Annual Report"), and to 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"). Digital Assurance Certification LLC 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 Agreement attached in "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City and certain other entities related to the City, including the Carson Successor Agency, assessment districts and joint powers authorities (together, the "City Entities"), have entered into previous undertakings pursuant to the Rule. Within the last five years, the City and certain of the City Entities have failed to comply with their respective prior undertakings in the following respects: with respect to the City's 2017-2018 audited financial statements, which were required to be filed by February 15, 2019, on June 3, 2019 the City filed unaudited financial statements and the City filed audited financial statements on July 1, 2019, as soon as they were available.

The City has advised that its delay in filing 2017-18 audited financial statements is primarily due to changes to its financial accounting software and turnover in personnel, and expects that it will be able to timely comply with its obligations under the Disclosure Agreements. The City's 2018-19 audited financial statements were not available to be filed by the deadlines required by the Disclosure Agreements, but the City did timely file unaudited information.

Additional Information

The summaries and references contained herein with respect to the Trust Agreement, the 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 Bonds are qualified in their entirety by reference to the form hereof included in the Trust Agreement. Copies of the Trust Agreement may be obtained after delivery of the Bonds from the City.

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 City and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement by the City Manager has been duly authorized by the City.

CITY OF CARSON

By: ______________________________
City Manager

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

APPENDIX B

CITY AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

$_______
CITY OF CARSON
2020 TAXABLE PENSION OBLIGATION BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the CITY OF CARSON (the "**City**") in connection with the execution and delivery of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to a Trust Agreement, dated as of ________ 1, 2020 (the "**Trust Agreement**"), by and between the City of Carson and The Bank of New York Mellon Trust Company, N.A., as trustee.

The City covenants and agrees as follows:

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 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 Trust Agreement, 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 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 City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Piper Jaffray & Co. and Cabrera Capital Markets, LLC, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the 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, 2021, with the report for the 2019-20 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) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(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 __, __, __ and Table __ 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 Significant 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 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 the MSRB, 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 Bonds under the Trust Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 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 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 authority 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 authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority 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 the MSRB. All documents provided to the MSRB 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 Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 Digital Assurance Certification, L.L.C. 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 affected its duties or obligations and further provided that the following conditions are satisfied:

(a) 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 Bonds, or type of business conducted;

(b) 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement 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 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(c).

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 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 Trust Agreement, 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 Trust Agreement. 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 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 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 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: _________, 2020

CITY TO THE CARSON

By: ________________________________

Name: ______________________________

Title: _______________________________

AGREED AND ACCEPTED:
DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ________________________________

Name: ______________________________

Title: _______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City to the Carson

Name of Issue: 2020 Taxable Pension Obligation Bonds

Date of Issuance: __________, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated __________, 2020, executed and delivered by the City in connection with the execution and delivery of the bonds captioned above. The City anticipates that the Annual Report will be filed by ________________.

Dated: __________________

DISSEMINATION AGENT:

____

By: ________________________
Its: ________________________

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX E
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 Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 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 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

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

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

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

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

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

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

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

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

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

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

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

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