

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 22, 2021

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: Insured: “ ”  
Underlying: “ ”  
See the caption “RATINGS.”

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2021 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the 2021 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”*

\$ \_\_\_\_\_ \*

**MORENO VALLEY PUBLIC FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS, SERIES 2021 (TAXABLE)**

**Dated: Date of Delivery**

**Due: May 1, as shown on inside front cover page**

The Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2021 (Taxable) (the “**Series 2021 Bonds**”) are payable from base rental payments (the “**Base Rental Payments**”) to be made by the City of Moreno Valley (the “**City**”) to the Moreno Valley Public Financing Authority (the “**Authority**”) for the right to use certain real property (collectively, the “**Property**”) pursuant to a Master Facilities Sublease, dated as of December 1, 2015, as amended and supplemented by a First Amendment to Master Facilities Sublease, dated as of December 1, 2016, a Second Amendment to Master Facilities Sublease, dated as of April 1, 2019, and a Third Amendment to Master Facilities Sublease, dated as of October 1, 2021 (collectively, the “**Facilities Sublease**”), each by and between the City, as sublessee, and the Authority, as sublessor. See the captions “THE PROPERTY” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.”

The Series 2021 Bonds are secured on a parity with the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2019 (Taxable), issued in the aggregate principal amount of \$15,830,000 and currently outstanding in the aggregate principal amount of \$15,830,000 (the “**Series 2019 Bonds**”).

The Series 2021 Bonds are being issued to provide funds: (i) to refund all of the outstanding Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable) and Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable); (ii) to purchase a municipal bond insurance policy (the “**Policy**”) from [ ] (“[ ]” or the “**Insurer**”) to guarantee the payment of principal of and interest on the Series 2021 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) from the Insurer for deposit in the Reserve Fund for the Series 2021 Bonds; and (iv) to pay costs incurred in connection with the issuance of the Series 2021 Bonds. See the captions “THE REFUNDING PLAN” and “SOURCES AND USES OF FUNDS.”

The City has covenanted under the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption “RISK FACTORS—Abatement.”

The Series 2021 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Interest on the Series 2021 Bonds is payable semiannually on each May 1 and November 1, commencing \_\_\_\_\_ 1, 202\_\_\_\_. Purchasers will not receive certificates representing their interest in the Series 2021 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2021 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the “**Trustee**”), to DTC for subsequent disbursement to DTC Participants, who are obligated to remit such payments to the Beneficial Owners of the Series 2021 Bonds. See the caption “THE SERIES 2021 BONDS—Book-Entry Only System.”

The Series 2021 Bonds will be issued pursuant to a Master Trust Agreement, dated as of December 1, 2015, as amended and supplemented by a First Supplement to Master Trust Agreement, dated as of December 1, 2016, a Second Supplement to Master Trust Agreement, dated as of April 1, 2019, and a Third Supplement to Master Trust Agreement, dated as of October 1, 2021 (collectively, the “**Trust Agreement**”) each by and between the Authority and the Trustee. The Series 2021 Bonds, the Series 2019 Bonds and any additional bonds issued pursuant to the Trust Agreement (“**Additional Bonds**”) are collectively referred to as the “**Bonds**.”

*The Series 2021 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption “THE SERIES 2021 BONDS—Redemption.”*

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues described herein, and the Authority is not obligated to pay them except from the Revenues. All of the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein.

The Series 2021 Bonds are not a debt of the City, the State of the California (the “**State**”) or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2021 Bonds be payable out of any funds or properties other than those of the Authority as described herein. The Series 2021 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by [ ].

[INSURER LOGO]

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

*The Series 2021 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the Series 2021 Bonds will be available for delivery through the facilities of DTC on or about October [\_\_], 2021.*

STIFEL

Dated: October \_\_, 2021

DRAFT

\$ \_\_\_\_\_ \*

**MORENO VALLEY PUBLIC FINANCING AUTHORITY**  
**LEASE REVENUE REFUNDING BONDS, SERIES 2021 (TAXABLE)**

**MATURITY SCHEDULE**

**BASE CUSIP®†: 61685P**

<i><b>Maturity Date</b></i> <i><b>(May 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP®†</b></i>
20__	\$	%	%		

\$ \_\_\_\_\_ % Term Series 2021 Bonds due \_\_\_\_\_ 1, 20\_\_ – Yield: \_\_%, Price: \_\_, CUSIP®†: \_\_

\* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2021 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. 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 Series 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither 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 or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2021 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 documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions “CITY FINANCIAL INFORMATION” and “RISK FACTORS.”

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR THE AUTHORITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR**

**MAINTAIN THE MARKET PRICE OF THE SERIES 2021 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 SERIES 2021 BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE SERIES 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

*The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2021 Bonds.*

[INSURER LANGUAGE TO COME].

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## **CITY OF MORENO VALLEY**

### **MAYOR AND MEMBERS OF THE CITY COUNCIL**

Dr. Yxstian Gutierrez, Mayor  
Victoria Baca, Mayor Pro Tem  
Vacant, Councilmember, District 2\*  
David Marquez, Councilmember, District 3  
Ulises Cabrera, Councilmember, District 4

### **MORENO VALLEY PUBLIC FINANCING AUTHORITY**

Dr. Yxstian Gutierrez, Chair  
Victoria Baca, Vice Chair  
David Marquez, Boardmember  
Ulises Cabrera, Boardmember

### **STAFF**

Mike Lee, City Manager/Authority Executive Director  
Steve Quintanilla, Interim City Attorney  
Brian Mohan, Assistant City Manager and Chief Financial Officer/Authority Treasurer  
Brooke McKinney, Treasury Operations Division Manager  
Jeanette Olko, Electric Utility Division Manager  
Pat Jacquez-Nares, City Clerk/Authority Secretary

### **SPECIAL SERVICES**

#### **Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth  
Newport Beach, California

#### **Municipal Advisor**

Fieldman Rolapp & Associates, Inc.  
Irvine, California

#### **Trustee**

Wells Fargo Bank, National Association  
Los Angeles, California

#### **Verification Agent**

Causey Demgen & Moore P.C.  
Denver, Colorado

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\* This seat is currently vacant. An election to fill the seat is scheduled for November 2, 2021.

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**MORENO VALLEY PUBLIC FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS, SERIES 2021 (TAXABLE)**

**INTRODUCTION**

**General**

This Official Statement, which includes the front cover page, the inside front cover page and the appendices (the “**Official Statement**”), provides certain information concerning the sale and delivery of the § \_\_\_\_\_ \* aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2021 (Taxable) (the “**Series 2021 Bonds**”). The Series 2021 Bonds are being issued by the Moreno Valley Public Financing Authority (the “**Authority**”) pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the “**2015 Master Trust Agreement**”), as amended and supplemented by a First Supplement to Master Trust Agreement, dated as of December 1, 2016 (the “**First Supplement to the 2015 Master Trust Agreement**”), a Second Supplement to Master Trust Agreement, dated as of April 1, 2019 (the “**Second Supplement to the 2015 Master Trust Agreement**”), and a Third Supplement to Master Trust Agreement, dated as of October 1, 2021 (the “**Third Supplement to the 2015 Master Trust Agreement**,” and together with the 2015 Master Trust Agreement, the First Supplement to the 2015 Master Trust Agreement and the Second Supplement to the 2015 Master Trust Agreement, the “**Trust Agreement**”), each by and between the Authority and the Wells Fargo Bank, National Association, as trustee (the “**Trustee**”).

The net proceeds of the sale of the Series 2021 Bonds will be used: (i) to refund the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable) (the “**Series 2015 Bonds**”), which are currently outstanding in the aggregate principal amount of \$9,425,000, in full, and to refund the Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the “**Series 2016 Bonds**”), which are currently outstanding in the aggregate principal amount of \$20,410,000, in full; (ii) to purchase a municipal bond insurance policy (the “**Policy**”) from [ ] (“[ ]” or the “**Insurer**”) to guarantee the payment of principal of and interest on the Series 2021 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) from the Insurer for deposit in the Reserve Fund for the Series 2021 Bonds; and (iv) to pay costs incurred in connection with the issuance of the Series 2021 Bonds. See the captions “THE REFUNDING PLAN,” “BOND INSURANCE” and “SOURCES AND USES OF FUNDS.”

**Security for the Series 2021 Bonds**

Pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the “**2015 Master Facilities Lease**”), as amended by a First Amendment to Master Facilities Lease, dated as of December 1, 2016 (the “**First Amendment to the 2015 Master Facilities Lease**”), a Second Amendment to Master Facilities Lease, dated as of April 1, 2019 (the “**Second Amendment to the 2015 Master Facilities Lease**”), and a Third Amendment to Master Facilities Lease, dated as of October 1, 2021 (the “**Third Amendment to the 2015 Master Facilities Lease**,” and together with the 2015 Master Facilities Lease, the First Amendment to the 2015 Master Facilities Lease and the Second Amendment to the 2015 Master Facilities Lease, the “**Facilities Lease**”), each by and between the City of Moreno Valley (the “**City**”), as lessor, and the Authority, as lessee, the City has leased and will lease, in connection with the issuance of the Series 2021 Bonds, certain real property and improvements owned by the City (collectively, the “**Property**”) to the Authority in consideration for the Authority’s assistance in issuing the Series 2021 Bonds.

Pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the “**2015 Master Facilities Sublease**”), as amended and supplemented by a First Amendment to Master Facilities Sublease, dated as of December 1, 2016 (the “**First Amendment to the 2015 Master Facilities Sublease**”), a Second Amendment

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\* Preliminary, subject to change.

to Master Facilities Sublease, dated as of April 1, 2019 (the “**Second Amendment to the 2015 Master Facilities Sublease**”), and a Third Amendment to Master Facilities Sublease, dated as of October 1, 2021 (the “**Third Amendment to the 2015 Master Facilities Sublease**,” and together with the 2015 Master Facilities Sublease, the First Amendment to the 2015 Master Facilities Sublease and the Second Amendment to the 2015 Master Facilities Sublease, the “**Facilities Sublease**”), the Authority has subleased and will sublease, in connection with the issuance of the Series 2021 Bonds, the Property back to the City in consideration for the payment of rental payments (the “**Base Rental Payments**”) to be made by the City for the right to use the Property.

The Series 2021 Bonds are secured on a parity with the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2019 (Taxable), issued in the aggregate principal amount of \$15,830,000 pursuant to the Trust Agreement and currently outstanding in the aggregate principal amount of \$15,830,000 (the “**Series 2019 Bonds**”). Pursuant to the Trust Agreement, the Authority may issue additional bonds (the “**Additional Bonds**”) payable from the Base Rental Payments on a parity with the Series 2021 Bonds and the Series 2019 Bonds. The Series 2021 Bonds, the Series 2019 Bonds and any such Additional Bonds are collectively referred to as the “**Bonds**.” See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Additional Bonds.”

The Bonds are equally and ratably payable from: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described herein); and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facilities Sublease (collectively, the “**Revenues**”). The Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Bonds.

The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the City’s electric utility (the “**Electric Utility**”) are not pledged as security for the Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption “RISK FACTORS—Abatement.” Abatement of Base Rental Payments under the Facilities Sublease, to the extent that payment is not made from alternative sources as described in this Official Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2021 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF

THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED HEREIN.

THE SERIES 2021 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF THE CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY) IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2021 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2021 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

### **Book-Entry Only System**

The Series 2021 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2021 Bonds is payable semiannually on each May 1 and November 1, commencing \_\_\_\_ 1, 20\_\_\_. Purchasers will not receive certificates representing their interest in the Series 2021 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest on the Series 2021 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which are obligated to remit such payments to the Beneficial Owners of the Series 2021 Bonds. See the caption “THE SERIES 2021 BONDS—Book-Entry Only System.”

### **Redemption**

The Series 2021 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption “THE SERIES 2021 BONDS—Redemption.”

### **Bond Insurance**

Payment of the principal of and interest on the Series 2021 Bonds will be insured by the Policy to be issued by the Insurer concurrently with the issuance of the Series 2021 Bonds. See the caption “BOND INSURANCE.”

### **Reserve Fund**

A Reserve Fund for the Bonds has been established pursuant to the Trust Agreement. The Insurer has committed to issue, concurrently with the issuance of the Series 2021 Bonds, the Reserve Policy for the benefit of the Series 2021 Bonds in the initial principal amount of \$\_\_\_\_, which constitutes the Reserve Fund Requirement with respect to the Series 2021 Bonds. The Reserve Requirement with respect to the Series 2021 Bonds will be in such fixed amount until the final maturity or earlier redemption of the Series 2021 Bonds. The Reserve Policy will be deposited in the Reserve Fund. Neither the Authority nor the City is obligated: (i) to make any additional deposits into the Reserve Fund if Insurer defaults on its obligation to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy if there is a rating downgrade of the Insurer with cash or another surety. The Reserve Policy secures the Series 2021 Bonds alone and is not available for payments on the Series 2019 Bonds or any Additional Bonds. Also on deposit in the Reserve Fund is a reserve policy for the Series 2019 Bonds (issued by [the Insurer]); amounts drawn under this reserve policy cannot be used to make payments on the Series 2021 Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Reserve Fund.”

## Legal Matters

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2021 Bonds. The Series 2021 Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Steve Quintanilla, Interim City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Kutak Rock LLP, for the Trustee by its counsel and for the Insurer by its counsel.

## Miscellaneous

The City's financial statements for the fiscal year of the City ended June 30, 2020 (each fiscal year of the City ended June 30, a "**Fiscal Year**") set forth in Appendix B have been audited by Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California (the "**Auditor**"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2021 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2021-22, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents, agreements and statutes that are referred to herein, and the description of the Series 2021 Bonds that is included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in Appendix A.

## THE SERIES 2021 BONDS

### General

The Series 2021 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2021 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside front cover page hereof. Interest on the Series 2021 Bonds will be paid semiannually on each May 1 and November 1, commencing \_\_\_\_\_ 1, 20\_\_ (each, an "**Interest Payment Date**").

The Series 2021 Bonds will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is an Interest Payment Date, in which event they shall bear interest from such date, or unless such date of registration is prior to the first Interest Payment Date, in which event they shall bear interest from their dated date. Payment of interest on the Series 2021 Bonds due on or before the maturity or prior redemption thereof will be paid by check mailed by first class mail on each Interest Payment Date to the person in whose name the Series 2021 Bond is registered as of the applicable Record Date for such Interest Payment Date at the address shown on the registration books maintained by the Trustee

pursuant to the Trust Agreement; provided, however, that interest on any Series 2021 Bonds will be paid by wire transfer or other means to provide immediately available funds to any Holder of at least \$1,000,000 in aggregate principal amount of such Series 2021 Bonds, at its option, according to wire instructions to an account within the United States of America given to the Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date.

Interest on any Series 2021 Bond will cease to accrue: (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Holder of such Series 2021 Bond is not entitled to any other payment, and such Series 2021 Bond will no longer be Outstanding and entitled to the benefits of the Trust Agreement, except for the payment of the principal amount or Redemption Price, of such Series 2021 Bond, as appropriate, from moneys held by the Trustee for such payment.

The principal of the Series 2021 Bonds will be payable by check in lawful money of the United States of America at the Principal Office of the Trustee. No payment of principal will be made on any Series 2021 Bond unless and until such Series 2021 Bond is surrendered to the Trustee for cancellation.

### **Redemption\***

**Optional Redemption.** The Series 2021 Bonds maturing on and after May 1, 2027 are subject to optional redemption prior to their stated Principal Payment Dates, on May 1, 2026 or any date thereafter, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Facilities Sublease, any such prepayment to be at a Redemption Price equal to the principal amount of the Series 2021 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2021 Bonds with a stated Principal Payment Date of May 1, 20\_\_ are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each May 1 specified below, at a Redemption Price equal to the principal amount of the Series 2021 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2021 Bonds to be so redeemed and the dates therefor will be as follows:

<b><i>Mandatory Sinking Fund Payment Date (May 1)</i></b>	<b><i>Principal Amount</i></b>
20__	\$
20__ (maturity)	

**Extraordinary Redemption from Condemnation Award or Insurance Proceeds.** The City will prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facilities Sublease, all or any part (in an integral multiple of \$5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which are payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of the Bonds (provided, however, that in the event of partial damage to or destruction of the Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Property, such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or

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\* Preliminary, subject to change.

destroyed portion of the Property, pursuant to the procedure set forth in the Facilities Sublease for proceeds of insurance).

The Series 2021 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments from insurance and eminent domain proceeds made by the City pursuant to the Facilities Sublease (as described in the preceding paragraph), at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which are payable after such Redemption Date will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

***Selection of Bonds for Redemption.*** If less than all Outstanding Series 2021 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2021 Bonds of such maturity date to be redeemed at random and promptly notify the Authority in writing of the numbers of the Series 2021 Bonds so selected for redemption. For purposes of such selection, Series 2021 Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event that Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption, and in the absence of such Authority designation such redemptions will be allocated in inverse order of Mandatory Sinking Account Payment Dates.

***Notice of Redemption; Cancellation.*** Notice of redemption of the Series 2021 Bonds will be mailed by first-class mail by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to: (i) the respective Bondholders of the Series 2021 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) the Securities Depositories; and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption will state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2021 Bonds of such maturity, to be redeemed and, in the case of Series 2021 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2021 Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2021 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice will not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

All Series 2021 Bonds redeemed pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

***Effect of Notice of Redemption.*** If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2021 Bonds called for redemption is held by the Trustee,

then on the redemption date designated in such notice Series 2021 Bonds so called for redemption become due and payable, and from and after the date so designated interest on such Series 2021 Bonds cease to accrue, and the Bondholders of such Series 2021 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Book-Entry Only System**

**General.** DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2021 Bond will be issued for each maturity of the Series 2021 Bonds, each in the initial aggregate principal amount of such maturity, will be deposited with DTC and will be available to actual purchasers of the Series 2021 Bonds (the "**Beneficial Owners**") in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2021 Bonds. See Appendix E for further information with respect to DTC and its book-entry only system.

**Transfer and Exchange of Bonds.** The following provisions regarding the exchange and transfer of the Series 2021 Bonds apply only during any period in which the Series 2021 Bonds are not subject to DTC's book-entry system. While the Series 2021 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2021 Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2021 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2021 Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Series 2021 Bond or Bonds of the same Series and maturity for a like aggregate principal amount of Authorized Denominations. The Trustee will require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may, except as otherwise provided in the Trust Agreement, deem and treat the registered owner of any Series 2021 Bond as the absolute owner of such Series 2021 Bond for the purpose of receiving payment thereof and for all other purposes, whether such Series 2021 Bond is overdue or not, and neither the Authority nor the Trustee will be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2021 Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on such Series 2021 Bond to the extent of the sum or sums so paid.

The Trustee is not required to register the transfer of or exchange any Series 2021 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2021 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2021 Bonds for redemption.

Series 2021 Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Series 2021 Bonds of the same Series and maturity of other authorized denominations. The Trustee will require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee is not required to exchange any Series 2021 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2021 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2021 Bonds for redemption.



## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

### Pledge of Revenues

The Series 2021 Bonds will be secured on a parity with the outstanding Series 2019 Bonds and any Additional Bonds which may be issued under the terms of the Trust Agreement. The Bonds are equally and ratably payable from and secured by the Revenues, which consist of: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described below); and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facilities Sublease.

Base Rental Payments will be paid by the City from any and all legally available funds. See the captions “THE CITY,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS.” The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the Electric Utility are not pledged as security for the Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2021 Bonds and the Series 2019 Bonds. See the caption “—Additional Bonds.”

All Revenues, any other amounts (including proceeds of the sale of the Series 2021 Bonds) held by the Trustee in any fund or account (other than the Rebate Fund) established under the Trust Agreement and any other amounts (excluding Additional Payments) received by the Authority in respect of the Property have been irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged thereunder may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. Such pledges constitutes a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established thereunder for the payment of the interest on and principal of the Bonds in accordance with the terms thereof.

Pursuant to the Trust Agreement, the Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Bonds. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption “—Base Rental Payments” below.

THE SERIES 2021 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED HEREIN.

THE SERIES 2021 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2021 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2021 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

### **Base Rental Payments**

Base Rental Payments will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Payment Period for which such Base Rental Payments are to be paid. The Base Rental Payments are due and payable on April 25 and October 25 in the amounts set forth in the Facilities Sublease and are for the use and occupancy of the Property during the one-year period ending on the 1st day of each May. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Revenue Fund established under the Trust Agreement.

Pursuant to the Trust Agreement, all money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which has been created and each of which the Authority has covenanted and agreed to cause to be maintained) in the following order of priority: (1) Interest Account; and (2) Principal Account.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement. On each Principal Payment Date, following payment of principal of and interest on the Bonds, any excess amount on deposit in the Revenue Fund will be returned to the City as an excess of Base Rental Payments. The Principal Payment Date for the Series 2019 Bonds is May 1.

***Interest Account.*** On or before each Interest Payment Date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

***Principal Account.*** On or before each May 1 or November 1, as applicable, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such May 1 or November 1, as applicable, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such May 1 or November 1, as applicable. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such May 1 or November 1, as applicable, plus the aggregate amount of all sinking fund payments required to be made on such May 1 or November 1, as applicable, for all Outstanding Term Bonds. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it becomes due and payable, whether at maturity or redemption, except that any money in any Sinking Account created under the Trust Agreement will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

Scheduled Base Rental Payments relating to the Series 2021 Bonds and the outstanding Series 2019 Bonds are set forth below under the caption “BASE RENTAL PAYMENT SCHEDULE.”

### **Additional Payments**

For the right to use and occupy the Property, the Facilities Sublease requires the City to pay, as Additional Payments thereunder, in addition to the Base Rental Payments, and subject to abatement as provided below, such amounts as are required for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Authority’s interest in the Property and the lease of the Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Property, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, other amounts due and owing Assured Guaranty Municipal Corp., in its capacity as the insurer of the Series 2019 Bonds (the “**2019 Insurer**”), and the Insurer, in its capacity as insurer of the Series 2021 Bonds (the “**2021 Insurer**”), as set forth in the Facilities Sublease, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Series 2021 Bonds.

Such Additional Payments will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed will be paid by the City within 60 days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right will in no way affect the duty of the City to make full and timely payment for all Additional Payments.

The Authority may in the future issue bonds to finance facilities, and may in the future enter into leases with respect to other facilities. The administrative costs of the Authority will be allocated among such other facilities and the Property as provided below. The fees of the Trustee under the Trust Agreement, and any other expenses directly attributable to the Property will be included in the Additional Payments payable under the Facilities Sublease. The fees of any trustee or paying agent under any indenture securing bonds of the Authority or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Property, will not be included in the administrative costs of the Property, and will not be paid from the Additional Payments payable under the Facilities Sublease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Property in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, will be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, with the approval of the Mayor, Mayor Pro-Tem, City Manager or Chief Financial Officer of the City or any such officer’s duly authorized designee, or a duly authorized representative of the City, endorsed thereon, in making any determination that costs relating to the Authority are payable as Additional Payments under the Facilities Sublease, and is not required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Property.

### **Abatement**

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the

City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Sublease will continue in full force and effect and the City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Sublease by virtue of any such damage or destruction or interference.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments and Additional Payments in any of the funds and accounts established under the Trust Agreement (including as a result of the availability of insurance proceeds), such Base Rental Payments and Additional Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See the caption “—Insurance” and Appendix A.

### **Substitution, Addition and Removal of Property**

The City and the Authority may add or substitute real property for all or part of, or may release a part of, the Property for purposes of the Facilities Lease and the Facilities Sublease, but only with the consent of the Insurer and the 2019 Insurer and after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(i) Executed copies of the Facilities Lease and the Facilities Sublease or amendments thereto containing the amended description of the Property, including the legal description of any real property component of the Property as modified, if necessary.

(ii) A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such facility to the City) of the Property that will constitute the Property after such addition, substitution or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Property is at least equal to that of the substituted Property.

(iii) With respect to an addition or substitution of property, a leasehold owner’s title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Property after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, will name the Trustee as the insured, and insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City’s right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

(iv) A Written Certificate of the City stating that such addition, substitution or withdrawal, as applicable, does not adversely affect the City’s use and occupancy of the Property.

(v) With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.

(vi) An opinion of Bond Counsel stating that any amendment executed in connection with such addition, substitution or withdrawal, as the case may be: (i) is authorized or permitted under the Facilities Sublease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes.

The City and the Authority have agreed that the Property or portion thereof for which other real property is substituted, pursuant to the Facilities Sublease, will be released from the Facilities Lease and the Facilities Sublease, and will no longer be encumbered thereby and hereby or by the Trust Agreement at such time as the City has caused said substitution.

Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Property under the Facilities Sublease or Facilities Lease will be subject to the prior written consent of the Insurer and the 2019 Insurer.

### **Additional Bonds**

***Conditions for the Issuance of Additional Bonds.*** The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided therein equal to the pledge, charge and lien securing the Outstanding Series 2021 Bonds and Series 2019 Bonds theretofore issued thereunder, but only subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority is in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default has occurred and is continuing.

(b) The Supplemental Trust Agreement requires that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance Projects, or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds be applied to the payment of the interest due or to become due on said Additional Bonds.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement does not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(d) The Facilities Sublease has been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year, and if Base Rental Payments are being increased, a Certificate of the City will be delivered to the Trustee certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of any facility which is or will become part of the Property) will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year.

(e) If additional facilities, if any, are to be leased and are not situated on property described in the Facilities Lease and Facilities Sublease: (1) the Facilities Lease has been amended so as to lease to the Authority such additional real property; and (2) the Facilities Sublease has been amended so as to lease to the City such additional real property.

(f) The Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, unless otherwise permitted by the Insurer and the 2019 Insurer.

***Proceedings for Authorization of Additional Bonds.*** Whenever the Authority and the City determine to execute and deliver any Additional Bonds pursuant to the Trust Agreement, the Authority and the Trustee will enter into a Supplemental Trust Agreement providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

The Supplemental Trust Agreement will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Trust Agreement, will provide for the distinctive designation, denominations, method of numbering, dates, payment dates, interest rates, interest payment dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds are issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel setting forth that: (1) such Counsel has examined the Supplemental Trust Agreement and the amendment to the Facilities Sublease and Facilities Lease required by the Trust Agreement; (2) the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) said amendment to the Facilities Sublease and Facilities Lease, when duly executed by the City and the Authority, will be valid and binding obligations of the City and the Authority.

(b) A Certificate of the Authority stating that the requirements of the Trust Agreement have been met.

(c) A Certificate of the City stating that the insurance required by the Facilities Sublease is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Trust Agreement then delivered to the Trustee), the Trustee will authenticate and deliver said Additional Bonds in the aggregate principal amount specified in such Supplemental Trust Agreement to, or upon the Written Request of, the Authority.

The City has no current plans to issue Additional Bonds under the Trust Agreement. See the caption "RISK FACTORS—Substitution, Addition and Removal of Property; Additional Bonds."

#### **Action on Default**

Should the City default under the Facilities Sublease, the Trustee, as assignee of the Authority thereunder, may terminate the Facilities Sublease and recover certain damages from the City, or may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis, and the Trustee has the right to re-enter and re-let the Property. In the event that such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. **BASE RENTAL PAYMENTS MAY NOT BE ACCELERATED UPON A DEFAULT UNDER THE FACILITIES SUBLEASE.** See the caption "RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental."

For purposes of certain actions of Bond Owners under the Trust Agreement and the Facilities Sublease, such as certain consents and amendments and the direction of remedies following default, Series 2021 Bond Owners and Series 2019 Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Series 2021 Bonds, Series 2019 Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Facilities Sublease and the Trust Agreement, see Appendix A.

Subject to the terms of the Trust Agreement, so long as the Insurer and the 2019 Insurer have not defaulted under their respective bond insurance policies, such insurers have the right to control all remedies for default under the Facilities Lease, the Facilities Sublease and the Trust Agreement.

## Reserve Fund

**Reserve Fund.** The Trustee maintains a separate fund to be known as the “**Reserve Fund.**” Moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purposes set forth in the Trust Agreement. In connection with the issuance of the Series 2019 Bonds, the 2019 Insurer issued a debt service reserve insurance policy (the “**2019 Reserve Policy**”) for the benefit of the Series 2019 Bonds in the initial principal amount of \$1,340,707.95, which constituted the Reserve Fund Requirement with respect to the Series 2019 Bonds. The 2019 Reserve Policy is currently on deposit in the Reserve Fund. In connection with the issuance of the Series 2021 Bonds, the Trustee will deposit the Reserve Policy in the initial principal amount of \$\_\_\_\_\_ into the Reserve Fund in satisfaction of the Reserve Fund Requirement with respect to the Series 2021 Bonds. Upon the delivery of the Series 2021 Bonds and the deposit of the Reserve Policy in the Reserve Fund, the Reserve Fund Requirement will not thereafter be calculated for the purpose of requiring any deposit thereto or replenishment thereof except as may be required in connection with the issuance of Additional Bonds. See the caption “INTRODUCTION—Reserve Fund.”

The City, upon notice to the rating agencies then rating the Series 2021 Bonds, reserves the right to substitute, at any time and from time to time, one or more Reserve Facilities from a financial institution, the long-term unsecured obligations of which are rated in the two highest rating categories of the rating agency in substitution for or in place of all or any portion of the Reserve Policy or the moneys, if any, on deposit in the Reserve Fund, which satisfy the portion of the Reserve Fund Requirement (as such term is defined below) attributable to the Series 2021 Bonds, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. Upon deposit by the City with the Trustee of any such Reserve Facility(ies), the Trustee will, on or after the date of such deposit, transfer to the City such amounts as are on deposit in the Reserve Fund in excess of the Reserve Fund Requirement after application of the Reserve Facility(ies) thereto. The City will, subject to any investment instructions contained in the Tax Certificate, if any, use any such amounts transferred from the Reserve Fund for any lawful purpose of the City which will not adversely affect any current or past exclusion from gross income for federal income tax purposes of the interest on the Bonds, if and to the extent such interest is currently or has in the past been so excluded. Any amounts paid pursuant to any Reserve Facility will be deposited in the Reserve Fund. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

The term “**Reserve Fund Requirement**” means, with respect to each Series of Bonds, an amount equal to the least of: (i) maximum prospective annual Base Rental Payments with respect to the Outstanding Bonds of such Series to be made by the City under the Facilities Sublease; (ii) 10% of the proceeds of such Series of Bonds; or (iii) 125% of the average annual Base Rental Payments with respect to the Outstanding Bonds of such Series to be made by the City under the Facilities Sublease.

**The Reserve Policy secures the Series 2021 Bonds alone and is not available for payments on the Series 2019 Bonds or Additional Bonds. Similarly, the 2019 Reserve Policy secures the Series 2019 Bonds alone and is not available for payments on the Series 2021 Bonds or Additional Bonds.**

**Application of Reserve Fund.** Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement may be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, drawings thereunder, and repayment of expenses with respect thereto, will be made on a pro-rata basis (calculated by reference to the policy limits available thereunder), if permitted.

If, on any Interest Payment Date, the amount on deposit in any account within the Interest Account is insufficient to pay the interest due with respect to the corresponding Series of Bonds on such Interest Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Interest Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Account on the applicable Series of Bonds.

If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date, the amount on deposit in any account within the Principal Account is insufficient to pay the principal due with respect to the corresponding Series of Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Principal Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Account on the applicable Series of Bonds.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee will, within 5 days thereafter, provide written notice to the City of the amount and the date of such transfer. If there are no amounts currently due under any Reserve Facility and the sum of the amount on deposit in the Reserve Fund, plus the amount available under any Reserve Facilities, is reduced below the Reserve Fund Requirement, the first of the Base Rental Payments thereafter received from the City under the Facilities Sublease and not needed to pay the interest and principal of the Bonds on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, equals the Reserve Fund Requirement. In the event there are insufficient funds to remedy any deficiencies in all such accounts, moneys shall be deposited pro rata in each such account.

If at any time the balance in any account within the Reserve Fund is in excess of the Reserve Fund Requirement for such fund after accounting for the principal amounts of any Reserve Facilities, the Trustee will transfer such excess to any other account within the Reserve Fund with a balance less than the Reserve Fund Requirement for such fund to make up such deficiency, and thereafter to the Revenue Fund.

At the termination of the Facilities Sublease in accordance with its terms, any balance remaining in the Reserve Fund will be released and may be transferred to such other fund or account of the City, or otherwise used by the City for any other lawful purposes, as the City may direct. For purposes of determining the amount on deposit in the Reserve Fund, all investments will annually be valued at the cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Except as provided in the Trust Agreement from Base Rental Payments not needed to pay the interest and principal of the Bonds, the City has no obligation to replenish the Reserve Fund.

## **Insurance**

The Facilities Sublease requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. As an alternative to providing such insurance or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent that such self-insurance method or plan of protection affords reasonable protection to the Authority, the Bond Holders and the Trustee, in light



of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City.

The Facilities Sublease requires the City to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Property as the result of any of the hazards covered by the insurance described in the preceding paragraph, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period, except that such insurance may be subject to a deductible clause of not to exceed \$25,000. Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Sublease attributable to such structure for a period of time during which the payment of rental under the Facilities Sublease is abated, and any proceeds of such insurance not so used will be applied as provided in the Facilities Sublease (to the extent required for the payment of Base Rental Payments and Additional Payments). See the caption “—Abatement.” The City does not maintain earthquake insurance.

The Facilities Sublease requires the City to maintain or cause to be maintained, throughout the term thereof, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees and the Trustee, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event, and worker’s compensation insurance.

See the summary of the Facilities Sublease set forth in Appendix A for further information with respect to the insurance coverage required to be maintained by the City under the Facilities Sublease.

A description of insurance coverages maintained by the City is set forth under the caption “THE CITY—Risk Management.”

The Facilities Sublease also requires the City to provide, at its own expense, an ALTA leasehold owner’s title insurance policy or policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds. Such insurance instrument, when issued, will name the Trustee as the insured, and will insure the leasehold estate of the Authority subject only to such exceptions as do not substantially interfere with the City’s right to use and occupy the Property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

## **BOND INSURANCE**

*The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. None of the Authority, the City or the Underwriter has reviewed this information, nor do the Authority, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy (as such term is defined below) and reference is made to Appendix G for a specimen of the Policy.*

[TO COME FROM BOND COUNSEL]

## SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2021 Bonds are shown below.

### *Sources*

Principal Amount of Series 2021 Bonds	\$
Plus/Less Net Original Issue Premium/Discount	<u>                    </u>
<b>Total Sources</b>	<b><u><u>                    </u></u></b>

### *Uses*

Deposit to 2015 Escrow Fund	\$
Deposit to 2016 Escrow Fund	
Costs of Issuance <sup>(1)</sup>	<u>                    </u>
<b>Total Uses</b>	<b><u><u>                    </u></u></b>

<sup>(1)</sup> Includes certain fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, S&P and the Trustee, Underwriter's discount, premium for the Policy and the Reserve Policy, printing costs and other miscellaneous costs of issuance.

## BASE RENTAL PAYMENT SCHEDULE

The annual schedule of Base Rental Payments due with respect to the Series 2021 Bonds and the Series 2019 Bonds is set forth below. The below table assumes no optional redemptions.

<i>Period Ending May 1</i>	<i>Series 2021 Bonds Principal</i>	<i>Series 2021 Bonds Interest</i>	<i>Series 2021 Bonds Total Debt Service</i>	<i>Series 2019 Bonds Total Debt Service</i>	<i>Total Base Rental Payments<sup>(1)</sup></i>
2022	\$	\$	\$	\$ 633,200.00	\$
2023				633,200.00	
2024				633,200.00	
2025				633,200.00	
2026				633,200.00	
2027				633,200.00	
2028				633,200.00	
2029				633,200.00	
2030				633,200.00	
2031				633,200.00	
2032				633,200.00	
2033				633,200.00	
2034				633,200.00	
2035				633,200.00	
2036				633,200.00	
2037				633,200.00	
2038				633,200.00	
2039				1,658,200.00	
2040				1,652,200.00	
2041				1,659,800.00	
2042				1,655,400.00	
2043				1,659,400.00	
2044				1,656,400.00	
2045				1,661,600.00	
2046				1,659,600.00	
2047				2,300,600.00	
2048				2,303,800.00	
2049				<u>2,303,600.00</u>	
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 30,935,000.00</b>	<b>\$</b>

<sup>(1)</sup> Equal to the Series 2021 Bonds Total Debt Service column plus the Series 2019 Bonds Total Debt Service column.  
Source: Underwriter.

## THE REFUNDING PLAN

### Series 2015 Bonds

The Authority issued the Series 2015 Bonds, which are currently outstanding in the aggregate principal amount of \$9,425,000, pursuant to the 2015 Master Trust Agreement. The Series 2015 Bonds are payable from lease payments made by the City under the 2015 Master Facilities Sublease.

The Authority plans to apply a portion of the proceeds of the Series 2021 Bonds to refund all of the outstanding Series 2015 Bonds on October [ ], 2021 (the “**Redemption Date**”) at a redemption price equal to the outstanding principal amount of the Series 2015 Bonds, plus accrued interest to such date, without premium.

Under an Escrow Agreement (2015 Bonds), dated as of October 1, 2021 (the “**2015 Escrow Agreement**”), by and among the City, the Authority and the Trustee, the Authority will deliver a portion of the proceeds of the Series 2021 Bonds to the Trustee for deposit in the escrow fund established under the 2015 Escrow Agreement (the “**2015 Escrow Fund**”). The Trustee will hold the moneys so deposited in the 2015 Escrow Fund uninvested. From the moneys on deposit in the 2015 Escrow Fund, the Trustee will pay on the Redemption Date the principal of the Series 2015 Bonds maturing after the Redemption Date, plus interest accrued to the Redemption Date, without premium.

Sufficiency of the deposits in the 2015 Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the 2015 Escrow Agreement, the Series 2015 Bonds will be defeased pursuant to the provisions of the 2015 Master Trust Agreement as of the date of issuance of the Series 2021 Bonds. Upon the issuance of the Series 2021 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the 2015 Escrow Fund to pay the redemption price of the Series 2015 Bonds.

The amounts delivered to the Trustee to redeem the Series 2015 Bonds are pledged solely to the redemption of such Series 2015 Bonds. Neither such moneys nor any related interest will be available for the payments of principal of and interest on the Series 2021 Bonds.

### Series 2016 Bonds

The Authority issued the Series 2016 Bonds, which are currently outstanding in the aggregate principal amount of \$20,410,000, pursuant to the 2015 Master Trust Agreement, as amended and supplemented by the First Supplement to the 2015 Master Trust Agreement. The Series 2016 Bonds are payable from lease payments made by the City under the 2015 Master Facilities Sublease, as amended and supplemented by the First Amendment to the 2015 Master Facilities Sublease.

The Authority plans to apply a portion of the proceeds of the Series 2021 Bonds to refund all of the outstanding Series 2016 Bonds on the Redemption Date at a redemption price equal to the outstanding principal amount of the Series 2016 Bonds, plus accrued interest to such date, without premium.

Under an Escrow Agreement (2016 Bonds), dated as of October 1, 2021 (the “**2016 Escrow Agreement**”), by and among the City, the Authority and the Trustee, the Authority will deliver a portion of the proceeds of the Series 2021 Bonds to the Trustee for deposit in the escrow fund established under the 2016 Escrow Agreement (the “**2016 Escrow Fund**”). The Trustee will hold the moneys so deposited in the 2016 Escrow Fund uninvested. From the moneys on deposit in the 2016 Escrow Fund, the Trustee will pay on the Redemption Date the principal of the Series 2016 Bonds maturing after the Redemption Date, plus interest accrued to the Redemption Date, without premium.

Sufficiency of the deposits in the 2016 Escrow Fund for such purposes will be verified by the Verification Agent. Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the 2016 Escrow Agreement, the Series 2016 Bonds will be defeased pursuant to the provisions of the 2015 Master Trust Agreement, as amended and supplemented by the First Supplement to the 2015 Master Trust Agreement, as of the date of issuance of the Series 2021 Bonds. Upon the issuance of the Series 2021 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the 2016 Escrow Fund to pay the redemption price of the Series 2016 Bonds.

The amounts delivered to the Trustee to redeem the Series 2016 Bonds are pledged solely to the redemption of such Series 2016 Bonds. Neither such moneys nor any related interest will be available for the payments of principal of and interest on the Series 2021 Bonds.

### THE PROPERTY

The Property constitutes the subject matter of the Facilities Lease and the Facilities Sublease. The Property is described below.

The Property includes: (a) two electric power substations: (i) the Moreno Beach Substation and (ii) the Kitching Substation (collectively, the “**Substations**”); (b) the City’s Conference and Recreation Center; and (c) the City’s Corporate Yard (as such terms are defined below).

#### Electric Power Substations

The Moreno Beach Substation is a City-owned 115 kilovolt (“**kV**”) to 12kV Distribution Class power substation located on an approximately 8.75 acre parcel at the southwest corner of Moreno Beach Drive and Cottonwood Avenue in the City. The Moreno Beach Substation includes equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the “**Moreno Beach Substation Improvements**”).

A 115kV to 12kV Transmission Class switchyard (the “**Moreno Beach Switchyard**”), which has been dedicated to Southern California Edison (“**SCE**”), is also on the site. The Moreno Beach Switchyard is located adjacent to the Moreno Beach Substation. Moreno Beach Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with physical connection to SCE’s 115kV distribution system. The Moreno Beach Switchyard improvements do not constitute part of the Substations.

The Moreno Beach Substation was energized in 2007. The City estimates the total cost of the Moreno Beach Substation Improvements (excluding the Moreno Beach Switchyard and other improvements owned or dedicated to SCE) to be approximately \$10,817,611. The City estimates the Moreno Beach Substation Improvements have a useful remaining life of approximately 26 years.

The Kitching Substation is a City-owned 115kV to 12kV Distribution Class power substation located on an approximately 1.87 acre parcel at the northwest corner of Kitching Drive and Edwin Road in the City. The Kitching Substation includes equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the “**Kitching Substation Improvements**”).

The Kitching Substation Improvements include: (i) approximately 40,000 lineal feet of conduit; (ii) approximately 40,000 lineal feet of high voltage cable; (iii) two 40 Megavolt Amp transformers; (iv) five 115 kV group operated disconnect switches; (v) two twelve kV Megavolt Amp capacitor banks; (vi) one switchgear assembly and (vii) other miscellaneous structures.

The Kitching Substation is adjacent to a 115kV to 12kV Transmission Class switchyard (the “**Kitching Switchyard**”) which has been dedicated to SCE. Kitching Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with a physical connection to SCE’s 115kV distribution system. The Kitching Switchyard improvements do not constitute part of the Substations.

The City estimates the total cost of the Kitching Substation Improvements (excluding the Kitching Switchyard and other improvements owned or dedicated to SCE) to be approximately \$10,965,000. The City estimates the Kitching Substation Improvements has a useful remaining life of approximately 36 years.

### **Conference and Recreation Center**

The City’s Conference and Recreation Center (the “**Conference and Recreation Center**”), which is located on Alessandro Boulevard, is an approximately 42,413 square foot municipal conference and banquet facility that is operated by the City. The Conference and Recreation Center includes an 8,200 square foot ballroom, the Grand Valley Ballroom, which can accommodate groups of up to 400 people and includes a full kitchen, a reception patio, an outdoor banquet patio, a stage with two dressing rooms and a video and movie screen. Other facilities at the Conference and Recreation Center include two smaller meeting rooms. The Conference and Recreation Center hosts private events, community programs and public meetings. The facility also includes space for a childcare/daycare area, a gymnasium, two activity rooms and the office space for the City’s Parks and Community Services Department staff. The Conference and Recreation Center was constructed in 2005 and comprises approximately 18.64 acres. For purposes of the Facilities Sublease, the City has ascribed a value of approximately \$14,075,840 to the Conference and Recreation Center. The City estimates the Conference and Recreation Center has a useful remaining life of approximately 30 years.

The City’s Parks and Community Services Department operates five facilities located at the various parks throughout the City, including Bethune Park, Woodland Park, the Conference and Recreation Center, a senior center, and two community centers, which facilities provide 79 youth programs, 88 senior programs and 31 adult programs serving an estimated 417,180 City youths and adults annually for baseball, softball and soccer play. The Parks and Community Services Department also hosts activities for 38 school sites and assists the City’s nonprofit sports organizations in hosting regional and national sports tournaments, resulting in a positive economic impact to City businesses. The value that the City’s parks and recreation facilities bring to the local community has been repeatedly recognized. The Press-Enterprise newspaper previously rated the City “Number One in Riverside County for Family Recreation.” The City was the recipient of the 2005 California Parks and Recreation Society Award for “Facility Design and Park Planning” for the Conference and Recreation Center, and in 1997 the City earned the Southern California Municipal Athletic Federation’s “Gold Shield Award” for providing outstanding leadership. The City remains committed to sustained community participation and use of facilities throughout the City’s park system.

### **Corporate Yard**

The City’s Corporate Yard (the “**Corporate Yard**,” and together with the Substations and the Conference and Recreation Center, the “**Property**”, which have been leased to the Authority pursuant to the Facilities Lease and subleased by the Authority back to the City pursuant to the Facilities Sublease), will constitute a portion of the leased Property.

The Corporate Yard is located at 15670 Perris Boulevard and is the center of activity for the City’s street and infrastructure maintenance programs. The Corporate Yard totals approximately 18 acres with the primary building, constructed in 1970 and made of concrete block and metal siding, totaling 57,876 square feet. The Corporate Yard houses staff that perform the functions of Purchasing/Stores, Street Maintenance, Fleet Maintenance and Parks Maintenance. The Corporate Yard is also used for the storage of city vehicles, various road materials and replacement parts for City equipment such as traffic signals, electric utility equipment, etc. In 2011, improvements were completed to the Corporate Yard that totaled approximately \$4.8

million. For purposes of the Facilities Sublease, the City has ascribed a value of approximately \$12,906,488 to the Corporate Yard. The City estimates the Corporate Yard has a useful remaining life of approximately 30 years.

In connection with the issuance of the Series 2021 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments. The City makes no assurances regarding the ability to relet any component of the Property or the amount of rental income to be received in the event that any component of the Property is relet.

Base Rental Payments under the Facilities Sublease, including those allocable to the Corporate Yard, secure on a parity basis the Series 2021 Bonds, Series 2019 Bonds and any Additional Bonds issued pursuant to the Trust Agreement, if any. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Base Rental Payments.”

### Summary of Property

The table below summarizes certain attributes of the Property. No portion of the Property is currently securing lease payments other than those that will be paid in connection with the Series 2021 Bonds and the Series 2019 Bonds.

CITY OF MORENO VALLEY DESCRIPTION OF PROPERTY					
<i>Property</i>	<i>Description</i>	<i>Land Area<sup>(1)</sup></i>	<i>Building Size<sup>(1)</sup></i>	<i>Location</i>	<i>Asset and Land Value<sup>(1)</sup></i>
Moreno Beach Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	8.75 acres	N/A	Moreno Beach Drive and Cottonwood Avenue	\$10,817,611
Kitching Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	1.87 acres	N/A	Kitching Drive and Edwin Road	\$10,965,000
Conference and Recreation Center	Municipal conference and banquet facility; includes 8,200 square foot ballroom with full kitchen, reception patio, outdoor banquet patio, stage with two dressing rooms and video and movie screen; meeting rooms; office space for City’s Parks and Recreation Department	18.64 acres	42,413 square feet	Alessandro Boulevard	\$14,075,840
Corporate Yard	Corporate yard used for Purchasing/Stores, Street Maintenance, Fleet Maintenance and Parks Maintenance services	18.00 acres	57,876 square feet	Perris Boulevard	\$12,906,488
<b>Total</b>					<b>\$48,764,939<sup>(2)</sup></b>

<sup>(1)</sup> Figures are approximate.

<sup>(2)</sup> Such amount is greater than the principal amount of the Series 2021 Bonds and the outstanding Series 2019 Bonds.

The estimated value of the Property set forth above is based upon existing conditions. In connection with the issuance of the Series 2021 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments.

The City has the right to issue additional bonds and substitute or release all or a portion of the Property subject to certain conditions precedent. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Substitution, Addition and Removal of Property.”

## **THE AUTHORITY**

The Authority is a public body that is duly organized and existing under the Joint Exercise of Powers Agreement, dated as of October 28, 1997 (the “**JPA Agreement**”), by and between the City and the Community Redevelopment Agency of the City of Moreno Valley (the “**Agency**”), and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting the City in the financing and refinancing of public capital improvements by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the City nor the Agency is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the City Council of the City. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority. The Authority has acted as a conduit issuer for the City for a variety of financings.

## **THE CITY**

### **General**

The City is located in western Riverside County (the “**County**”), approximately 66 miles east of Los Angeles and 100 miles north of San Diego, California. The City had a population of approximately 209,426 as of January 1, 2021 and covers approximately 51.5 square miles. The City was incorporated on December 3, 1984 and is a general law city operating under a council/manager form of government. Further information concerning the City is set forth below and in Appendix F.

The City had approximately 251 full and part-time employees as of June 30, 2021. City employees are represented by three labor associations, the Moreno Valley City Employees Association (the “**MVCEA**”), which represented approximately 161 employees as of June 30, 2021, the Moreno Valley Management Association (the “**MVMA**”), which represented approximately 68 employees as of June 30, 2021, and the Moreno Valley Confidential Management Employee Association (the “**MVCMEA**”) which represented approximately 6 employees as of June 30, 2021. Relations between the City and the MVCEA, MVMA and MVCMEA are governed by memoranda of understanding that expire on June 30, 2023. A total of approximately 16 management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

The City provides or contracts for many municipal services for its residents, including libraries, parks, recreation, street and storm drain maintenance and electric utility services. The City contracts with the Riverside County Sheriff’s Department for police services and with the County for fire protection services, which services are provided by the California Department of Forestry and Fire Protection. Water and sewer service is provided by Eastern Municipal Water District and Box Springs Mutual Water Company.

### **Largest Employers**

The largest employer located in the City is the March Air Reserve Base, which currently employs approximately 9,600 people, representing approximately 10.08% of the total City employment. March Air Reserve Base is the home to the Air Force Reserve Command’s 4th Air Force Headquarters and the 452nd Air

Mobility Wing, the largest air mobility wing of the 4th Air Force. In addition to multiple units of the Air Force Reserve Command, the base supports the Air Mobility Command, Air Combat Command and Pacific Air Forces, and is home to units from the Army Reserve, Navy Reserve, Marine Corps Reserve and California Air National Guard.

Other large employers in the City include Amazon.com, which currently employs approximately 7,500 employees, the Riverside County Regional Medical Center, which currently employs approximately 3,400 employees, and the Moreno Valley Unified School District, which currently employs approximately 3,100 employees. Based on its close proximity to the counties of Los Angeles, Orange and San Diego, the City serves as a regional logistics and major distribution hub for many large manufacturers and retail companies, including Skechers USA, Inc., Deckers, Walgreen Company, Ross Dress for Less, Inc. and Harbor Freight Tools. Several large companies await completion of or have recently completed construction of distribution sites and fulfillment centers within the City limits, including e-retailer Amazon (NASDAQ symbol: AMZN), Deckers Outdoor Corporation (NASDAQ symbol: DECK), which designs, manufactures and markets Teva, UGG Australia, and other footwear brands, and Aldi, Inc., a European discount grocery retailer chain that has over 8,000 stores worldwide (including over 1,000 stores in the United States).

The table below sets forth the largest employers within the City as of June 30, 2020, the latest date for which such information is available.

**CITY OF MORENO VALLEY  
LARGEST EMPLOYERS – FISCAL YEAR 2020**

<i><b>Employer</b></i>	<i><b>Number of Employees</b></i>	<i><b>Type of Business</b></i>
March Air Reserve Base	9,600	Military
Amazon.com, Inc.	7,500	Fulfillment
Riverside University Health Systems Medical Center	3,400	Medical
Moreno Valley Unified School District	3,100	Public Agency
Ross Dress for Less / D D's Discounts	2,400	Distribution
Moreno Valley Mall (excludes major tenants)	1,500	Retail
Kaiser Permanente Community Hospital	1,457	Medical
Skechers USA	1,200	Distribution
Harbor Freight Tools	788	Distribution
Deckers Outdoor	700	Distribution

Source: City of Moreno Valley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

### **Government and Administration**

The City operates under a council-manager form of government. Councilmembers are elected by district for four-year alternating terms and the Mayor is elected at large. The City Manager, appointed by the City Council, serves as the City's chief administrative officer and is responsible for overseeing the daily operations of City departments and efficient management of all City business. Functions of the City Manager's Office include coordination of the implementation of City Council policies and programs; providing overall direction to the departments that administer City programs and services; coordinating intergovernmental relations and legislative advocacy; and administration of the City's communications, media relations and public information programs.

Mike Lee has served as the City Manager since June 2020. In this capacity he leads the daily operation of City government. Mr. Lee began working for the City in 2015, initially serving as the Community and Economic Development Director before being appointed Interim City Manager in December 2019. Mr. Lee's 25-year career in local government has included senior management positions at the cities of West Covina and Pomona. Mr. Lee has a Bachelor of Science degree in Urban and Regional Planning from



California State Polytechnic University, Pomona, and a Masters in Public Administration degree from the University of LaVerne.

Other key personnel responsible for management of the City include the Assistant City Manager/Chief Financial Officer/City Treasurer, the Treasury Operations Division Manager and the Electric Utility Division Manager. In addition, the City Attorney provides legal services to the City and the Authority.

Brian Mohan serves as the Assistant City Manager, Chief Financial Officer and Treasurer of the City. Mr. Mohan began working for the City in 2017, initially serving as the Financial Resources Division Manager. Mr. Mohan's 24-year career in local government has included senior management positions with the San Bernardino County Employees Retirement Association and the city of Rialto. Mr. Mohan has a Bachelor of Science degree in Business and Administration from California State University, San Bernardino.

Brooke McKinney is the Treasury Operations Division Manager of the City. Mr. McKinney was appointed Treasury Operations Division Manager in April 2002. Mr. McKinney has over 34 years of experience in municipal government and has held a variety of management positions in finance and administration of city and county government. Mr. McKinney has worked in a variety of management positions in the City's Finance Department over the past 19 years, including Revenue Officer, Assistant Treasurer and Treasury Operations Division Manager. Prior to his tenure at the City, Mr. McKinney worked for over 17 years as the Hospital Fiscal Officer at the Riverside County Regional Medical Center. Mr. McKinney holds a Bachelor's Degree in Business Administration from The Master's University in Santa Clarita, California.

Jeannette Olko is the Electric Utility Division Manager of the City. Ms. Olko was appointed the interim Electric Utility Division Manager of the City in July 2010, and the permanent Division Manager in November 2010. Ms. Olko has been working in the electric utility industry for over twenty years managing all utility aspects, including operations, customer billing, rates, power resources and finance. Prior to her tenure at the City, Ms. Olko served the City of Colton as the Electric Utility General Manager for 6 years. Ms. Olko obtained her Master's Degree in Business Administration and Bachelor's Degree from the University of California at Riverside.

Steve Quintanilla, President and owner of the Law Offices of Quintanilla & Associates, has served as contract Interim City Attorney and contract Interim General Legal Counsel for the City's affiliated agencies in 2014-2015, and recently from March 2020 to the present. Mr. Quintanilla has been an attorney for more than 25 years in private practice specializing in municipal law. He graduated with a juris doctorate from the University of California, Los Angeles School of Law.

## **Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has established two self-insurance funds to finance uninsured risks of loss up to a maximum of \$300,000 for each workers' compensation claim and \$250,000 for each general liability claim. For workers' compensation, the City participates in the CSAC Excess Insurance Authority, a joint powers authority, for claims in excess of coverage provided by its internal funds up to the statutory requirements. For general liability, the City participates in the Public Entity Risk Management Authority ("PERMA"), a joint powers authority, for claims in excess of coverage provided by its internal funds up to \$50,000,000. Claims have not exceeded the City's insurance coverage in any of the last three years.

The City purchases all-risk, replacement cost value property insurance coverage through PERMA up to a maximum amount of \$100,000,000. All property and improvements at the Property are insured under the City's property insurance coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Insurance."

No assurance can be given as to the adequacy of the insurance maintained now or in the future by the City to fund necessary repairs or replacement of any portion of the Property, and the City does not have any obligation under the Facilities Sublease to maintain earthquake coverage or other coverage in the current coverage amounts. Significant damage to any of the Property could cause Base Rental Payments to be abated. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Abatement” and “RISK FACTORS—Natural Disasters.”

### **COVID-19 Outbreak**

The spread of the novel strains of coronavirus collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“COVID-19”), and local, State and federal actions in response to COVID-19, have impacted the City’s operations and finances. In response to the increasing number of COVID-19 infections and fatalities, health officials and experts recommended, and some governments mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State temporarily closed some or all school campuses (including schools within the City) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives were extended indefinitely until indicators for modifying the stay-at-home order were met. The County also declared a state of emergency in response to the COVID-19 outbreak. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors was underway since mid-2020 in accordance with a four-stage re-opening plan that ended with a full reopening of the economy on June 15, 2021. Although pursuant to the re-opening plan certain restrictions on activities were eased, restrictions were also re-imposed in various jurisdictions (including the County) as local conditions warranted, and such restrictions may be renewed as the pandemic continues.

In addition, the Governor extended the deadline to file and pay spring 2020 property taxes for residential and certain commercial property owners and first quarter 2020 sales and use tax returns by 90 days for all but the very largest taxpayers. As a result of the extended deadline to file sales and use tax returns, it is estimated that up to 361,000 California businesses with less than \$5 million in taxable annual sales were permitted to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. These actions have resulted in delays in the receipt by the City of its portion of such tax payments.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) which provides, among other measures, \$150 billion in financial aid to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which were expended to address the impacts of the pandemic. The City received a total reimbursement of \$2,578,550 under the CARES Act. The funds received by the City under the CARES Act are not available for payment of the Series 2021 Bonds and cannot be used to backfill any City revenue losses related to COVID-19.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to October 2021) for them to use unspent funds that were previously approved under the CARES Act.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the “**ARP Act**”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately \$350 billion in aid to state and local governments such as the City, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments will be distributed in spring 2021, with the other half following in 2022. The City has been allocated a total of approximately \$48.3 million, of which approximately half was received in spring 2021. This funding is available for a broad range of uses, including responding directly to the health emergency, addressing its negative economic impacts with assistance to households and small businesses, restoring government services that were reduced in response to pandemic-related revenue losses and making certain necessary infrastructure improvements. The City has not yet determined how the ARP Act funds that it has received and expects to receive will ultimately be spent, but planning efforts are underway.

The effects of the COVID-19 outbreak and governmental actions responsive to it have altered the behavior of businesses and people in a manner that has had significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets caused the California Public Employees Retirement System’s (“**CalPERS**”) earnings to fall below its investment targets in Fiscal Year 2020, which could result in increases in the City’s unfunded pension liability and future pension costs commencing in Fiscal Year 2023. See the caption “**CITY FINANCIAL INFORMATION—Retirement Contributions.**” The outbreak resulted in increased pressure on State finances as budgetary resources were directed towards containing the pandemic and tax revenues sharply declined in early 2020. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak continue to occur throughout the United States, including the County.

Potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy, with corresponding decreases in General Fund revenues, including as a result of reduced sales which are subject to sales taxes, reduced hotel occupancy, which is subject to transient occupancy taxes, fewer business license applications and potential declines in property values. See the captions “**CITY FINANCIAL INFORMATION—Sales Taxes,**” “**CITY FINANCIAL INFORMATION—Property Taxes**” and “**CITY FINANCIAL INFORMATION—Other Taxes.**”

In response to the COVID-19 outbreak, the City declared a Local State of Emergency on March 17, 2020. The declaration empowered a Disaster Council (consisting of the Mayor, City Manager/Director of Emergency Services and Fire Chief) to convene in order to develop proposed responses to the outbreak for City Council consideration. The declaration of the Local State of Emergency enabled the City to streamline, and in certain cases, waive, its procurement procedures in order to ensure that the City is able to purchase supplies and enter into contracts on an expedited basis. The declaration also provided budget flexibility to the City Manager, which has allowed the City to respond to continually changing conditions arising from the pandemic that are difficult to forecast. As discussed in detail below, although the impact of the COVID-19 outbreak on City finances has not been as significant or long-lasting as initially expected, the City Council has extended the Local State of Emergency several times since March 17, 2020 in order to continue to provide City leadership with the flexibility to respond to the effects of the pandemic in a timely manner. City staff expect to continue to recommend that the City Council extend the Local State of Emergency declaration for the foreseeable future.

In addition, the City has modified its operations to implement remote work opportunities for employees and provide City services online, temporarily closed many City facilities to the public, cancelled many programs, rentals and community events and deferred several non-essential capital improvement projects. With improvements in local case rates, the City has phased in the resumption of normal operations and activities while complying with public health orders and California Occupational Safety and Health Administration COVID-19 Prevention Plan mandates. Large gatherings of City personnel at any one time

were prohibited for much of 2020 and early 2021 per health officer orders and on-site personnel wore masks and practiced social distancing while working. City Council and other board meetings occurred via teleconference, and public comment and participation for City Council meetings was also conducted via teleconference and electronic means. The City has not experienced and does not at this time foresee a future negative impact on the execution of City services as a result of the COVID-19 outbreak. The City has worked diligently to provide its employees with personal protective equipment and voluntary access to vaccinations. To date, there has been no evidence of employee-to-employee transmission or contraction of COVID-19 from members of the public in the course of an employee's work. However, there can be no assurance that absences of employees or City leadership due to COVID-19 will not adversely impact City operations.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the City and the General Fund is unknown.

The City reports that Fiscal Year 2019-20 General Fund expenditures were lower than originally budgeted by approximately \$4.2 million (3.9%) as the City implemented measures to reduce expenditures in response to the COVID-19 pandemic in the last quarter of the Fiscal Year. However, Fiscal Year 2019-20 General Fund revenues came in higher than budgeted by approximately \$2.7 million (2.4%) as revenues from taxes, licenses and permits, use of money and property and charges for services were not affected as drastically as originally anticipated. As a result, the overall effect of the COVID-19 outbreak on the General Fund in Fiscal Year 2019-20 was not material. See the caption "CITY FINANCIAL INFORMATION—Budget Procedure, Current Budget and Historical Budget Information."

Fiscal Year 2020-21, as the second year of a two-year budget cycle adopted by the City Council, was developed conservatively, and the budget was amended prior to the beginning of the Fiscal Year to account for the projected impacts of the continuing COVID-19 outbreak. As amended, the Fiscal Year 2020-21 budget reflected: (i) an increase in General Fund expenditures of approximately \$3.8 million (3.7%) above audited Fiscal Year 2019-20 General Fund expenditures; and (ii) a decrease in General Fund revenues of approximately \$5.1 million (4.5%) from audited Fiscal Year 2019-20 General Fund revenues. Based on available information to date, the City is currently estimating that Fiscal Year 2020-21 General Fund expenditures will be approximately \$8.8 million lower than budgeted (and approximately \$5.0 million lower than audited Fiscal Year 2019-20 General Fund expenditures), while Fiscal Year 2020-21 General Fund revenues will be approximately \$15.4 million higher than budgeted (and approximately \$10.2 million higher than Fiscal Year 2019-20 audited General Fund revenues). See the captions "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City" and "CITY FINANCIAL INFORMATION—Budget Procedure, Current Budget and Historical Budget Information."

The City continues to actively monitor General Fund revenues and expenditures so that any further impacts of the COVID-19 pandemic can be anticipated. The City does not currently expect that the COVID-19 outbreak will have a material adverse effect on the City's ability to repay the Series 2021 Bonds.

## **CITY FINANCIAL INFORMATION**

### **Accounting and Financial Reporting**

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles and the standards established by the Governmental Accounting Standards Board ("GASB"). On a quarterly basis, a report is prepared for the City Council and City staff which reviews fiscal performance to date against the budget. Combined financial statements of the City and its component units are produced following the close of each Fiscal Year.

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, under which revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The City's governmental fund (including the General Fund) financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, under which revenues are recognized as soon as they are both measurable and available (i.e. collectible within the current period or soon enough thereafter to pay liabilities of the current period), and expenditures are recorded when a liability is incurred.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. Base Rental Payments will be paid from any legally available funds of the City, though such payments are expected to be paid from the net revenues of the Electric Utility. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2020 is set forth in Appendix B.

### **General Economic Condition and Outlook of the City**

***Fiscal Policies.*** In 2017, the City adopted a comprehensive financial reserve policy (the “**Reserve Policy**”) to direct the City's \$306 million in reserves for specific purposes. This policy is anticipated to help maintain the City's financial stability, protect against future economic downturns which bring unpredictable shortfalls in tax revenue and better prepare the City, its residents and its businesses for a catastrophic natural disaster.

The Reserve Policy categorizes the City's reserves into a Cash Flow fund, a Rainy Day fund (also called the Economic Uncertainty Reserve) and an Emergency fund (also called the Operating Reserve). The Cash Flow fund's target level is 17% of General Fund expenses, which allows the City to provide services before the receipt of the City's first tranche of property tax payments (seven months after the start of the Fiscal Year).

The Rainy Day fund's target level is 10% of the City's General Fund, which is intended to ensure that the City has the flexibility to continue to deliver quality services during economic downturns, which can reduce sales and property tax revenues which support the full range of services provided to residents.

The Emergency fund's target level is 12% of the City's General Fund, which is intended to ensure that the City can respond to a catastrophic earthquake, flood, fire or other disaster. The fund also provides a financial buffer in the event that the City is forced to wait for receipt of federal disaster relief funds.

The amounts that are currently held in the Cash Flow, Rainy Day and Emergency funds meet the above-described target levels. The City has not applied any of its reserves to cover funding shortfalls during the COVID-19 pandemic.

**Strategic Plan.** In 2016, after soliciting significant public input via public meetings, online surveys and other community outreach efforts, the City adopted a strategic plan, known as “Momentum MoVal.” Momentum MoVal aligns the City’s resources and creative energy toward meeting six objectives identified by community stakeholders and approved by elected leaders. Momentum MoVal was intended to govern the first five years after adoption while allowing the City Council to adjust priorities as needed to address emerging issues.

Momentum MoVal identified the following City priorities:

- *Economic Development*, including attracting new businesses to the City, creating jobs, entering into strategic partnerships and developing the City’s workforce.
- *Public Safety*, including reducing crime, preparing for emergencies and exploring cost-effective solutions.
- *Library*, including both traditional and virtual methods of delivering services to residents.
- *Infrastructure*, including managing infrastructure and exploring cost-effective solutions to maintaining existing assets.
- *Beautification, Community Engagement and Quality of Life*, including caring for the environment and providing cultural and recreational opportunities.
- *Youth Programs*, including expanding healthy lifestyle choices and learning opportunities.

Momentum MoVal also sets forth detailed means of achieving the above objectives, as well the timeline to undertake each task.

The City continues to focus on the priorities established through Momentum MoVal and, during the most recent and future budgeting cycles, projects will be identified with these priorities in mind.

**Summary of General Fund Results and Budgets.** As of June 30, 2021, based on unaudited information that is available to date, the General Fund had a year-end surplus (revenues in excess of expenditures) of approximately \$25.2 million (exclusive of interfund transfers), which was more than the year-end surplus of \$1.0 million that was projected in the Fiscal Year 2020-21 General Fund budget. The budget surplus was the result of renewed economic activity during the second half of Fiscal Year 2021 as the COVID-19 outbreak that is discussed under the caption “THE CITY—COVID-19 Outbreak” waned in the City’s region.

For Fiscal Year 2021-22, the adopted General Fund operating budget projects revenues of \$118.5 million, which is approximately \$5.5 million (4.5%) below actual Fiscal Year 2020-21 revenues. The adopted Fiscal Year 2021-22 General Fund operating budget projects expenditures of \$114.6 million (excluding transfers out), which is approximately \$15.7 million (15.9%) above actual Fiscal Year 2020-21 expenditures.

For Fiscal Year 2022-23, the adopted General Fund operating budget projects revenues of \$124.5 million, which is approximately \$6 million (5.1%) above budgeted Fiscal Year 2021-22 revenues. The adopted Fiscal Year 2022-23 General Fund operating budget projects expenditures of \$124.5 million, which is approximately \$6 million (5.1%) above budgeted Fiscal Year 2021-22 expenditures.

See the caption “—Budget Procedure, Current Budget and Historical Budget Information” for additional information relating to the adopted budget for Fiscal Years 2021-22 and 2022-23.

### Budget Procedure, Current Budget and Historical Budget Information

**Budget Timeline.** The City currently operates on a two-year operating budget cycle. The current budget was approved on May 4, 2021 and governs the period beginning on July 1, 2021 for Fiscal Years 2021-22 and 2022-23. The budget includes all funding sources of the City, including the General Fund, Community Services District and the Successor Agency of the former Redevelopment Agency. The City’s budget process is described below.

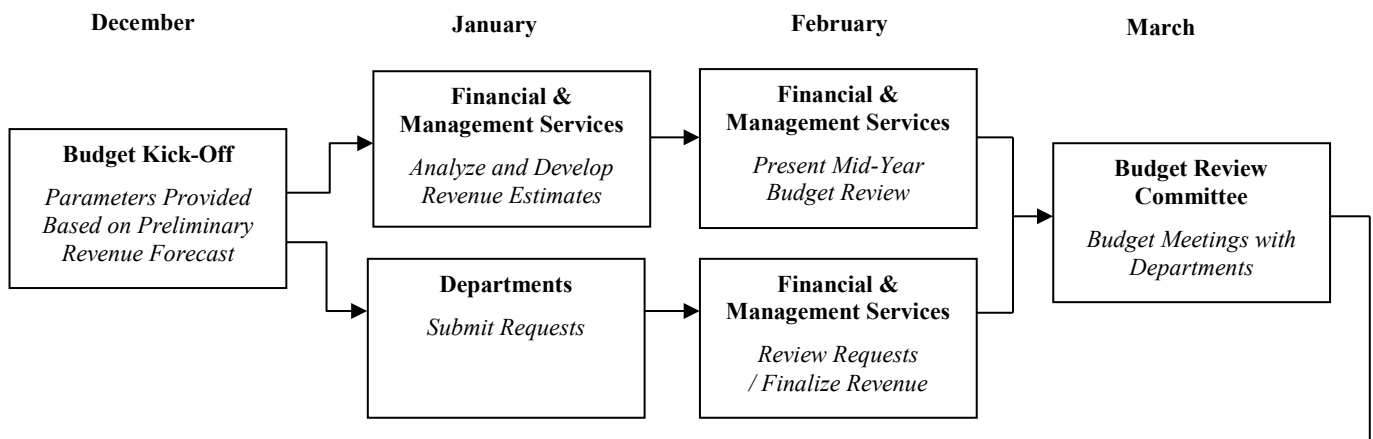
At such time as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for the applicable department for the ensuing two Fiscal Years, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences regarding the estimates with the respective department heads and revises the estimates as the City Manager deems advisable. The City Council has directed staff to develop a balanced budget.

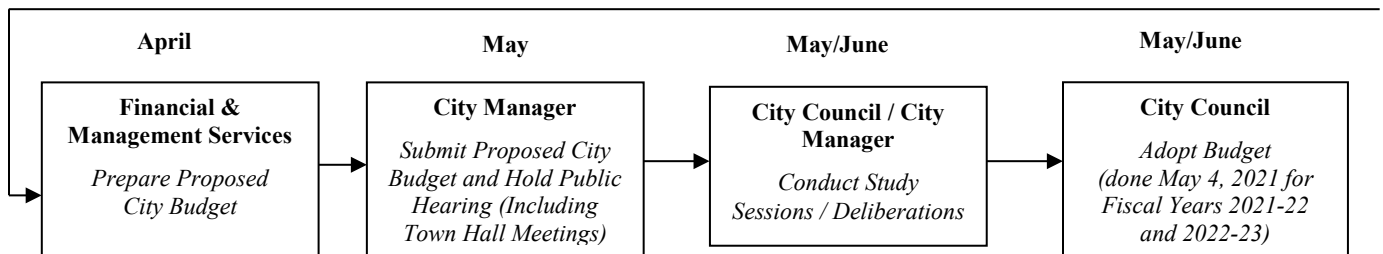
Prior to June 30 of every second Fiscal Year, the City Manager submits to the City Council a proposed budget for the two year period commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30 of the applicable Fiscal Year, public hearings are conducted to obtain public comments and the budget is legally enacted through the passage of a resolution. The budget is subject to amendment throughout the two year period to reflect actual financial performance.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named. The City Manager is authorized to transfer budgeted amounts between line items within a department or activity, and between departments and programs within the same fund, provided that the total appropriation does not exceed the budgeted amount. All other transfers or amendments require City Council approval. The City Manager and affected department heads are mutually responsible for controlling expenditures within budgeted appropriations. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered. At a public meeting after the adoption of the budget the City Council may amend or supplement the budget by motion adopted by three affirmative votes of members of the City Council. Following the end of the first Fiscal Year of the two-year budget cycle, the City Manager proposes interim changes, if any, to the City Council in July of such Fiscal Year.

A summary of the actions taken during the budgetary process is set forth below:

#### CITY OF MORENO VALLEY BUDGET PROCESS





Source: City.

The City conducts its annual financial audit between August and November each year, and such audit is typically accepted by the City Council by December of such year. In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for over 20 consecutive years.

**Current Budget.** For Fiscal Year 2021-22, the adopted General Fund operating budget projects revenues of \$118.5 million, which is approximately \$5.5 million (4.5%) below actual Fiscal Year 2020-21 revenues. The adopted Fiscal Year 2021-22 General Fund operating budget projects expenditures of \$114.6 million (excluding transfers out), which is approximately \$15.7 million (15.9%) above actual Fiscal Year 2020-21 expenditures.

For Fiscal Year 2022-23, the adopted General Fund operating budget projects revenues of \$124.5 million, which is approximately \$6 million (5.1%) above budgeted Fiscal Year 2021-22 revenues. The adopted Fiscal Year 2022-23 General Fund operating budget projects expenditures of \$124.5 million (including transfers out), which is approximately \$6 million (5.1%) above budgeted Fiscal Year 2021-22 expenditures.

The General Fund operating budget for Fiscal Years 2021-22 and 2022-23 reflects the following significant assumptions: (a) the City will not hire any additional employees; (b) assessed valuations of property will increase by 8.9% and 6.2% in Fiscal Years 2021-22 and 2022-23, respectively; (c) sales tax revenues will increase by 5.7% and 3.5% (before adjustments) in Fiscal Years 2021-22 and 2022-23, respectively; (d) utility taxes will remain relatively flat compared to Fiscal Year 2020-21 amounts; (e) transient occupancy tax revenues will increase 34% and 11% in Fiscal Years 2021-22 and 2022-23, respectively, given the construction of new hotels within the City; and (f) miscellaneous revenues, including fees for services, licenses and permits and fines and forfeitures, are conservatively estimated to decrease by 11.1% in Fiscal Year 2021-22 compared to audited Fiscal Year 2019-20 amounts.



Set forth in Table 1 are recent General Fund budgets and results of the City, excluding transfers in and out. During the course of each Fiscal Year, the budget is amended and revised as necessary by the City Council.

**TABLE 1  
CITY OF MORENO VALLEY  
GENERAL FUND BUDGETS AND RESULTS**

	<i>Fiscal Year 2017-18 Final Budget</i>	<i>Fiscal Year 2017-18 Audited Results</i>	<i>Fiscal Year 2018-19 Final Budget</i>	<i>Fiscal Year 2018-19 Audited Results</i>	<i>Fiscal Year 2019-20 Final Budget</i>	<i>Fiscal Year 2019-20 Audited Results</i>	<i>Fiscal Year 2020-21 Final Budget</i>	<i>Fiscal Year 2020-21 Unaudited Results</i>	<i>Fiscal Year 2021-22 Adopted Budget</i>
<b>Revenues</b>									
Property Taxes	\$ 13,930,000	\$ 14,696,576	\$ 14,704,000	\$ 15,623,696	\$ 16,208,300	\$ 17,217,684	\$ 16,637,300	\$ 18,432,636	\$ 18,026,000
Property Taxes in lieu <sup>(1)</sup>	18,300,000	18,406,258	19,600,000	19,577,636	20,730,000	21,232,068	21,290,000	22,738,372	23,855,000
Utility Taxes	16,200,000	15,629,102	16,000,000	15,483,806	15,617,540	15,499,534	15,717,540	16,275,808	15,717,540
Sales Taxes	18,275,000	19,192,515	19,918,810	21,208,442	16,376,010	20,498,386	17,924,103	28,523,710 <sup>(5)</sup>	22,225,000
Other Taxes <sup>(2)</sup>	12,262,037	11,764,029	12,599,000	12,303,492	11,728,787	12,970,014	12,627,832	15,018,631	15,233,787
Licenses & Permits	3,400,277	3,020,868	4,717,072	3,468,511	5,197,135	3,843,038	5,173,535	4,193,378	5,363,135
Intergovernmental	930,827	965,854	684,061	722,703	336,480	536,799	3,016,243	3,145,436	418,239
Charges for Services	12,770,824	13,673,162	13,137,033	13,650,496	11,859,947	11,947,306	11,400,533	12,516,707	12,531,982
Use of Money & Property	6,171,858	4,914,487	4,222,858	7,195,588	4,970,806	9,048,856	4,413,853	1,560,122	4,466,853
Fines & Forfeitures	662,050	612,357	662,050	729,939	449,500	573,901	301,343	764,279	499,500
Miscellaneous	97,197	250,155	69,647	223,303	172,336	416,775	165,600	864,339	166,000
<b>Total Revenues</b>	<b>\$ 103,000,070</b>	<b>\$ 103,125,363</b>	<b>\$ 106,314,531</b>	<b>\$ 110,187,612</b>	<b>\$ 103,646,841</b>	<b>\$ 113,784,361</b>	<b>\$ 108,667,882</b>	<b>\$ 124,033,418</b>	<b>\$ 118,503,036</b>
<b>Expenditures</b>									
Personnel Services	\$ 19,930,362	\$ 21,317,221	\$ 22,223,524	\$ 22,566,192	\$ 24,916,106	\$ 27,238,552	\$ 23,092,443	\$ 21,039,318	\$ 24,444,904
Contractual Services	67,304,151	63,611,354	71,242,099 <sup>(3)</sup>	64,236,360	70,407,080	67,759,976	75,326,625	69,416,701	82,714,899
Materials & Supplies	5,784,998	4,476,098	5,421,077	2,895,779	5,771,579	3,249,489	4,252,613	3,052,290	1,240,580
Fixed Charges	6,176,169	5,961,968	5,909,611	5,631,501	4,934,911	5,540,701	4,934,910	5,282,096	6,166,821
Fixed Assets	366,678	243,806	74,680	-	355,878	64,888	57,546	48,944	-
<b>Total Expenditures</b>	<b>\$ 99,562,358</b>	<b>\$ 95,610,447</b>	<b>\$ 104,870,991</b>	<b>\$ 95,329,832</b>	<b>\$ 106,385,554</b>	<b>\$ 103,853,606</b>	<b>\$ 107,664,137</b>	<b>\$ 98,839,349</b>	<b>\$ 114,567,204</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 3,437,712</b>	<b>\$ 7,514,916</b>	<b>\$ 1,443,540</b>	<b>\$ 14,857,780</b>	<b>\$ (2,738,713)<sup>(4)</sup></b>	<b>\$ 9,930,755</b>	<b>\$ 1,003,745</b>	<b>\$ 25,194,069</b>	<b>\$ 3,935,832</b>

<sup>(1)</sup> See the caption “—State of California Motor Vehicle In-Lieu Payments.”

<sup>(2)</sup> Includes franchise fees, business license fees and transient occupancy tax revenues. See the caption “—Other Taxes.”

<sup>(3)</sup> The increase in contractual services primarily reflects increased budgeted costs related to cannabis services, fire services and police protection services.

<sup>(4)</sup> The budgeted deficiency in Fiscal Year 2019-20 reflected conservative budgeting and the anticipation that City reserves would be used to balance the budget in light of the COVID-19 outbreak.

<sup>(5)</sup> Increase reflects restructured ownership of certain fulfillment centers and logistics warehouses in the City, as a result of which sales tax revenues were delivered directly to the City rather than to the County sales tax pool in Fiscal Year 2020-21. The City notes that the delivery of such revenues directly to the City may not recur in future Fiscal Years and believes that it is prudent to defer a portion of these revenues as a conservative budgeting measure. For these reasons, the City expects that final audited Fiscal Year 2020-21 sales tax revenues amounts will be lower than shown in the table.

Sources: Adopted budgets of the City for Fiscal Years 2017-18 through 2021-22; audited financial statements of the City for Fiscal Years 2017-18 through 2019-20; City for Fiscal Years 2020-21 and 2021-22.

## Change in Fund Balance of the City General Fund

Set forth in Table 2 are the City's General Fund statements of revenues, expenditures and changes in fund balance for the last five Fiscal Years.

**TABLE 2**  
**CITY OF MORENO VALLEY**  
**GENERAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

	<i>Fiscal Year Ended June 30,</i>				
	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021<sup>(1)</sup></i>
<b>Revenues</b>					
Taxes					
Property Taxes	\$ 13,593,075	\$ 14,696,576	\$ 15,623,696	\$ 17,217,684	\$ 18,432,636
Property Taxes in lieu <sup>(2)</sup>	17,430,250	18,406,258	19,577,636	21,232,068	22,738,372
Utility Taxes	15,613,484	15,629,102	15,483,806	15,499,534	16,275,808
Sales Taxes	18,395,442	19,192,515	21,208,442	20,498,386	28,523,710 <sup>(4)</sup>
Other Taxes <sup>(3)</sup>	10,537,023	11,764,029	12,303,492	12,970,014	15,018,631
Licenses & Permits	2,860,486	3,020,868	3,468,511	3,843,038	4,193,378
Intergovernmental	548,813	965,854	722,703	536,799	3,145,436
Charges for Services	11,235,601	13,673,162	13,650,496	11,947,306	12,516,707
Use of Money & Property	1,495,992	4,914,487	7,195,588	9,048,856	1,560,122
Fines & Forfeitures	588,449	612,357	729,939	573,901	764,279
Miscellaneous	241,368	250,155	223,303	416,775	864,339
<b>Total Revenues</b>	<u>\$ 92,539,983</u>	<u>\$103,125,363</u>	<u>\$110,187,612</u>	<u>\$113,784,361</u>	<u>\$124,033,418</u>
<b>Expenditures</b>					
Current					
General Government	\$ 16,138,505	\$ 14,885,630	\$ 15,109,570	\$ 18,262,308	\$ 15,921,654
Public Safety	55,989,631	61,170,062	60,540,145	63,893,676	64,055,602
Community Development	6,581,760	10,280,985	11,402,636	11,931,934	10,124,249
Public Works	5,505,869	5,874,494	6,666,003	7,817,557	6,585,434
Capital Outlay	2,685,494	3,399,276	1,611,478	1,948,131	2,152,410
<b>Total Expenditures</b>	<u>\$ 86,901,259</u>	<u>\$ 95,610,447</u>	<u>\$ 95,329,832</u>	<u>\$103,853,606</u>	<u>\$ 98,839,349</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	<u>\$ 5,638,724</u>	<u>\$ 7,514,916</u>	<u>\$ 14,857,780</u>	<u>\$ 9,930,755</u>	<u>\$ 25,194,069</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	\$ 2,547,650	\$ 3,712,478	\$ 2,103,241	\$ 217,760	\$ 753,216
Transfers Out	<u>(3,176,672)</u>	<u>(11,673,178)</u>	<u>(6,949,286)</u>	<u>(5,411,389)</u>	<u>(4,820,216)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (629,022)</u>	<u>\$ (7,924,700)</u>	<u>\$ (4,846,045)</u>	<u>\$ (5,193,629)</u>	<u>\$ (4,067,000)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 5,009,702</u>	<u>\$ (409,784)</u>	<u>\$ 10,011,735</u>	<u>\$ 4,737,126</u>	<u>\$ 21,127,069</u>
<b>Fund Balances, Beginning of Year</b>	<u>\$ 51,122,035</u>	<u>\$ 56,131,738</u>	<u>\$ 55,721,954</u>	<u>\$ 65,733,689</u>	<u>\$ 70,470,815</u>
<b>Fund Balances, End of Year</b>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>	<u>\$ 65,733,689</u>	<u>\$ 70,470,815</u>	<u>\$ 91,597,884</u>

(1) Reflects unaudited actual results based on available information to date. Subject to change.

(2) See the caption "—State of California Motor Vehicle In-Lieu Payments."

(3) Includes franchise fees, business license fees and transient occupancy tax revenues. See the caption "—Other Taxes."

(4) Increase reflects restructured ownership of certain fulfillment centers and logistics warehouses in the City, as a result of which sales tax revenues were delivered directly to the City rather than to the County sales tax pool in Fiscal Year 2020-21. The City notes that the delivery of such revenues directly to the City may not recur in future Fiscal Years and believes that it is prudent to defer a portion of these revenues as a conservative budgeting measure. For these reasons, the City expects that final audited Fiscal Year 2020-21 sales tax revenues amounts will be lower than shown in the table.

Sources: Audited financial statements of the City for Fiscal Years 2016-17 through 2019-20; City for Fiscal Year 2020-21.

## General Fund Balance Sheets of the City

Set forth in Table 3 are the City's General Fund balance sheets for the last five Fiscal Years.

**TABLE 3**  
**CITY OF MORENO VALLEY**  
**GENERAL FUND BALANCE SHEETS**

	<i>Fiscal Year Ended June 30,</i>				
	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021<sup>(1)</sup></i>
<b>Assets</b>					
Pooled Cash and Investments	\$ 59,667,770	\$ 61,538,811	\$ 64,534,397	\$ 68,767,430	\$ 70,272,457
Receivables					
Accounts	2,126,501	2,147,268	2,081,202	2,207,456	2,422,637
Notes to Successor Agency	14,042,341	13,279,341	12,516,341	11,753,341	10,990,341
Interest	573,221	957,808	1,160,418	991,399	661,485
Other	-	-	-	7,336	7,336
Prepaid Costs	221,555	197,263	339,973	409,162	475,360
Due from Other Governments	4,632,696	4,900,166	5,608,118	4,873,657	6,238,761
Due from Other Funds	5,097,520	1,567,361	1,867,562	2,966,880	28,335,655
Advances to Other Funds	4,390,500	4,809,000	4,400,000	4,700,000	5,050,000
Land Held for Resale	-	2,860,044	2,860,044	2,860,044	2,856,471
<b>Total Assets</b>	<u>\$ 90,752,104</u>	<u>\$ 92,257,062</u>	<u>\$ 95,368,055</u>	<u>\$ 99,536,705</u>	<u>\$ 127,310,503</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 21,189,864	\$ 22,614,012	\$ 16,492,002	\$ 10,751,549	\$ 11,650,079
Accrued Liabilities	1,474,388	1,138,299	1,438,182	3,235,422	1,326,556
Deposit Payable	-	-	-	-	7,348,471
Unearned Revenues	899,810	1,149,339	643,741	432,970	623,312
Due to Other Governments	5,894	26,380	1,557	4,742,713	4,341,208
<b>Total Liabilities</b>	<u>\$ 23,569,956</u>	<u>\$ 24,928,030</u>	<u>\$ 18,575,482</u>	<u>\$ 19,162,654</u>	<u>\$ 25,289,626</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	\$ 11,050,411	\$ 11,607,078	\$ 11,058,884	\$ 9,903,236	\$ 10,199,923
<b>Total Deferred Inflows of Resources</b>	<u>\$ 11,050,411</u>	<u>\$ 11,607,078</u>	<u>\$ 11,058,884</u>	<u>\$ 9,903,236</u>	<u>\$ 10,199,923</u>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Prepaid Costs	\$ 221,555	\$ 197,263	\$ 339,973	\$ 416,498	\$ 475,360
Land Held for Resale	-	2,860,044	2,860,044	2,860,044	2,856,471
Notes to Successor Agency	3,783,003	3,578,367	3,373,731	3,169,095	3,169,095
Advances to Other Funds	4,390,500	4,809,000	4,400,000	4,700,000	5,050,000
<b>Committed to</b>					
Revolving Line of Credit	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Maintenance of Pedestrian Bridge	167,954	180,763	195,276	195,276	225,234
Operating Reserve <sup>(2)</sup>	10,591,737	11,063,331	13,392,552	13,392,552	13,392,552
<b>Assigned to</b>					
Economic Uncertainty Reserve <sup>(3)</sup>	8,826,447	9,219,443	11,160,460	11,160,460	11,160,460
Continuing Appropriations	1,180,748	1,523,491	4,454,344	1,480,786	1,640,622
GASB 31	-	-	818,768	4,854,105	2,263,612
<b>Unassigned</b>	<u>24,369,793</u>	<u>19,690,252</u>	<u>22,138,541</u>	<u>25,641,999</u>	<u>48,987,548</u>
<b>Total Fund Balances</b>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>	<u>\$ 65,733,689</u>	<u>\$ 70,470,815</u>	<u>\$ 91,820,954</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 90,752,104</u>	<u>\$ 92,257,062</u>	<u>\$ 95,368,055</u>	<u>\$ 99,536,705</u>	<u>\$ 127,310,503</u>

<sup>(1)</sup> Reflects unaudited actual results based on available information to date. Subject to change.

<sup>(2)</sup> Also referred to in the Reserve Policy as the Emergency fund. See the caption "—General Economic Condition and Outlook of the City—Fiscal Policies."

<sup>(3)</sup> Also referred to in the Reserve Policy as the Rainy Day fund. See the caption "—General Economic Condition and Outlook of the City—Fiscal Policies."

Sources: Audited financial statements of the City for Fiscal Years 2016-17 through 2019-20; City for Fiscal Year 2020-21.

## Property Taxes

Property tax receipts of \$17,217,684 (excluding motor vehicle license fee in-lieu payments, which are discussed under the caption “—State of California Motor Vehicle In-Lieu Payments”), provided the third largest tax revenue source of the City in Fiscal Year 2019-20, contributing approximately 19.69% of General Fund tax revenues and approximately 15.13% of total General Fund revenues during Fiscal Year 2019-20.

The City’s Fiscal Year 2020-21 budget reflected the receipt of \$16,637,300 in property tax revenues, approximately 2.6% higher than the Fiscal Year 2019-20 budgeted amount. However, based on available information to date, the City currently estimates that actual Fiscal Year 2020-21 property tax receipts will be \$18,432,636.

Property in the State which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax that is levied on unsecured property may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of other liens.

The exclusive means of compelling the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent. The taxing authority has three methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) obtaining a judgment lien on certain property of the taxpayer from the county clerk or county recorder; and (3) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code were suspended until May 6, 2021 to the extent that they required a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest were cancelled under the conditions provided for in Order N-61-20, including if the property was residential real property occupied by the taxpayer or qualified as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer filed a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. See the caption “THE CITY—COVID-19 Outbreak.” These actions prevented the City from receiving penalties and interest on delinquent property tax payments in 2020 and 2021, but did not have a material impact on total property tax revenues received by the City during such period.

State law also provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year.

See the caption “RISK FACTORS—Split Roll Initiative” for a discussion of an initiative that appeared on the November 2020 Statewide ballot which sought to amend provisions of State law relating to property taxes, including the provisions that are discussed above.

For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“ERAF”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2004-05 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2004-05 and 2005-06.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the City.

On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State of California from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% *ad valorem* property tax revenues which the City currently expects to receive will not be temporarily shifted from the City or reduced pursuant to State legislation enacted in the future, including in response to State budget deficits in the wake of the COVID-19 pandemic. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.” If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% property tax revenues by the City.

Set forth in Table 4 are the secured and unsecured assessed valuations for property in the City for the last five Fiscal Years.

**TABLE 4**  
**CITY OF MORENO VALLEY**  
**ASSESSED VALUATION HISTORY<sup>(1)</sup>**

<i><b>Fiscal Year</b></i>	<i><b>Secured Value</b></i>	<i><b>Unsecured Value</b></i>	<i><b>Total Assessed Value</b></i>	<i><b>Less Exemptions</b></i>	<i><b>Taxable Assessed Value</b></i>	<i><b>Direct Tax Rate</b></i>
2017	\$13,703,128	\$609,642	\$14,312,770	\$(265,286)	\$14,047,484	0.00172%
2018	14,517,849	584,791	15,102,640	(273,025)	14,829,615	0.00169
2019	15,490,166	637,631	16,127,798	(360,916)	15,766,881	0.00166
2020	16,780,625	718,741	17,499,366	(494,977)	17,004,389	0.00162
2021	17,993,472	744,145	18,737,617	(396,784)	18,340,823	0.00160

<sup>(1)</sup> Figures are in thousands of dollars.

Sources: Comprehensive Annual Financial Report of the City for Fiscal Year Ended June 30, 2020; County Assessor’s Office.

Set forth in Table 5 are property tax collections (including amounts that do not constitute General Fund moneys) and delinquencies in the City as of June 30 for the last five Fiscal Years. Although the County has not formally adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State, under a longstanding County policy, the County Auditor-Controller distributes 100% of property tax revenues allocated to each city in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the City receives no adjustments for redemption

payments on delinquent collections. The City does receive supplemental taxes. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

**TABLE 5**  
**CITY OF MORENO VALLEY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**

<i>Fiscal Year</i>	<i>Total Tax Levy</i>	<i>Collections within the Fiscal Year of Levy<sup>(1)</sup></i>	<i>Percent of Levy Collected within the Fiscal Year of Levy</i>	<i>Collections in Subsequent Years</i>	<i>Percent of Levy Collected to Date</i>
2016	\$27,643,578	\$27,249,232	98.57%	\$394,345	100.00%
2017	28,476,155	28,270,448	99.28	205,707	100.00
2018	29,595,157	29,425,906	99.43	169,250	100.00
2019	30,459,787	30,334,346	99.59	125,440	100.00
2020	31,609,650	31,609,650	100.00	-	100.00

<sup>(1)</sup> The amounts shown in this column reflect all property tax collections of the City, including non-General Fund moneys. See Table 2 under the caption “—Change in Fund Balance of the City General Fund” for historic General Fund property tax revenues alone.

Source: Comprehensive Annual Financial Report of the City for Fiscal Year Ended June 30, 2020.

Information with respect to the ten largest property taxpayers in the City as shown on the Fiscal Year 2020-21 tax roll is set forth in Table 6.

**TABLE 6**  
**CITY OF MORENO VALLEY**  
**TEN LARGEST PROPERTY TAXPAYERS**

<i>Taxpayer</i>	<i>2021 Taxable Assessed Valuation</i>	<i>% of Total Assessed Valuation<sup>(1)</sup></i>
First Industrial LP <sup>(2)</sup>	\$ 259,943,079	1.48%
TGA Centerpointe LLC <sup>(2)</sup>	259,182,000	1.47
Duke Realty LP <sup>(2)</sup>	257,816,612	1.47
Prologis	205,233,449	1.17
Breit MF Day Street LLC	168,633,887	0.96
Skechers USA, Inc.	163,966,169	0.93
Prologis Targeted US Logistics Fund	148,595,471	0.84
Ross Dress for Less, Inc.	145,842,276	0.83
FR California Moreno Valley	127,943,090	0.73
FR California Indian Avenue	121,662,713	0.69
<b>TOTAL</b>	<b>\$ 1,858,818,746</b>	<b>10.56%</b>

<sup>(1)</sup> Fiscal Year 2020-21 total taxable assessed value: approximately \$17,597,632,130.

<sup>(2)</sup> Each of these taxpayers have filed property tax assessment appeals with the County. The City is unable to determine the likelihood of success of such appeals or the magnitude of reductions in property tax assessments as a result of successful appeals, if any.

Source: HdL Coren & Cone.

## Sales Taxes

Sales tax receipts of \$20,498,386 provided the second largest tax revenue source for the City in Fiscal Year 2019-20, contributing approximately 23.44% of General Fund tax revenues and approximately 18.02% of

total General Fund revenues during Fiscal Year 2019-20. Automobile sales at the Moreno Valley Auto Mall and business activity at fulfillment centers and logistics warehouses throughout the City contribute significantly to such receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the California Department of Tax and Fee Administration (the “CDTFA”). The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 7.75%.

As discussed under the caption “THE CITY—COVID-19 Outbreak,” the Governor extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. These actions resulted in delays in the receipt by the City of its portion of such tax payments.

Additional information relating to sales tax receipts by the City is set forth in Appendix F.

The City Council has placed a measure on the November 2, 2021 ballot to increase the sales tax rate in the City from 7.75% to 8.75%, with no sunset provision. This rate would match the sales tax rate in certain neighboring cities. If the increase in the sales tax rate is approved by City voters, the additional sales tax proceeds, which are currently estimated at approximately \$20 million per year, would be applied to a variety of general purposes, including public safety, infrastructure and transportation. There can be no assurance that City voters will approve the increase in the sales tax rate, and the City’s Fiscal Year 2021-22 budget does not reflect the receipt of any additional sales tax proceeds arising from an increase in the sales tax rate.

### **Utility Taxes**

Utility tax receipts of \$15,499,534 provided the fourth largest tax revenue source for the City in Fiscal Year 2019-20, contributing approximately 17.73% of General Fund tax revenues and approximately 13.62% of total General Fund revenues during Fiscal Year 2019-20. The utility tax is imposed upon utility users in the City, including users of electricity, gas, telephone, mobile telephone and water services, at the rate of 5.75%. Exemptions are available for low-income residents. Proceeds of the utility tax are used to fund police, fire, library, school crossing guard, animal control, code enforcement and street maintenance programs and other activities funded by the General Fund.

The City notes that the utility tax does not have a sunset provision and has been a stable revenue source which has enabled the City to manage its finances during economic downturns that negatively affected other tax revenue sources, including the 2008-09 financial crisis and the pandemic-induced recession in 2020.

### **Other Taxes**

Other tax receipts of \$12,970,014 collected by the City in Fiscal Year 2019-20, including but not limited to transient occupancy taxes, business license taxes, franchise fees and property transfer taxes, provided approximately 14.83% of General Fund tax revenues and 11.40% of total General Fund revenues during Fiscal Year 2019-20. Transient occupancy tax revenues and business license tax revenues were not materially different in Fiscal Year 2019-20 from the prior Fiscal Year, despite the outbreak of COVID-19 in the last quarter of Fiscal Year 2019-20. Revenues from such sources increased in Fiscal Year 2020-21, based on unaudited actual results, even as the pandemic continued.

The City anticipates the construction of two new hotels within the City by the end of Fiscal Year 2023. The City expects that the opening of such hotels will contribute to increases of 34% and 11% in transient occupancy tax revenues in Fiscal Years 2021-22 and 2022-23, respectively.

On November 6, 2018, City voters approved Measure M, a tax on commercial cannabis activity at the rate of 10% of the sales price (excluding excise taxes) of cannabis products. The City has made 42 cannabis business permits available, of which 6 are currently in use. The City estimates that Measure M is generating approximately \$35,000 per month in tax revenues. The amount of Measure M tax revenues collected in Fiscal Year 2020-21, based on unaudited actual results to date, was approximately \$1.3 million.

## Services

Fees of \$26,366,675 collected for services provided by the City in Fiscal Year 2019-20, including but not limited to fees for plan checks and other planning services, issuance of building permits, police services, and public works projects, provided approximately 23.17% of General Fund revenues during Fiscal Year 2019-20. Such amounts reflect the sum of the “Licenses & Permits,” “Intergovernmental,” “Charges for Services,” “Use of Money and Property,” “Fines & Forfeitures” and “Miscellaneous” line items shown in Tables 1 and 2 above.

The City notes that most recreation programs were cancelled in 2020 as a result of the COVID-19 outbreak, resulting in reduced fees and other revenues from such programs. However, the City, with some modifications, has provided development services throughout the pandemic and revenues from these services were not materially different from prior years.

## State of California Motor Vehicle In-Lieu Payments

The State imposes a Vehicle License Fee (the “VLF”), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2004-05 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to “backfill” local governments for their revenue losses resulting from the lowered fee. The Fiscal Year 2004-05 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.”

VLF receipts totaled \$21,232,068 in Fiscal Year 2019-20. Such revenues provided the largest tax revenue source for the City in Fiscal Year 2019-20, contributing approximately 24.28% of General Fund tax revenues and approximately 18.66% of total General Fund revenues.

**TABLE 7**  
**CITY OF MORENO VALLEY**  
**STATE OF CALIFORNIA MOTOR VEHICLE IN-LIEU PAYMENTS**

<i>Source</i>	<i>Fiscal Year Ended June 30,</i>				
	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021<sup>(1)</sup></i>
Motor Vehicle In-Lieu Payments	\$17,430,250	\$18,406,258	\$19,577,636	\$21,232,068	\$22,738,372

<sup>(1)</sup> Reflects unaudited actual results based on available information to date. Subject to change.  
Source: City.

## Other Indebtedness

### *General Fund-Supported Debt.*

*2011 Private Placement Obligation – Public Safety Building Refunding.* In 2011, the City and the Authority entered into a lease arrangement (the “**2011 Private Placement Obligation**”) pursuant to



which: (i) the City leased the City Hall Annex and Fire Station 65 to the Authority in exchange for a lump sum payment; and (ii) the Authority subleased such property back to the City in exchange for lease payments payable through November 1, 2022. Proceeds of the 2011 Private Placement Obligation were applied to refund certain prior obligations of the City entered into in 1997. The lease payments bear interest at the rate of 3.98%. As of June 30, 2021, the 2011 Private Placement Obligation was outstanding in the principal amount of \$649,000.

The City has covenanted in the 2011 Private Placement Obligation to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

*2013 Bonds.* In 2013, the Authority issued its Lease Revenue Refunding Bonds Series 2013 (the “**2013 Bonds**”) to refinance certain capital improvements of the City and the Electric Utility. The 2013 Bonds mature on November 1, 2022 and bear interest at rates varying from 1% to 5% per annum. The 2013 Bonds are payable from rental payments payable from the City to the Authority under a Master Facilities Sublease, dated as of December 1, 2013 (the “**2013 Sublease**”), by and between the City and the Authority. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2021, the portion of the 2013 Bonds payable from the General Fund was outstanding in the aggregate principal amount of \$2,830,000, with the remaining \$335,000 payable from business-type activities.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

*2014 Bonds.* In November 2014, the Authority issued its Lease Revenue Refunding Bonds Series 2014 (the “**2014 Bonds**”) to refinance certain capital improvements of the City and the Electric Utility. The 2014 Bonds mature on November 1, 2035 and bear interest at rates varying from 2% to 5% per annum. The 2014 Bonds are payable from rental payments by the City to the Authority under the 2013 Sublease. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2021, the portion of the 2014 Bonds payable from the General Fund was outstanding in the aggregate principal amount of \$22,602,069, with the remaining \$2,662,931 payable from business-type activities.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

*Series 2019 Bonds.* In April 2019, the Authority issued the Series 2019 Bonds to finance certain capital improvements of the City and the Electric Utility. The Series 2019 Bonds mature on May 1, 2049 and bear interest at the rate of 4% per annum. The Series 2019 Bonds are payable from rental payments by the City to the Authority under the Facilities Sublease. As of June 30, 2021, the Series 2019 Bonds were outstanding in the aggregate principal amount of \$15,830,000.

The City has covenanted in the Facilities Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, in the same manner as for the Series 2021 Bonds.

[TO BE UPDATED] [2018 *Streetlight Financing*. In July 2018, the City entered into a lease agreement with Banc of America Leasing & Capital (“**BALCAP**”) that is to be repaid from the General Fund. Pursuant to this agreement, BALCAP provided \$8,110,892 to the City for the purchase of approximately 9,411

streetlights from Southern California Edison and the retrofitting of approximately 1,734 streetlights owned by the City to LED standards. The agreement matures in June 2034 and carries an annual interest rate of 5.75%. As of June 30, 2021, the agreement was outstanding in the aggregate principal amount of \$[7,690,918].]

**Other Long Term Debt.** As of June 30, 2021, the City had \$19,830,000 aggregate principal amount of obligations under an Installment Sale Agreement, dated as of October 1, 2020 (the “2020 ISA”), by and between the City and the California Statewide Communities Development Authority. The 2020 ISA is payable from proceeds of a retail transactions and use tax imposed by the County.

**Short-Term Debt.** The City currently has no short-term debt outstanding.

**Estimated Direct and Overlapping Bonded Debt.** The estimated direct and overlapping bonded debt of the City as of [\_\_\_\_, 2021] is set forth in Table 8. The information in Table 8 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 8 and the City, the Authority and the Underwriter do not guarantee its accuracy.

**TABLE 8**  
**CITY OF MORENO VALLEY**  
**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT AS OF [\_\_\_\_ 1, 2021]**

Fiscal Year 2018-19 Assessed Valuation: \$15,777,801,124

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 2/1/19</u>
The Metropolitan Water District of Southern California		0.541%	\$ 305,611
Riverside County Flood Control and Water Reclamation District, Zone No. 4		30.601	4,495,287
Eastern Municipal Water District, I.D. No. U-22		100.	2,297,000
Riverside City Community College District		14.889	37,441,528
Mount San Jacinto Community College District		0.025	43,163
Moreno Valley Unified School District		84.208	136,643,076
San Jacinto Unified School District		0.736	473,908
Val Verde Unified School District		36.595	47,062,696
Moreno Valley Unified School District Community Facilities District No. 2002-1		100.	6,255,000
Moreno Valley Unified School District Community Facilities District No. 2003-1 & 2		100.	9,930,000
Moreno Valley Unified School District Community Facilities District No. 2004-1		100.	2,300,000
Moreno Valley Unified School District Community Facilities District No. 2004-2		100.	4,775,000
Moreno Valley Unified School District Community Facilities District No. 2004-3		100.	3,120,000
Moreno Valley Unified School District Community Facilities District No. 2004-4		100.	3,750,000
Moreno Valley Unified School District Community Facilities District No. 2004-5		100.	3,800,000
Moreno Valley Unified School District Community Facilities District No. 2004-6		100.	24,105,000
Moreno Valley Unified School District Community Facilities District No. 2005-1		100.	6,540,000
Moreno Valley Unified School District Community Facilities District No. 2005-2, 3, 4 & 5		100.	23,535,000
Moreno Valley Unified School District Community Facilities District No. 2007-1		100.	5,015,000
Val Verde Unified School District Community Facilities District No. 98-1		100.	15,190,000
Val Verde Unified School District Community Facilities District No. 2003-2		100.	2,560,000
Val Verde Unified School District Community Facilities District No. 2014-1		100.	6,900,000
Eastern Municipal Water District Community Facilities Districts		100.	13,524,000
City of Moreno Valley Community Facilities District No. 5		100.	5,350,000
City of Moreno Valley Community Facilities District No. 7, I.A. No. 1		100.	3,190,000
City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1		100.	1,580,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$370,181,269
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations		5.628%	\$ 43,750,216
Riverside County Pension Obligation Bonds		5.628	14,991,022
Moreno Valley Unified School District Certificates of Participation		84.208	12,546,992
San Jacinto Unified School District Certificates of Participation		0.736	305,477
Val Verde Unified School District Certificates of Participation		36.595	22,139,975
Western Municipal Water District Certificates of Participation		0.143	13,746
City of Moreno Valley General Fund Obligations		100.	65,375,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$159,122,428
Less: Riverside County self-supporting obligations			144,078
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$158,978,350
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>			\$ 50,768,986

GROSS COMBINED TOTAL DEBT  
NET COMBINED TOTAL DEBT

\$580,072,683<sup>(2)</sup>  
\$579,928,605

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.35%
<b>Total Direct Debt (\$65,375,000).....</b>	<b>0.41%</b>
Gross Combined Total Debt.....	3.68%
Net Combined Total Debt .....	3.68%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$3,253,817,899):

Total Overlapping Tax Increment Debt.....	1.56%
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<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## Retirement Contributions

Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by GASB Statement No. 68 (“**GASB 68**”). GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting and reporting requirements, but it does not change the City’s pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees. The City’s pension plan is administered by CalPERS. CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City’s full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

**CITY OF MORENO VALLEY**  
**CALPERS PENSION PLANS – SUMMARY OF BENEFIT PROVISIONS**

	<i>Employees Hired Before December 23, 2011</i>	<i>Employees Hired between December 23, 2011 and December 31, 2012</i>	<i>Employees Hired after December 31, 2012 (Not Previously CalPERS members)</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Minimum Retirement Age	50-55	50-55	52-62
Monthly Benefits as % of Eligible Compensation	2.0% - 2.7%	1.426% - 2.418%	1.0% - 2.5%
Employee Normal Cost	7.51% <sup>(1)</sup>	7.51% <sup>(1)</sup>	6.75% <sup>(1)</sup>
Employer Normal Cost Rate	12.19%	12.19%	12.19%

<sup>(1)</sup> These employees are required to make the full employee contribution.  
Source: City.

Contributions to the City's pension plan consist of contributions from plan participants (i.e., employees) and contributions by the City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula. Such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier for such employees. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**CITY OF MORENO VALLEY**  
**PENSIONABLE INCOME CAPS FOR CALENDAR YEAR 2021**  
**(AB 340 AND NON-AB 340 EMPLOYEES)**

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired On or After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$290,000	\$153,671
Maximum Pensionable Income if also Participating in Social Security	N/A	\$128,059

Source: City.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total

plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of: (i) the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming Fiscal Year (expressed as a percentage of payroll); plus (ii) the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly).

For Fiscal Year 2020-21, required employer normal cost rates as a percentage of payroll were 12.440%, 12.440% and 12.440% for employees hired before December 23, 2011, employees hired between December 23, 2011 and December 31, 2012 and employees hired after December 31, 2012, respectively. For Fiscal Year 2021-22, required employer normal cost rates as a percentage of payroll are 12.19%, 12.19% and 12.19% for employees hired before December 23, 2011, employees hired between December 23, 2011 and December 31, 2012 and employees hired after December 31, 2012, respectively.

For Fiscal Year 2020-21, the total required employer payment of the unfunded accrued liability for the City's Miscellaneous plan was \$5,626,820. For Fiscal Year 2021-22, the total required employer payment of the unfunded accrued liability for the City's Miscellaneous plan is \$6,352,762; the City paid this amount in a lump sum on July 20, 2021.

Beginning in Fiscal Year 2017-18, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2009-10 through 2019-20 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. Preliminary returns for Fiscal Year 2020-21 indicate an investment gain of 21.3%. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The City notes that CalPERS' earnings in Fiscal Year 2019-20 were below its investment targets as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the City. See the caption "THE CITY—COVID-19 Outbreak."

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from 7.50% to 7.00% over a three period. For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers which contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most retirement plans such as the City's plans. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments (relative to the unfunded accrued liability payments projected in the June 30, 2015 valuation report) for pension plans. These payments

are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

The announcement on July 12, 2021 that CalPERS achieved a preliminary investment return of 21.3% could cause the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points. There can be no assurance as to whether or when the CalPERS Board of Administration will consider lowering the discount rate.

*Portions of the above disclosures are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns 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.*

[UPDATE IF 6/30/20 INFO AVAILABLE] The City's Miscellaneous plan had a total net pension liability of approximately \$72,896,273 for Fiscal Year 2019-20 (as of the measurement date of June 30, 2019). The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For Fiscal Year 2019-20, the City incurred Miscellaneous plan pension expenses of \$11,738,885.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019-20 is shown below.

**CITY OF MORENO VALLEY  
ACTUARIAL ASSUMPTIONS FOR CALPERS PENSION PLAN**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.375% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data from a 2014 actuarial experience study for the period from 1997-2011.  
Source: City.

Changes in the net pension liability for the City's pension plans in the most recent Fiscal Year for which information is available were as follows: [UPDATE FOR 6/30/20 IF AVAILABLE]

**CITY OF MORENO VALLEY  
CHANGES IN CALPERS PENSION PLANS NET PENSION LIABILITY**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2018 (Measurement Date)	\$ 207,884,851	\$ 139,792,584	\$ 68,092,267
Balance at June 30, 2019 (Measurement Date)	<u>221,313,159</u>	<u>148,416,886</u>	<u>72,896,273</u>
Net Changes for period from July 1, 2018 through June 30, 2019	\$ 13,428,308	\$ 8,624,302	\$ 4,804,006

Source: City.

The table below presents the net pension liability of the City's pension plans, calculated using the discount rate applicable to Fiscal Year 2019-20 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the Fiscal Year 2019-20 rate:

**CITY OF MORENO VALLEY  
SENSITIVITY OF THE CALPERS PENSION PLANS NET PENSION LIABILITY  
TO CHANGES IN THE DISCOUNT RATE**

	<i>Discount Rate – 1% (6.15%)</i>	<i>Applicable Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
<i>Plan's Net Pension Liability/(Asset)</i>	\$102,797,734	\$72,896,273	\$48,179,991

Source: City.

For additional information relating to the City's plan, see Note 8 to the City's audited financial statements set forth in Appendix B.

**Other Post-Employment Benefits**

The City provides post-employment health care benefits to qualified retired employees. Employees are eligible for such benefits if they were hired prior to September 30, 2011 and retire directly from the City at or after age 50 with at least five years of CalPERS membership. Employees hired after September 30, 2011 are not eligible for such benefits; the City no longer offers such benefits to employees hired after September 30, 2011. The City administers a single-employer defined benefit post-employment healthcare plan (the "OPEB Plan"). Benefits vary by hire date and employment status (Management or Non-Management), and continue to surviving spouses. A menu of benefit provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

At December 31, 2018 (the census date), the following employees were covered by the benefit terms:

<i>Category</i>	<i>Count</i>
Active employees	296
Inactive employees or beneficiaries currently receiving benefit payments	270
Inactive employees entitled to but not yet receiving benefit payment	0

Source: City.

The City funds benefits under the OPEB Plan based on an Actuarially Determined Contribution (the “ADC”). For the year ended June 30, 2020, the City’s ADC contribution rate was 4.62% of covered employee payroll. Employees do not contribute to the plan, but instead pay the difference between the benefit that they receive and the monthly premium for that benefit.

GASB has issued two pronouncements, known as GASB 74 and GASB 75, related to funding and accounting for the OPEB Plan. Under these pronouncements, OPEB Plan benefits are intended to be accounted for in a manner that is similar to the accounting treatment of pensions under GASB 68. See the caption “—Retirement Contributions.” Under GASB 74 and 75, unfunded OPEB Plan benefits will be recognized on the City’s financial statements and the City is required to use the Entry Age actuarial cost method when calculating OPEB Plan liabilities. In addition, a 20-year municipal bond rate is used to discount unfunded OPEB Plan payments and the long-term rate of return on plan investments is used to discount benefits that are projected to be paid by plan assets.

The City retained Precision Actuarial Inc., San Francisco, California (the “**Actuarial Consultant**”) to calculate the City’s post-employment benefits funding status. In a report for the Fiscal Year ended June 30, 2020 (the “**Report**”), the Actuarial Consultant concluded that, as of June 30, 2020, the City’s unfunded actuarial accrued liability for post-employment benefits was \$8,175,011. The Actuarial Consultant also concluded that the City’s ADC is \$908,656.

The City is not required to fund the amortization of the unfunded actuarial liability. Prior to June 2009, the City’s policy was to pay for OPEB Plan costs as they are incurred. In June 2009, the City Council approved the establishment of an irrevocable trust to fund OPEB Plan benefits (the “**OPEB Trust**”) with the California Employers’ Retiree Benefit Trust, an agent multiple-employer plan that is administered by CalPERS, and approved and authorized an agreement with CalPERS to administer the OPEB Trust on its behalf. As of June 30, 2021, the City held \$15,414,175 in the OPEB Trust. Based on the most recent actuarial valuation, the actuarial unfunded liability of the OPEB Plan was estimated to be approximately \$8,175,011 using a methodology that is compliant with GASB 75.

Changes in the total liability for the City’s OPEB Plan for Fiscal Year 2019-20 were as follows.

**CITY OF MORENO VALLEY  
CHANGES IN OPEB PLAN LIABILITY**

	<i>Increase / (Decrease)</i>		
	<i>Total OPEB Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Plan Liability / (Asset)</i>
Balance at June 30, 2019	\$ 16,792,895	\$ 10,339,408	\$ 6,453,487
Net Changes for period from July 1, 2019 through June 30, 2020	<u>2,350,888</u>	<u>629,364</u>	<u>1,721,524</u>
Balance at June 30, 2020	\$ 19,143,783	\$ 10,968,772	\$ 8,175,011

Source: City.



The following table presents the net liability of the OPEB Plan, calculated using the discount rate applicable to Fiscal Year 2019-20 (6.17%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.17%) or 1 percentage point higher (7.17%) than the current rate:

**CITY OF MORENO VALLEY  
SENSITIVITY OF THE OPEB PLAN TOTAL LIABILITY  
TO CHANGES IN THE DISCOUNT RATE**

	<i>Discount Rate – 1% (5.17%)</i>	<i>Current Discount Rate (6.17%)</i>	<i>Discount Rate + 1% (7.17%)</i>
Plan's Total Liability/(Asset)	\$10,285,254	\$8,175,011	\$6,387,930

Source: City.

Future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required OPEB Plan contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of OPEB Plan benefits will have a material adverse effect on the ability of the City to pay the Series 2021 Bonds.

For additional information relating to the City's OPEB Plan, see Note 9 to the City's audited financial statements set forth in Appendix B.

### City Investment Policy

The City invests its funds in accordance with the City's investment policy (the "**Investment Policy**"), which was most recently reviewed and revised by the City Council on May 18, 2021. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and market risks. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer, the County investment pool for local agencies, local agency bonds, U.S. Treasury Bills, Notes and Bonds, obligations issued by United States Government agencies, FDIC-insured or negotiable certificates of deposit, repurchase agreements, banker's acceptances and commercial paper rated A1/P1, as applicable, or better, and money market funds rated in the highest category by Moody's or S&P or administered by a domestic bank with long-term debt rated in one of the top two categories of Moody's and S&P. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council.

A summary of the City's investments as of June 30, 2021 is set forth in the below table. Approximately \$212,981,117 (69.24%) of the total investment portfolio as of June 30, 2021 was attributed to the General Fund.

### CITY OF MORENO VALLEY SUMMARY OF INVESTMENTS

<i>Investment Type</i>	<i>Investment Maturity</i>				<i>Total</i>
	<i>6 Months or Less</i>	<i>6 Months to 1 Year</i>	<i>1 to 3 Years</i>	<i>3 to 5 Years</i>	
Asset-Backed Securities	\$ -	\$ -	\$ 6,035,647	\$ 9,365,625	\$ 15,401,272
Collateralized Mortgage Obligations	792,793	-	9,680,863	-	10,473,656
Federal Home Loan Bank	2,512,060	-	11,583,823	12,830,520	26,926,403
Federal Home Loan Mortgage Corp.	-	-	-	3,703,911	3,703,911
Federal National Mortgage Assn.	-	-	-	20,332,682	20,332,682
Local Agency Investment Fund	129,061,156	-	-	-	129,061,156
Medium Term Notes	2,774,769	1,924,238	17,532,930	18,837,871	41,069,808
Money Market	10,340,218	-	-	-	10,340,218
Supranationals	-	1,692,788	865,963	6,792,837	9,351,588
United States Treasury Obligations	100,515	3,539,278	20,898,042	14,955,595	39,493,430
<b>Totals</b>	<b>\$145,581,511</b>	<b>\$ 7,156,304</b>	<b>\$ 66,597,268</b>	<b>\$ 86,819,041</b>	<b>\$306,154,124</b>

(1) Totals may not add due to rounding.  
Source: City.

For additional information relating to the City's investments, see Note 3 to the City's audited financial statements set forth in Appendix B.

### RISK FACTORS

*Prospective purchasers of the Series 2021 Bonds should consider carefully all possible factors that may affect the ability of the City to pay Base Rental Payments under the Facilities Sublease. The Series 2021 Bonds may not be a suitable investment for all prospective purchasers.*

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2021 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2021 Bonds and there can be no assurance that other risk factors will not become material in the future. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

#### **General Considerations – Security for the Series 2021 Bonds**

The Series 2021 Bonds are special obligations of the Authority, payable solely from Base Rental Payments on a parity with the Series 2019 Bonds and the other assets pledged under the Trust Agreement. Neither the faith and credit nor the taxing power of the Authority, the City, the State, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City, the County or the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City, the County or the State has levied or pledged any form of taxation.

Although the Facilities Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Facilities Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds, and the City has covenanted in the Facilities Sublease to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See the caption “CITY FINANCIAL INFORMATION—Other Indebtedness—General Fund-Supported Debt.”

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues, including without limitation pension obligations and essential services. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event that the City’s revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facilities Sublease. 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. However, the City’s appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the State Constitution.”

#### **Abatement**

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of damage to or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Abatement.” The amount of abatement will be such that the resulting payments of Base Rental Payments and Additional Rental Payments do not exceed the fair rental value for the use and possession of the remaining portions of the Property as to which the City has beneficial use and occupancy and as to which such damage or destruction or defect in title do not substantially interfere.

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which funds are available from the funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full.

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

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facilities Sublease and the Trust Agreement, no remedy is available to the Series 2021 Bond Owners for nonpayment under such circumstances.

## **Initiative and Referendum**

The ability of the City to comply with its covenants under the Facilities Sublease and to generate revenues that are sufficient to pay Base Rental Payments may be adversely affected by actions and events outside the control of the City, including without limitation actions taken (or not taken) by voters. Under the State Constitution, voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The Authority and the City are unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City and its operations. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Future Initiatives.”

## **Value of Property**

In the event that the Trustee re-enters or re-lets the Property upon the occurrence of an Event of Default, there can be no assurance such actions will provide funds in an amount that is sufficient to pay the principal of and interest on the Series 2021 Bonds. The security under the Facilities Sublease extends only to the Authority’s leasehold interest in the Property granted under the Facilities Lease and is subject to the restrictions of the Facilities Lease and all other use restrictions applicable to the site. The Property has not been appraised in connection with the issuance of the Series 2021 Bonds.

## **Certain Risks Associated with Sales Tax and Other Local Tax Revenues**

Sales and use tax revenues are among the largest sources of the City’s General Fund revenues each year. See the caption “CITY FINANCIAL INFORMATION.”

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. For example, 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 decline. An economic recession would also be expected to affect hotel occupancy within the City, and consequently, the City’s receipt of transient occupancy taxes. See the captions “THE CITY—COVID-19 Outbreak” and “CITY FINANCIAL INFORMATION.”

In addition, changes or amendments in the laws applicable to the City’s receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Many categories of transactions are exempt from the Statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the CDTFA for administering the City’s sales tax could also be changed.

As discussed under the caption “THE CITY—COVID-19 Outbreak,” the Governor extended the deadline to file and pay first quarter 2020 sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales were allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. The extension resulted in a delay in the receipt by the City of its portion of sales tax payments for 2020. There can be no assurance that additional extensions of payment deadlines will not be ordered should the COVID-19 outbreak continue or economic recessions occur in the future.

## Assessed Value of Taxable Property

Property taxes are among the largest sources of the City's General Fund revenues each year. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, erosion, civil unrest or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See the captions "—Natural Disasters" and "—Hazardous Substances."

In addition, economic and market forces, such as a downturn in the regional economy, could affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. The total assessed value could also be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIII A of the State Constitution and Section 51 of the State Revenue and Taxation Code, which were adopted pursuant to Proposition 8 in 1978, require the County assessor to annually enroll either a property's adjusted base year value (the "**Proposition 13 Value**") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, such lower value is referred to as the "**Proposition 8 Value**."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds the Proposition 13 Value attributable to a piece of property (adjusted for inflation) does a county assessor reinstate the Proposition 13 Value.

Decreases in the assessed value of taxable property within the City resulting from a natural disaster or other calamity, economic recession, reclassification by ownership or use or as a result of the implementation of Proposition 8 all may have an adverse impact on property tax collections by the City, and consequently, the General Fund revenues that are available to make Base Rental Payments.

## Split Roll Initiative

An initiative measure (the "**Split Roll Initiative**") to amend Article XIII A of the State Constitution qualified for the State's November 2020 ballot. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution." Although it was not adopted by State voters, the Split Roll Initiative would have based property taxes for commercial and industrial properties on periodic analyses of market values beginning in tax year 2020-21. Such market values would have been reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative included exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would have continued to be subject to property taxes based on purchase price, and exempted 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. Although the Split Roll Initiative was not adopted, there can be no assurance that a similar initiative will not be brought before voters in the future. The City is unable to predict how the adoption of such a future initiative would affect the level of commercial building activity within the City and the relationship between the assessed value of different land use types

(i.e. residential versus commercial) in the City, or what other impacts such an initiative might have on the local economy or the City's financial condition, including the receipt of property tax revenues.

### **Increasing Retirement-Related Costs**

The City is required to make contributions to CalPERS and to its OPEB Plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of investment losses in CalPERS' portfolio. There can be no assurance that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See the captions "CITY FINANCIAL INFORMATION—Retirement Contributions" and "CITY FINANCIAL INFORMATION—Other Post-Employment Benefits."

### **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, fire, wildfire, windstorm, drought, earthquake, landslide, mudslide, subsidence or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of the Base Rental Payments. The City does not maintain earthquake insurance for the Property.

Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. There are also likely to be unmapped faults in or near the City. Seismically induced ground shaking has affected the City in the past and is expected to affect the City in the future. However, no major earthquake has caused substantial damage to the City to date.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction, floods and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Additionally, wildfires increase the risk of mudslides in areas like those in the City that are surrounded by hillsides because, when wildfires scorch land, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides and excess water running off the hillsides often causing flash flooding. In general, property damage due to wildfire or mudslides could result in a significant decrease property tax and other revenues received by the City.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Series 2021 Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

## **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

The City has retained a consultant to develop a Climate Action Plan (the “CAP”) as part of the City’s comprehensive General Plan update, which will guide the City’s planning and development through 2040. Public comments on the draft CAP, which will inventory the City’s sources of greenhouse gas emissions and implement a plan to monitor and reduce them, were accepted through May 2021. There can be no assurance as to the ultimate provisions of the CAP or the timing of the adoption thereof.

## **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cybersecurity incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers and an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal.

The City employs a multi-layer cyber protection scheme that includes weekly vulnerability scans by the Cybersecurity Infrastructure and Security Agency (part of the United States Department of Homeland Security), next-generation firewalls, anti-virus software, anti-spam/malware software, intrusion detection/prevention, domain name system filtering services by the Multi-State Information Sharing and Analysis Center, duplicate systems in a disaster recovery site and multiple copies of all information that is backed up. The City implements recommended strategies suggested by security vendors and makes internal system changes as needed. To date, the City has not experienced a significant attack on its computer operating systems. However, there is no assurance that a future attack or attempted attack would not result in disruption of City operations. The City expects that any such disruptions would be temporary in nature.

## **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 Base Rental Payments, 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.

The City has not independently verified, but is not aware of, the presence of any hazardous substances on the Property. 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.

### **Other Financial Matters**

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See the caption "CITY FINANCIAL INFORMATION."

In addition, City expenses could also rise as a result of unforeseen events, including but not limited to increases in pension obligations or a determination that the Successor Agency's payment obligations under various agreements with the City are not enforceable obligations. Such a determination could require the City to make payments that were expected to come from Successor Agency funds from General Fund moneys or cause moneys received from the Successor Agency to be lower than budgeted. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION—Redevelopment Dissolution."

### **Limitation on Trustee's Obligations under the Trust Agreement**

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Trust Agreement or Facilities Sublease may be dependent upon the availability of funds from an interested party. Additionally, the Trustee is not required to acquire possession of the Property if doing so subjects it to potential liability. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreement.

### **Substitution, Addition and Removal of Property; Additional Bonds**

The Authority and the City may amend the Facilities Sublease: (a) to substitute alternate real property for any portion of the Property; (b) to add additional real property to the Property; or (c) to release a portion of the Property from the Facilities Sublease, upon compliance with all of the conditions set forth in the Facilities Sublease. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Facilities Sublease. Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Substitution, Addition and Removal of Property" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — Additional Bonds."

Although the Facilities Sublease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2021 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix A.

The Trust Agreement requires, among other things, that upon the issuance of Additional Bonds, the Facilities Lease and the Facilities Sublease will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of



Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Payments, in any Fiscal Year is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Additional Bonds” for a full description of the requirements that must be met in order for the Authority to issue Additional Bonds.

#### **Limited Recourse on Default; No Acceleration of Base Rental**

Failure by the City to make Base Rental Payments or other payments required to be made under the Facilities Sublease, or failure to observe and perform any other terms, covenants or conditions contained in the Facilities Sublease or in the Trust Agreement for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Facilities Sublease and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Facilities Sublease or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise to declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Facilities Sublease.

The enforcement of any remedies provided in the Facilities Sublease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Facilities Sublease and the Trust Agreement may be limited by and are subject to: (i) the limitations on legal remedies against cities in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds that are needed to serve the public welfare and interest; (ii) federal bankruptcy laws, as now or later enacted, as discussed in detail under the caption “—Limitations on Remedies” below; (iii) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect; (iv) equity principles which may limit the specific enforcement under State law of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the federal Constitution; and (vi) the reasonable and necessary exercise, in certain exceptional situations, of the police powers that are inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Facilities Sublease to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Facilities Sublease, retake possession of the Property and proceed against the City to recover damages pursuant to the Facilities Sublease. Due to the specialized and limited nature of the Property, existing Permitted Encumbrances (as such term is defined in Appendix A) on the Property, and the restrictions on its use, it is unlikely that the Trustee would be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Bonds when due. Similar limitations and constraints would apply to any property substituted for the Property pursuant to the Facilities Sublease. Moreover, the Trustee is not empowered to sell the Property for the benefit of the Owners of the Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS” and “THE PROPERTY” and Appendix A.

## Possible Insufficiency of Insurance Proceeds

The Facilities Sublease obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Facilities Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to redeem or pay principal of and interest on the Series 2021 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered under the Facilities Sublease, and therefore, are not carried by the City. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—Insurance” and “THE CITY—Risk Management.”

## Limitations on Remedies

The rights of the Owners of the Series 2021 Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Furthermore, the remedies available to the Owners of the Series 2021 Bonds upon the occurrence of an event of default under the Trust Agreement or the Facilities Sublease are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Additionally, enforceability of the rights and remedies of the Owners of the Series 2021 Bonds, and the obligations incurred by the City or the Authority, may become subject to the provisions of Title 11 of the United States Code (the “**Bankruptcy Code**”) and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City or the Authority, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2021 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts due from the City under the Facilities Sublease. Similarly, if the Authority were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2021 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts assigned by the Authority to the Trustee under the Facilities Sublease.

In particular, if the City or the Authority were to become a debtor under the Bankruptcy Code, the City or the Authority, as applicable, would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City or the Authority, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Series 2021 Bonds; and (iv) the possibility of the adoption of a plan (an “**Adjustment Plan**”) for the adjustment of the City’s or the Authority’s various obligations, as the case may be, over the objections of the

Trustee or all of the Owners of the Series 2021 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is “fair and equitable” and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Series 2021 Bonds. The City and the Authority can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if either entity were to file for bankruptcy.

In addition, the City could either reject the Facilities Sublease or the Facilities Lease or assume the Facilities Sublease or the Facilities Lease despite any provision of the Facilities Sublease or the Facilities Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Facilities Sublease or the Facilities Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facilities Sublease and the City’s obligations to make payments thereunder. The City may also be permitted to assign the Facilities Sublease or the Facilities Lease to a third party, regardless of the terms of the transaction documents.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Series 2021 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2021 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Facilities Sublease or fails to pay Base Rental Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Series 2021 Bonds.

#### **No Liability of Authority to the Owners**

Except as expressly provided in the Trust Agreement, the Authority has no obligation or liability to the Owners of the Series 2021 Bonds with respect to: (a) the payment when due of the Base Rental Payments by the City; (b) the performance by the City of other agreements and covenants required to be performed by it contained in the Facilities Sublease or the Trust Agreement; or (c) the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

#### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Series 2021 Bonds or, if a secondary market exists, that the Series 2021 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

#### **Impact of State Budget**

At various times, including recently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the City has no control. The State’s financial condition and budget policies affect communities and local public agencies throughout the State.

A number of the City’s revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State,

including as a result of the COVID-19 outbreak that is discussed under the caption “THE CITY—COVID-19 Outbreak,” there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State’s efforts to address any such related State financial difficulties. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.” The State’s ability to undertake such revenue reductions or shifting has been limited by provisions of the State Constitution. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 22.” However, to the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

For example, declining revenues and fiscal difficulties that arose in the State commencing in Fiscal Year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies.

Although starting with Fiscal Year 2013-14, recent State budgets have been balanced, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012, Statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future, should the State budget again be stressed and if projections included in such budget do not materialize, or that Proposition 30 will be renewed.

### **Litigation**

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (as discussed under the caption “THE CITY—Risk Management”), the City cannot predict what types of liabilities may arise in the future.

### **Covenant to Budget and Appropriate**

Under the Facilities Sublease, the City has covenanted to take such actions as are necessary to include the Base Rental Payments and the estimated Additional Rental Payments in its annual budgets and to make the necessary annual appropriations for all Base Rental Payments. Such covenant is deemed to be a duty imposed by law, and it is the duty of the public officials of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable such entity to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenant. Upon execution and delivery of the Series 2021 Bonds, Bond Counsel will render its opinion (substantially in the form of Appendix C) to the effect that, subject to certain limitations and qualifications, the Facilities Sublease constitutes a valid and binding obligation of the City.

### **Eminent Domain**

If all of the Property (or portions thereof such that the remainder is not usable for the public purposes by the City) is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, and the remainder is usable for public purposes by the City at the time of such taking: (a) the Facilities Sublease will continue in full force and effect as to such remainder,

and will not be terminated by virtue of such taking; and (b) there will be a partial abatement of Base Rental Payments as a result of the application of insurance proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

If all or a portion of the Property were condemned, there can be no assurance that any such award or payment will be sufficient at the time to prepay or defease all of the then-Outstanding Series 2021 Bonds. If the award is less than the amounts remaining on such Outstanding Series 2021 Bonds, then the Owners will be paid less than the amounts remaining on such Outstanding Series 2021 Bonds.

### **Change in Law**

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, in a manner that could result in a reduction of the City's revenues and, therefore, a reduction of the funds legally available to the City to make Base Rental Payments.

### **Risks Associated with Bond Insurance**

In the event that the Authority defaults in the payment of principal of or interest on the Series 2021 Bonds when due, the owners of the Series 2021 Bonds will have a claim under the Policy for such payments. See the caption "BOND INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to the Series 2021 Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2021 Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Series 2021 Bonds when due under the Policy, the Series 2021 Bonds will be payable solely from Revenues and amounts held in certain funds and accounts established under the Trust Agreement, as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS."

The long-term rating on the Series 2021 Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Series 2021 Bonds. See the caption "RATINGS."

None of the Authority, the City nor the Underwriter have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Authority, the City or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Series 2021 Bonds, potential investors should carefully consider the ability of the City to make Base Rental Payments and the Authority to pay principal and interest on the Series 2021 Bonds, assuming that the Policy is not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Series 2021 Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Trust Agreement and will have the right to control all remedies for default under the Trust Agreement. The Insurer is not required to obtain the consent of the owners of the Series 2021 Bonds with respect to the exercise of remedies. See Appendix A.

### **STATE OF CALIFORNIA BUDGET INFORMATION**

Although the State is not a significant source of City revenues, there can be no assurance that the State's annual budget or other legislation will not materially adversely affect the financial condition of the City, in particular given that the City receives certain revenues such as sales tax proceeds and VLF from the

State. The following information describes the State budget process and the current and upcoming State budgets.

## General

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the “**DOF**”), <http://www.dof.ca.gov>, under the heading “California Budget.” An impartial analysis of the budget is posted by the Legislative Analyst’s Office (the “**LAO**”) at <http://www.lao.ca.gov>. In addition, various State Official Statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Authority, and the City and the Authority take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

## Budget for State Fiscal Year 2020-21

On June 29, 2020, the Governor signed into law the State budget for State fiscal year 2020-21 (the “**2020-21 Budget**”). The following information is drawn from summaries of the 2020-21 Budget prepared by the DOF and the LAO.

The 2020-21 Budget acknowledged that the rapid onset of COVID-19 has had an immediate and severe impact on the State’s economy. The ensuing recession caused significant job losses and precipitous drops in family and business income and has exacerbated income inequality. The 2020-21 Budget reported that the official unemployment rate exceeded 16% in both April and May 2020.

The 2020-21 Budget included a number of measures intended to address a projected deficit of \$54.3 billion occasioned principally by declines in the State’s three main tax revenues (personal income, sales and use and corporate, as discussed above). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside \$2.6 billion in the State’s traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Drawdown of Reserves* – The 2020-21 Budget draws down \$8.8 billion in total State reserves, including \$7.8 billion from the State’s basic reserve fund, known as the Budget Stabilization Account (the “**BSA**”), \$450 million from the Safety Net Reserve and all money in the Public School System Stabilization Account.
- *Triggers* – The 2020-21 Budget includes \$11.1 billion in reductions and deferrals that would have been restored if at least \$14 billion in federal funds were received by October 15, 2020. Such funds were not received. The triggers include \$6.6 billion in deferred spending on education, \$970 million in funding for the California State University and University of California systems, \$2.8 billion in State employee compensation and \$150 million for courts, as well as funding for various other State programs. The triggers would also fund an additional \$250 million for county programs to backfill revenue losses.
- *Federal Funds* – The 2020-21 Budget relies on \$10.1 billion in federal funds, \$8.1 billion of which has already been received. This relief includes recent Congressional approval for a temporary increase in the federal government’s share of Medicaid costs, a portion of the State’s Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.

- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education spending. Approximately \$900 million of special fund borrowing is associated with reductions to State employee compensation and is subject to the triggers discussed above.
- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of \$4.3 billion in State fiscal year 2020-21.
- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional \$10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, and higher ongoing revenues above the budget forecast and lower health and human services caseload costs than assumed by the budget forecast.

For State fiscal year 2019-20, the 2020-21 Budget projects total State general fund revenues and transfers of \$137.6 billion and authorizes expenditures of \$146.9 billion. The State is projected to end State fiscal year 2019-20 with total available general fund reserves of \$17 billion, including \$16.1 billion in the BSA and \$900 million in the Safety Net Reserve Fund.

For State fiscal year 2020-21, the 2020-21 Budget projects total State general fund revenues and transfers of \$137.7 billion and authorizes expenditures of \$133.9 billion. The State is projected to end State fiscal year 2020-21 with total available general fund reserves of \$11.4 billion, including \$2.6 billion in the traditional State general fund reserve (of which \$716 million is earmarked for COVID-19-related responses), \$8.3 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimates that the Proposition 98 minimum school funding guarantee for fiscal year 2020-21 is \$70.1 billion, approximately \$10 billion below the revised prior-year funding level. For K-12 school districts, this results in per-pupil spending in fiscal year 2020-21 of \$10,654, a reduction of \$1,339 from the prior year.

The 2020-21 Budget proposes several measures intended to ameliorate the immediate impact of State revenue declines, and avoid a permanent decline in education funding:

- *Local Control Funding Formula* – The 2020-21 Budget provides for \$1.9 billion in Local Control Funding Formula apportionment deferrals for State fiscal year 2019-20. The deferrals increase to \$11 billion in State fiscal year 2020-21, which results in Local Control Funding Formula funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspends the statutory cost of living adjustment in State fiscal year 2020-21. Of the total deferrals, \$5.8 billion will be cancelled in State fiscal year 2020-21 if sufficient federal funding for this purpose is received.
- *CalSTRS/CalPERS* – The 2020-21 Budget redirects \$2.3 billion in funds that were previously appropriated for prefunding California State Teachers Retirement System (“CalSTRS”) and CalPERS liabilities, instead applying them to further reduce local educational agency contribution rates for such programs in State fiscal years 2020-21 and 2021-22. This reduces CalSTRS employer rates to 16.15% in fiscal year 2020-21 and 16.02% in fiscal year 2021-22. CalPERS employer rates are reduced to 20.7% in fiscal year 2020-21 and 22.84% in fiscal year 2021-22.
- *Federal Funds* – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds recently awarded to the State. Of this amount, approximately \$1.5 billion will be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies

receive, to be used for COVID-19 related costs. The remaining amount will be allocated to state-level activities.

- *Temporary Revenue Increases* – As discussed above, as part of closing the State’s projected deficit, the 2020-21 Budget provides for a temporary revenue increase of approximately \$4.3 billion in fiscal year 2020-21, of which approximately \$1.6 billion counts towards the Proposition 98 funding guarantee.

For additional information regarding the 2020-21 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

*None of the websites or webpages that are referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The City, the Authority and the Underwriter make no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

### **Budget for State Fiscal Year 2021-22**

On July 16, 2021, the Governor signed a series of bills representing the State budget for State fiscal year 2021-22 (the “**2021-22 Budget**”). The Governor’s signing followed negotiations between the Governor and the State Legislature regarding the final provisions of the 2021-22 Budget, including the expenditure of a large projected State general fund surplus. The State Legislature passed temporary budgetary legislation in June 2021 to meet the required State Constitutional budget deadline. The following is drawn from the DOF summary of the 2021-22 Budget.

The 2021-22 Budget indicates that revenues are up significantly from the forecast included in the Governor’s proposed State budget for State fiscal year 2021-22, resulting in a large budgetary surplus. This is a result of strong cash trends, two major federal relief bills since the beginning of 2021 (as discussed under the caption “THE CITY—COVID-19 Outbreak”), continued stock market appreciation and a significantly upgraded economic forecast from the prior State fiscal year. The 2021-22 Budget also reports that the State has received approximately \$285 billion in federal COVID-19 stimulus funding for State programs. Although the 2021-22 Budget acknowledges that building reserves and paying down debts are critical, the 2021-22 Budget allocates approximately 85% of discretionary funds to one-time spending. The multi-year forecast reflects a budget roughly in balance, although the 2021-22 Budget assumes that risks remain to the economic forecast, including a stock market decline that could reduce State revenues.

For State fiscal year 2020-21, the 2021-22 Budget projects total general fund revenues and transfers of \$188.8 billion and authorizes expenditures of \$166.1 billion. The State is projected to end State fiscal year 2020-21 with total available reserves of \$39.8 billion, including \$25.1 billion in the traditional general fund reserve, \$12.3 billion in the BSA, \$1.9 billion in the Public School System Stabilization Account and \$450 million in the Safety Net Reserve Fund. For State fiscal year 2021-22, the 2021-22 Budget projects total general fund revenues and transfers of \$175.3 billion and authorizes expenditures of \$196.4 billion. The State is projected to end State fiscal year 2021-22 with total available reserves of \$25.2 billion, including \$4 billion in the traditional general fund reserve, \$15.8 billion in the BSA, \$4.5 billion in the Public School System Stabilization Account and \$900 million in the Safety Net Reserve Fund.

The 2021-22 Budget sets the Proposition 98 minimum funding guarantee for State fiscal year 2021-22 at \$93.7 billion. This results in per-pupil funding of \$13,976 from Proposition 98 funding, growing to \$21,555 when accounting for all funding sources. The 2021-22 Budget also makes retroactive increases to the minimum school funding guarantee in fiscal years 2019-20 and 2020-21, setting them at \$79.3 billion and \$93.4 billion, respectively. Collectively, this represents a three-year increase in the minimum funding guarantee of \$47 billion from the level projected by the 2020-21 Budget.



Other significant features of the 2021-22 Budget include the following:

- General Apportionments – An increase of \$395 million in ongoing Proposition 98 funding for general apportionments, comprised of (i) \$371.2 million to fund a 5.07% cost of living adjustment, and (ii) \$23.8 million to fund 0.50% enrollment growth.
- Deferrals – \$1.453 billion in Proposition 98 funding to repay apportionment deferrals, of which \$144.6 million is from State fiscal year 2019-20, \$1.1 billion is from State fiscal year 2020-21 and \$229.8 million is from State fiscal year 2021-22.
- Student Assistance – \$250 million in one-time ARP Act funds to support emergency student financial assistance grants. The 2021-22 Budget also provides \$160 million in Proposition 98 funding for student assistance, comprised of \$100 million in one-time funding available over three years to address student basic needs including food and housing insecurity, \$30 million in ongoing funding to support student mental health services and \$30 million in ongoing funding for colleges to establish basic needs centers and hire basic needs coordinators.
- Workforce Programs – \$42.4 million in ongoing Proposition 98 funding to increase program funding and enable community college districts to support work-based learning opportunities. The 2021-22 Budget also provides \$20 million in one-time Proposition 98 funding to support community college participation in High Road Training Partnerships and regional partnerships developed by the California Workforce Development Board.
- Facilities – \$581.4 million in State general obligation bond funding, including \$8.2 million to start nine new capital outlay projects and \$573.2 million for the construction phase of 32 projects anticipated to complete design by the spring 2022. In addition, the 2021-22 Budget provides \$511 million in one-time Proposition 98 funding to address deferred maintenance.

For additional information regarding the 2021-22 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

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There can be no assurance that additional legislation will not be enacted in the future to implement provisions relating to the State budget, address the COVID-19 outbreak or otherwise that may affect the City or its General Fund revenues.

### **Potential Impact of State Financial Condition on the City**

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. The COVID-19 outbreak materially adversely impacted the financial condition of the State and the waning of the infection crisis is expected to be followed by increases in unfunded liabilities of the two main retirement systems managed by State entities, CalPERS and CalSTRS. The State also has a significant unfunded liability with respect to other post-employment benefits.

Current and future State budgets will be significantly affected by the COVID-19 outbreak and other factors over which the City has no control. The City cannot determine what actions will be taken in the future by the State Legislature and the Governor to deal with the COVID-19 outbreak, future recessions and resulting changing State revenues and expenditures. There can be no assurance that, as a result of the COVID-19 outbreak or otherwise, the State will not significantly reduce revenues to local governments (including the

City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. Although the State is not a significant source of City revenues, there can be no assurance that State actions to respond to the COVID-19 outbreak will not materially adversely affect the financial condition of the City. The State's ability to undertake such revenue reductions or shifting has been limited by provisions of the State Constitution. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 22."

### **Redevelopment Dissolution**

**General.** On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 ("**AB 1x26**"), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the City is the termination of the redevelopment functions of the Community Redevelopment Agency of the City of Moreno Valley (the "**Former Agency**") and the transfer of such functions to a successor agency (the City, referred to in this context as the "**Successor Agency**"), which was tasked with winding down the Former Agency's redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations, which enforceable obligations are generally limited to obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations (including accrued interest, as applicable) are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the Former Agency will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as the County, the local school districts and the City. The Successor Agency's activities are subject to review by an oversight board established under AB 1x26. Under AB 1x26, liabilities of the Successor Agency are not liabilities of the City.

On June 27, 2012, the Governor signed Assembly Bill 1484 ("**AB 1484**"), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds that were improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the relevant local agency, which, in the case of the Successor Agency, is the City.

On September 22, 2015, the following amendments to AB 1x26 and AB 1484 were enacted as Senate Bill 107 ("**SB 107**"): (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that have a "Last and Final" ROPS (as discussed below) may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 are unenforceable unless entered into for the purpose of providing administrative support.

SB 107 also: (a) requires the preparation of a Recognized Obligation Payment Schedule with respect to enforceable obligations (a "**ROPS**"), which are required to be submitted to the oversight board and the DOF in accordance with AB 1x26, once a year beginning with the ROPS period that commenced on July 1, 2016 (rather than twice a year under prior law); (b) establishes an optional "Last and Final" ROPS process beginning in September 2015; under this process, a successor agency that elected to submit a "Last and Final ROPS" would no longer submit a periodic ROPS and the enforceable obligations set forth in the "Last and Final" ROPS would be binding on all parties; and (c) clarifies that former tax increment caps and plan limits do not apply for the purposes of paying approved enforceable obligations.

**Impact on the City.** Significant provisions of AB 1x26, AB 1484, SB 107 and implementing actions of affected parties, including the Successor Agency, the oversight board, the County and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the City and its General Fund. The DOF has periodically proposed additional legislation which would modify statutes affecting redevelopment dissolution; it is not known whether additional legislation will be enacted. The full extent of the impact of the implementation of AB 1x26, AB 1484 and SB 107 or potential future legislation on the City's General Fund is unknown at this time. While certain administrative costs previously charged to the Former Agency by the General Fund will no longer be supported by the Successor Agency, certain property tax revenues formerly allocated to the Former Agency will now be received by the City's General Fund.

The City does not believe that it has received material amounts from the Former Agency or the Successor Agency which may be asserted to be in violation of AB 1x26 or AB 1484.

**Successor Agency Obligations to the General Fund.** Although AB 1x26 generally invalidates agreements between host cities and their former redevelopment agencies, provision is made for the enforcement of agreements entered into with respect to obligations which meet certain specified criteria. The City believes that the Successor Agency's payment obligations under a note relating to the Moreno Valley Mall at Towngate (the "**Towngate Regional Mall Note**") and miscellaneous other advances (the "**Other Advances**") to the Former Agency, each as described below, constitute enforceable obligations of the Successor Agency. The City expects that the Successor Agency will continue to be able to apply tax increment revenues to the payment of such obligations. The City has listed the Towngate Regional Mall Note and the Other Advances in its ROPS, and such obligations have been approved as enforceable obligations by the Successor Agency's oversight board and the DOF. However, there can be no assurance that such entities, the State Controller, other State or County bodies implementing the dissolution of redevelopment or a court will not disagree with the City's interpretation and seek to prohibit the Successor Agency from making the payments on the Towngate Regional Mall Note and the Other Advances in the future, or that additional legislation could be enacted which will not be consistent with the City's interpretation. There can also be no assurance that AB 1x26, AB 1484 and/or subsequent implementing statutes will not interfere with the receipt by the City from the Successor Agency of the amounts contemplated to be received by the City pursuant to the Towngate Regional Mall Note, the Other Advances or otherwise.

As of June 30, 2021, the Towngate Regional Mall Note was outstanding in the principal amount of \$10,990,341. The Towngate Regional Mall Note originated from a participation agreement (as amended) whereby the Former Agency acquired certain parcels within the Moreno Valley Mall at Towngate for subsequent transfer to anchor tenants. The Towngate Regional Mall Note bears interest at the rate of 7.25% per annum and is payable from the property tax increment and up to 50% of the sales tax revenues generated from the acquired parcels. In Fiscal Year 2004, the City purchased the rights to the Towngate Regional Mall Note from the holder thereof and, thereafter, has received the associated interest and principal payments related thereto. Through negotiations with the DOF, the City has reached an agreement which amends the terms of the Towngate Regional Mall Note such that \$1,400,000 will now be paid annually to the City from revenues in the Redevelopment Property Tax Trust Fund maintained by the County Auditor-Controller with respect to the former redevelopment project areas within the City through December 2035. On September 23, 2014 and September 24, 2014, respectively, the Successor Agency and the Successor Agency's oversight board approved resolutions that incorporate terms of the agreement reached between the City and the DOF. Such resolutions provided for the restructuring of the Towngate Regional Mall Note payment schedule for submission to the DOF. The restructured payment schedule was approved as part of the 2014/15B ROPS on November 15, 2014.

As of June 30, 2021, the Other Advances were outstanding in the principal amount of \$[\_\_\_\_]. The Other Advances were used by the Former Agency for various redevelopment purposes and are payable from available Successor Agency moneys. The Other Advances bear interest at the rate of 12% per annum but do not have a specific maturity date.

To the extent that the Successor Agency's assets are liquidated for distribution of proceeds to the affected taxing entities, the City currently expects that the City's General Fund will receive approximately 11% of such assets.

### **Future State Budgets**

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, 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 State 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, including the current economic downturn, over which the City has no control.

### **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

#### **Article XIII A of the State Constitution**

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes subject to Proposition 13 are a significant source of the City's General Fund revenues. See the caption "CITY FINANCIAL INFORMATION."

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by 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 certain other limited circumstances.

### **Article XIII B of the State Constitution**

At the Statewide special election on November 6, 1979, the voters approved an initiative entitled “Limitation on Government Appropriations,” which added Article XIII B to the State Constitution. Under Article XIII B, State and local government entities have an annual “appropriations limit” which limits the ability to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of October 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if those entities’ 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 over the subsequent two years.

The City’s appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution.

### **Proposition 62**

A statutory initiative (“**Proposition 62**”) was adopted by the voters of the State at the November 4, 1986 general election which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Proposition 62 applies to the imposition of any taxes or the implementation of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption “—Proposition 218” below.

### **Proposition 218**

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State 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 are 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 may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIII A of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add 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 new 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 impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund.

Although a portion of the City’s General Fund revenues are derived from general taxes purported to be governed by Proposition 218 as discussed under the caption “CITY FINANCIAL INFORMATION—Other Taxes,” all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City’s General Fund.

### **Unitary Property**

Some of the property tax revenue received by the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“**unitary property**”). Under the State Constitution, such property is assessed by the CDTFA as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the CDTFA, taxed at special county-wide rates, and the tax revenues are distributed to taxing jurisdictions (including the City) according to statutory formula generally based on the distribution of taxes in the prior year.

### **Proposition 22**

On November 2, 2010, voters in the State approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. Proposition 22 restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel, and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. 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 believe that Proposition 26 will adversely affect its General Fund revenues.

## **Future Initiatives**

Articles XIII A and XIII B and Propositions 62, 218, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted that further affect the City’s current revenues or its ability to raise and expend revenues.

## **TAX MATTERS**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2021 Bonds is exempt from State of California personal income tax and is *not* excluded from gross income for federal income tax purposes under Section 103 of Internal Revenue Code of 1986, as amended (the “Code”).

With certain exceptions, the difference between the issue price of a Series 2021 Bond (the first price at which a substantial amount of the Series 2021 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Series 2021 Bond will increase the Beneficial Owner’s basis in the Series 2021 Bond. Beneficial Owners of the Series 2021 Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Series 2021 Bonds.

The amount by which a Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Series 2021 Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner’s basis in the applicable Bond (and the amount of taxable interest received with respect to the Series 2021 Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series 2021 Bond is sold by

the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2021 Bond to the Beneficial Owner. The Beneficial Owners of the Series 2021 Bonds that have a basis in the Series 2021 Bonds that is greater than the principal amount of the Series 2021 Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of the Series 2021 Bonds, such Bonds might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Bond Owner generally equal to the difference between the amount deemed realized from the deemed prepayment and reissuance and the Series 2021 Bond Owner’s adjusted tax basis in such Bond.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a Series 2021 Bond Owner’s particular situation. The ownership and disposal of the Series 2021 Bonds and the accrual or receipt of interest on the Series 2021 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. BEFORE PURCHASING ANY OF THE SERIES 2021 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES 2021 BONDS AND THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.

A copy of the proposed form of opinion of Bond Counsel with respect to the 2021 Bonds is set forth in Appendix C.

#### **MUNICIPAL ADVISOR**

The City has retained Fieldman Rolapp & Associates, Inc., Irvine, California (the “**Municipal Advisor**”) as municipal advisor in connection with the sale of the Series 2021 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

#### **CERTAIN LEGAL MATTERS**

The validity of the Series 2021 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2021 Bonds. Certain legal matters will be passed upon for the City and the Authority by Steve Quintanilla, Interim City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Kutak Rock LLP, for the Trustee by its counsel and for the Insurer by its counsel.

#### **ABSENCE OF LITIGATION**

[CONFIRM] To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or, to the best knowledge of the City, threatened either restraining or enjoining the execution or delivery of the Series 2021 Bonds, the Facilities Lease, the Facilities Sublease or the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims



from time to time pending against the City. In the opinion of the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending or threatened against the City that will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

## UNDERWRITING

The Series 2021 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter will purchase the Series 2021 Bonds from the Authority at an aggregate purchase price of \$\_\_\_\_\_, representing the principal amount of the Series 2021 Bonds, plus/less \$\_\_\_\_\_ of net original issue premium/discount and less \$\_\_\_\_\_ of Underwriter's discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing Series 2021 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

## RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business (“**S&P**”), has assigned the rating of “[ ]” to the Series 2021 Bonds based upon the delivery of the Policy by the Insurer at the time of issuance of the Series 2021 Bonds. S&P has also assigned the Series 2021 Bonds the rating of “[ ]” notwithstanding the delivery of the Policy.

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic that is described under the caption “THE CITY—COVID-19 Outbreak,” could have an adverse impact on the ratings of the Series 2021 Bonds, and there is no assurance that any credit rating that is given to the Series 2021 Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant, nor can there be any assurance that the criteria required to achieve a rating on the Series 2021 Bonds will not change during the period that the Series 2021 Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Series 2021 Bonds may have an adverse effect on the market price of the Series 2021 Bonds. Such ratings reflect only the current views of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in its continuing disclosure undertaking to file notices of any rating changes on the Series 2021 Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (“**EMMA**”). See the caption “CONTINUING DISCLOSURE” and Appendix D. Notwithstanding such covenant, information relating to rating changes on the Series 2021 Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Series 2021 Bonds are directed to S&P and its websites and official media outlets for the most current ratings with respect to the Series 2021 Bonds after the issuance of the Series 2021 Bonds.

None of the Authority, the City or the Underwriter makes any representation as to the Insurer's creditworthiness and no representation that the Insurer's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a

change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

### CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate of the City, dated as of the date of issuance of the Series 2021 Bonds (the "**Disclosure Certificate**"), the City has covenanted for the benefit of the holders and Beneficial Owners of the Series 2021 Bonds to provide certain financial information and operating data relating to the City by each March 31 following the end of the City Fiscal Year (currently its Fiscal Year ends on June 30) (the "**Annual Report**"), commencing March 31, 2022 with the report for the Fiscal Year ended June 30, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("**Rule 15c2-12**").

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Series 2021 Bonds are secured by any resources or property of the City or any entity other than Base Rental Payments or other amounts due under the Facilities Sublease. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" and "RISK FACTORS—General Considerations – Security for the Series 2021 Bonds."

[DISCLOSURE RE PAST CONTINUING DISCLOSURE COMPLIANCE TO COME].

In order to promote compliance by the City and its related entities, including the Authority and the Former Agency, with their respective continuing disclosure undertakings, the City has retained Willdan Financial Services ("**Willdan**") to serve as dissemination agent and assist such entities in complying with their continuing disclosure obligations. Willdan will also perform these duties for the land-secured financings involving the City's community facilities districts. Additionally the City has taken the steps to amend its existing debt policy, which has been approved by the City Council, to ensure future compliance with Rule 15c2-12.

### FINANCIAL STATEMENTS OF THE CITY

Included as Appendix B are the audited financial statements of the City as of and for the Fiscal Year ended June 30, 2020, together with the report of the Auditor thereon dated December 10, 2020. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report, or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 10, 2020.

## MISCELLANEOUS

Summaries of certain documents and reports do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the Chief Financial Officer of the City at 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2021 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

### **MORENO VALLEY PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Executive Director

### **CITY OF MORENO VALLEY**

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

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Facilities Lease, Facilities Sublease and Trust Agreement which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective documents for a full and complete statement of the provisions thereof.*

[TO COME FROM BOND COUNSEL]

DRAFT

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

DRAFT

## APPENDIX C

### PROPOSED FORM OF BOND COUNSEL OPINION

*Upon the issuance of the 2021 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

June 9, 2021

Moreno Valley Public Financing Authority  
c/o City of Moreno Valley  
14177 Frederick Street  
PO Box 88005  
Moreno Valley, California 92552

Re: \$ \_\_\_\_\_ Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2021 (Taxable)

Members of the Board of Directors:

We have acted as Bond Counsel to the Moreno Valley Public Financing Authority (the "Authority") in connection with the issuance by the Authority of its Lease Revenue Refunding Bonds, Series 2021 (Taxable) in the aggregate principal amount of \$ \_\_\_\_\_ (the "2021 Bonds"). In connection therewith, we have reviewed:

(i) the Master Trust Agreement, dated as of December 1, 2015 (the "2015 Master Trust Agreement"), as amended and supplemented by the First Supplement to Master Trust Agreement, dated as of December 1, 2016 (the "First Supplement to the 2015 Master Trust Agreement"), the Second Supplement to Master Trust Agreement, dated as of April 1, 2019 (the "Second Supplement to the 2015 Master Trust Agreement"), and the Third Supplement to Master Trust Agreement, dated as of October 1, 2021 (the "Third Supplement to the 2015 Master Trust Agreement," and together with the 2015 Master Trust Agreement, the First Supplement to the 2015 Master Trust Agreement and the Second Supplement to the 2015 Master Trust Agreement, the "Trust Agreement"), each by and between the Authority and the Wells Fargo Bank, National Association, as trustee (the "Trustee");

(ii) the Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease"), as amended by the First Amendment to Master Facilities Lease, dated as of December 1, 2016 (the "First Amendment to the 2015 Master Facilities Lease"), the Second Amendment to Master Facilities Lease, dated as of April 1, 2019 (the "Second Amendment to the 2015 Master Facilities Lease"), and the Third Amendment to Master Facilities Lease, dated as of October 1, 2021 (the "Third Amendment to the 2015 Master Facilities Lease," and together with the 2015 Master Facilities Lease, the First Amendment to the 2015 Master Facilities Lease and the Second Amendment to the 2015 Master Facilities Lease, the "Facilities Lease"), each by and between the City of Moreno Valley (the "City"), as lessor, and the Authority, as lessee;

(iii) the Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease"), as amended and supplemented by the First Amendment to Master Facilities Sublease, dated as of December 1, 2016 (the "First Amendment to the 2015 Master Facilities Sublease"), the Second Amendment to Master Facilities Sublease, dated as of April 1, 2019 (the "Second Amendment to the 2015 Master Facilities Sublease"), and the Third Amendment to Master Facilities Sublease, dated as of October 1, 2021 (the "Third Amendment to the 2015 Master Facilities Sublease," and together with the 2015 Master Facilities Sublease, the First Amendment to the 2015 Master Facilities Sublease and the Second Amendment to the 2015 Master Facilities Sublease, the "Facilities Sublease"); and

(iv) opinions of counsel to the Authority, the City and the Trustee, certificates of the Authority, the City and the Trustee and others and such other documents, opinions and matters to the extent that we deemed

necessary to render the opinions set forth herein. Capitalized terms that are not otherwise defined herein have the meanings that are ascribed thereto in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Facilities Sublease is a valid and binding obligation payable from the funds of the City lawfully available therefor. The obligation of the City to make Base Rental Payments under the Facilities Sublease does not constitute a debt of the City, the State of California (the "State") or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State or any political subdivision thereof.

2. The Facilities Sublease has been duly authorized, executed and delivered by the City and the Authority and constitutes the valid and legally binding agreement of the City and the Authority enforceable against the City and the Authority in accordance with its terms, except that we express no opinion as to any provisions in the Facilities Sublease with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority and, assuming due execution and delivery by the Trustee, constitutes the valid and legally binding agreement of the Authority enforceable against the Authority in accordance with its terms, except that we express no opinion as to any provisions in the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

4. Interest on the 2021 Bonds is exempt from personal income taxes imposed in the State.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the 2021 Bonds terminates on the date of their issuance. The Trust Agreement, the Facilities Lease and the Facilities Sublease permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than as expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2021 Bonds.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Facilities Lease and the Facilities Sublease or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Our opinion is limited to matters governed by the laws of the State. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Trust Agreement, the Facilities Lease, the Facilities Sublease and the 2021 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2021 Bonds and expressly disclaim any duty to advise the Owners of the 2021 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the Series 2021 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Moreno Valley (the “City”) in connection with the issuance by the Moreno Valley Public Financing Authority (the “Authority”) of its \$\_\_\_\_\_ Lease Revenue Refunding Bonds, Series 2021 (Taxable) (the “Bonds”). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the “2015 Master Trust Agreement”), as amended and supplemented by the First Supplement to Master Trust Agreement, dated as of December 1, 2016 (the “First Supplement to the 2015 Master Trust Agreement”), the Second Supplement to Master Trust Agreement, dated as of April 1, 2019 (the “Second Supplement to the 2015 Master Trust Agreement”), and the Third Supplement to Master Trust Agreement, dated as of October 1, 2021 (the “Third Supplement to the 2015 Master Trust Agreement,” and together with the 2015 Master Trust Agreement, the First Supplement to the 2015 Master Trust Agreement and the Second Supplement to the 2015 Master Trust Agreement, the “Trust Agreement”), each by and between the Authority and the Wells Fargo Bank, National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bond Insurer, the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.\*

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

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\* The City shall interpret the events identified in Sections (5)(a)(10) and 5(b)(8) hereof in accordance with Release No. 34-83885 adopted by the Securities and Exchange Commission on August 20, 2018, or any future guidance or releases provided by the Securities and Exchange Commission.



Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated October \_\_, 2021 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than each March 31 following the end of its Fiscal Year (commencing March 31, 2022 with the Fiscal Year ended June 30, 2021) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send in a timely manner to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

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

(a) audited financial statements of the City for the prior Fiscal Year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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 come available.

(b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

(i) revenues, expenditures, and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) assessed valuations of property in the City;

(iii) property tax levies and collections for the most recently completed Fiscal Year;

(iv) top ten property taxpayers in the City;

(v) State of California motor vehicle in-lieu payments received; and

(vi) outstanding debt of the City for the most recently completed Fiscal Year, including revenue and lease indebtedness.

The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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 obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 obligated person; and
10. 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) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of security holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the securities;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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;
7. appointment of a successor or additional trustee or the change of the name of a trustee; and
8. incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Termination of 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).

7. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

8. 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 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 notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Bond Insurer or any Holders or Beneficial Owners of at least 50% aggregate principal amount 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.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as

such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Bond Insurer, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: October \_\_, 2021

CITY OF MORENO VALLEY

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

DRAFT

## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2021 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2021 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2021 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2021 Bonds. The Series 2021 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. One fully registered bond will be issued for each annual maturity of the Series 2021 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information set forth on such website is not incorporated herein by reference.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("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 Series 2021 Bonds 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 the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds 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 Series 2021 Bonds 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 Series 2021 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2021 Bonds 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.

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 Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 Bonds 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 the Authority or the Trustee, 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, the Trustee, or the Authority, 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 the Authority or the Trustee, 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.

A Series 2021 Bond Owner shall give notice to elect to have its Series 2021 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2021 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2021 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2021 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2021 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2021 Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2021 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2021 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX F

### GENERAL INFORMATION REGARDING THE CITY OF MORENO VALLEY AND THE REGION

*The following information is presented as general background data. The Series 2021 Bonds are payable solely from the Base Rental Payments under the Facilities Sublease as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Base Rental Payments or the Series 2021 Bonds.*

*Although reasonable efforts have been made to include up-to-date information in this Appendix, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein. In particular, certain of the tables in this Appendix include data for periods prior to the outbreak of COVID-19 and may not reflect current information.*

#### Location

The City of Moreno Valley (the “City”) is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 51 square miles of land area in western Riverside County. Geographically, the City is bordered by three low-lying mountain ranges, March Air Reserve Force Base and Lake Perris State Park. The City is situated at the junction of two major highways, California State Highway 60 (the Moreno Valley Freeway) and Interstate 215.

#### Population

The City is the second largest city in Riverside County with an estimated population of 209,426 as of January 1, 2021. The table below sets forth the total population of the City, the County of Riverside (the “County”) and the State of California (the “State”).

#### CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE AND STATE OF CALIFORNIA Population

	<i>Calendar Year</i>				
	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Moreno Valley	204,285	207,629	207,190	208,791	209,426
Riverside County	2,382,640	2,415,933	2,419,057	2,440,719	2,454,453
California	39,500,973	39,809,693	39,605,361	39,648,938	39,466,855

Source: State of California Department of Finance.

## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2016 through 2020 for the City, the County, the State and the nation as a whole.

### CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND UNITED STATES Average Annual Civilian Labor Force, Employment and Unemployment

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment<sup>(1)</sup></i>	<i>Unemployment<sup>(2)</sup></i>	<i>Unemployment Rate (%)<sup>(3)</sup></i>
2016				
City of Moreno Valley	92,400	86,400	6,000	6.5%
Riverside County	1,052,600	988,200	64,500	6.1
State of California	19,093,700	18,048,800	1,044,800	5.5
United States <sup>(4)</sup>	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Moreno Valley	91,400	86,200	5,200	5.7%
Riverside County	1,072,500	1,016,200	56,300	5.2
California	19,312,000	18,393,100	918,900	4.8
United States <sup>(4)</sup>	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Moreno Valley	94,200	89,900	4,300	4.6%
Riverside County	1,090,100	1,041,500	48,600	4.5
California	19,263,900	18,442,400	821,500	4.3
United States <sup>(4)</sup>	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Moreno Valley	95,400	91,200	4,100	4.3%
Riverside County	1,105,700	1,058,700	47,000	4.2
California	19,353,700	18,550,500	803,200	4.2
United States <sup>(4)</sup>	163,539,000	157,538,000	6,001,000	3.8
2020				
City of Moreno Valley	97,100	87,000	10,100	10.4%
Riverside County	1,107,700	997,700	110,000	9.9
California	18,821,200	16,913,100	1,908,100	10.1
United States <sup>(4)</sup>	160,742,000	147,795,000	12,947,000	8.1

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2020 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.



The following tables show the largest employers located in the City and the County as of Fiscal Year 2020.

**CITY OF MORENO VALLEY**  
**Largest Employers – Fiscal Year 2020**

<i><b>Employer</b></i>	<i><b>Number of Employees</b></i>	<i><b>Type of Business</b></i>
March Air Reserve Base	9,600	Military
Amazon.com, Inc.	7,500	Fulfillment
Riverside University Health Systems Medical Center	3,400	Medical
Moreno Valley Unified School District	3,100	Public Agency
Ross Dress for Less / D D's Discounts	2,400	Distribution
Moreno Valley Mall (excludes major tenants)	1,500	Retail
Kaiser Permanente Community Hospital	1,457	Medical
Skechers USA	1,200	Distribution
Harbor Freight Tools	788	Distribution
Deckers Outdoor	700	Distribution

Source: City of Moreno Valley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

**COUNTY OF RIVERSIDE**  
**Largest Employers – Fiscal Year 2020**

<i><b>Employer</b></i>	<i><b>Number of Employees</b></i>	<i><b>Type of Business</b></i>
County of Riverside	21,672	Public Agency
Amazon.com, Inc.	10,500	Fulfillment
University of California, Riverside	9,770	University
March Air Reserve Base	9,600	Military
Stater Brothers Markets	8,304	Grocery
Kaiser Permanente Riverside Medical Center	5,700	Medical
Pechanga Resort & Casino	5,078	Gaming/Hospitality
Wal-Mart	4,931	Retail
Corona-Norco Unified School District	4,903	Public Agency
Ross Dress for Less	4,321	Distribution

Source: County of Riverside Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

## Industry

Residents of the City find employment throughout the Riverside-San Bernardino-Ontario Labor Market Area. This labor market area, as defined for reporting purposes by the California Employment Development Department, has boundaries coterminous with those of Riverside and San Bernardino Counties. The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2016 through 2020.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA Industry Employment and Labor Force (Annual Average)

	2016	2017	2018	2019	2020
Civilian Labor Force	1,981,900	2,014,300	2,045,200	2,070,700	2,073,900
Civilian Employment	1,836,600	1,910,800	1,957,200	1,986,100	1,872,600
Civilian Unemployment	118,300	103,500	88,000	84,600	201,300
Civilian Unemployment Rate	6.0%	5.1%	4.3%	4.1%	9.7%
 Total Farm	14,600	14,500	14,500	15,400	13,900
Total Nonfarm	1,401,400	1,452,800	1,506,000	1,552,100	1,487,800
Total Private	1,159,100	1,201,800	1,248,800	1,290,900	1,238,700
Goods Producing	190,400	196,400	206,100	208,900	200,500
Mining and Logging	900	1,000	1,200	1,200	1,300
Construction	92,000	97,400	105,200	107,200	105,000
Manufacturing	97,500	98,000	99,800	100,600	94,300
Service Providing	1,211,000	1,256,400	1,299,900	1,343,200	1,287,400
Trade, Transportation and Utilities	346,300	363,400	378,800	394,400	403,800
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Financial Activities	44,900	44,700	44,600	45,000	43,700
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Educational and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Government	242,300	251,000	257,200	261,200	249,100
Total, All Industries	<u>1,416,600</u>	<u>1,467,300</u>	<u>1,520,500</u>	<u>1,567,500</u>	<u>1,501,800</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, March 2020 Benchmark.

## Assessed Valuation

The table below sets forth the City's assessed valuation of property for the last five Fiscal Years for which information is available.

### CITY OF MORENO VALLEY Assessed Valuation of Taxable Property (Dollars in Thousands)

<i>Fiscal Year Ended June 30</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Total Assessed and Estimated Full Value</i>
2016	\$12,991,881	\$486,350	\$13,478,231
2017	13,703,128	609,642	14,312,770
2018	14,517,849	584,791	15,102,640
2019	15,490,166	637,631	16,127,798
2020	16,780,625	718,741	17,499,366

Source: City of Moreno Valley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

## Tax Levy and Tax Collection

Below is a summary of the property tax levies and total collections for the last five Fiscal Years for which information is available.

### CITY OF MORENO VALLEY Property Tax Levies and Collections

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied</i>	<i>Collected within the Fiscal Year of Levy</i>		<i>Collections in Subsequent Years</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percent of Levy<sup>(1)</sup></i>		<i>Amount</i>	<i>Percent of Levy</i>
2016	\$27,643,578	\$27,249,232	98.57%	\$394,345	\$27,643,578	100.00
2017	28,476,155	28,270,448	99.28	205,707	28,476,155	100.00
2018	29,595,157	29,425,906	99.43	169,250	29,595,157	100.00
2019	30,459,787	30,334,346	99.59	125,440	30,459,787	100.00
2020	31,609,650	31,609,650	100.00	-	31,609,650	100.00

<sup>(1)</sup> The City began participating in the "Teeter Plan" in FY 1993-94. The Teeter Plan adopted by the County of Riverside guarantees each participating city payment equal to 100% of the total tax value. Any delinquencies and the associated penalties and interest are collected and maintained by the County

<sup>(2)</sup> Beginning in Fiscal Year 2013, redevelopment tax increment was no longer included in the calculation for the levy and the collections.

Source: City of Moreno Valley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

## Largest Taxpayers

The principal property taxpayers in the City for 2020 were as follows:

### CITY OF MORENO VALLEY Largest Property Taxpayers

<i>Taxpayer</i>	<i>2020 Taxable Assessed Valuation</i>	<i>% of Total Assessed Valuation</i>
First Industrial LP	\$ 254,845,614	1.49%
Skechers USA, Inc.	241,202,054	1.41
Duke Realty LP	206,119,877	1.20
TGA Centerpointe LLC	171,226,591	1.00
Ross Dress for Less, Inc.	143,757,205	0.84
FR California Moreno Valley	125,434,404	0.73
Confidential	119,844,858	0.70
FR California Indian Avenue	119,277,171	0.70
Walgreen Company	117,129,812	0.68
Towngate on Memorial Apartments	<u>102,555,939</u>	<u>0.60</u>
TOTAL	\$ 1,601,393,525	9.35%

Source: City of Moreno Valley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020.

## Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2016 through 2020 are shown in the following tables for both the County and the City.

### COUNTY OF RIVERSIDE Building Permit Valuations (Dollars in Thousands)

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Valuation (\$000):					
Residential	\$1,759,535	\$1,903,417	\$2,558,081	\$2,275,405	\$2,519,303
Non-residential	<u>1,346,019</u>	<u>1,433,691</u>	<u>1,959,680</u>	<u>1,285,856</u>	<u>1,153,778</u>
Total*	\$3,105,554	\$3,337,108	\$4,517,761	\$3,561,261	\$3,673,081
Residential Units:					
Single family	5,662	6,265	7,540	6,563	8,443
Multiple family	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>	<u>1,798</u>	<u>723</u>
Total	6,701	7,335	9,168	8,361	9,166

\* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**CITY OF MORENO VALLEY**  
**Building Permit Valuations (Dollars in Thousands)**

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Valuation (\$000):					
Residential	\$ 53,041	\$ 151,647	\$ 322,159	\$ 83,548	\$ 89,140
Non-residential	<u>40,354</u>	<u>278,495</u>	<u>433,939</u>	<u>427,693</u>	<u>158,503</u>
Total	\$ 93,395	\$ 430,142	\$ 756,098	\$ 511,241	\$ 247,643
Residential Units:					
Single family	100	451	854	315	186
Multiple family	<u>112</u>	<u>16</u>	<u>372</u>	<u>14</u>	<u>237</u>
Total	212	467	1,226	329	423

Note: Totals may not add to sums because of rounding.  
Source: Construction Industry Research Board.

**Commercial Activity**

Trade outlet and retail sales activity for the last five Fiscal Years for which information is available are summarized below.

**CITY OF MORENO VALLEY**  
**Taxable Transactions and Sales Permits (Dollars in Thousands)**

<i>Calendar Year</i>	<i>Total Retail Stores</i>	<i>Total Retail Stores Permits</i>	<i>Total Taxable Transactions</i>	<i>Total Issued Permits</i>
2017	\$1,506,226	2,152	\$1,691,312	2,950
2018	1,609,248	2,228	1,789,391	3,103
2019	1,666,684	2,347	1,856,100	3,351
2020	1,659,839	2,629	1,882,893	3,833
2021 <sup>(1)</sup>	597,100	2,541	661,593	3,750

<sup>(1)</sup> Through first quarter of 2021.  
Source: California State Board of Equalization.

**CITY OF MORENO VALLEY**  
**Retail Sales (Dollars in Thousands)**

<i>Type of Business</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021<sup>(1)</sup></i>
Auto Dealers	\$ 303,915	\$ 327,970	\$ 341,773	\$ 374,779	\$ 98,831
Home Furnishing	42,227	51,181	50,213	56,631	15,587
Building Materials	121,546	124,804	144,205	202,136	50,287
Food Stores	138,802	148,170	144,879	145,295	39,177
Service Stations	168,956	199,986	197,059	155,769	47,322
Apparel Stores	127,517	134,013	127,678	93,146	30,569
General Merchandise Stores	287,861	286,409	304,554	294,182	73,673
Eating/Drinking Places	257,844	269,886	287,618	268,659	71,253
Other Retail Stores	<u>66,558</u>	<u>66,829</u>	<u>68,705</u>	<u>69,242</u>	<u>170,401</u>
Retail Stores Totals	\$ 1,506,226	\$ 1,609,248	\$ 1,666,684	\$ 1,659,839	\$ 597,100
All Other Outlets	<u>185,086</u>	<u>180,143</u>	<u>189,416</u>	<u>223,054</u>	<u>64,493</u>
Total All Outlets	<u>\$ 1,691,312</u>	<u>\$ 1,789,391</u>	<u>\$ 1,856,100</u>	<u>\$ 1,882,893</u>	<u>\$ 661,593</u>

<sup>(1)</sup> Through first quarter of 2021.  
Source: California State Board of Equalization.

The table below presents taxable sales for the County for the last five Fiscal Years for which information is available.

**COUNTY OF RIVERSIDE TAXABLE SALES**  
**Taxable Sales**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2017	58,969	\$36,407,460
2018	61,433	38,919,498
2019	64,063	40,626,998
2020	69,284	42,313,474
2021 <sup>(1)</sup>	65,864	11,882,990

<sup>(1)</sup> Through first quarter of 2021.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

**Personal Income**

The following tables show the personal income and per capita personal income for the City, County, State of California and United States for the last five Fiscal Years for which information is available.

**CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA, AND UNITED STATES**  
**Personal Income**

<i>Year</i>	<i>City of Moreno Valley</i>	<i>County of Riverside</i>	<i>California</i>	<i>United States</i>
2016	\$3,671,016	\$90,713,807	\$2,273,557,468	\$16,151,881,000
2017	3,775,669	94,542,096	2,383,130,513	16,937,582,000
2018	3,902,595	99,266,122	2,514,503,372	17,839,255,000
2019	4,085,746	104,794,676	2,632,279,775	18,542,262,000
2020	4,500,668	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>

Note: Dollars in Thousands.

<sup>(1)</sup> 2020 figures not yet available for County of Riverside, State of California and United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Moreno Valley Fiscal Year Ending June 30, 2020 ACFR.

**CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA, AND UNITED STATES**  
**Per Capita Personal Income**

<i>Year</i>	<i>City of Moreno Valley</i>	<i>County of Riverside</i>	<i>California</i>	<i>United States</i>
2016	\$17,874	\$38,114	\$58,048	\$50,015
2017	18,262	39,148	60,549	52,118
2018	18,796	40,587	63,720	54,606
2019	19,615	42,418	66,619	56,490
2020	21,551	-- <sup>(2)</sup>	-- <sup>(2)</sup>	-- <sup>(2)</sup>

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

<sup>(2)</sup> 2020 figures not yet available for County of Riverside, State of California and United States.

## **Agriculture**

Agriculture is a significant source of income in the County. In 2020, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border. The County, and all of Southern California, has from time to time, including in recent years, experienced a severe drought. The County cannot predict the impact that a prolonged drought would have on agricultural production in the County.

## **Utilities**

The City receives water service from the Eastern Municipal Water District and Box Springs Mutual Water Company. The City is also serviced by Frontier (formerly Verizon) and Southern California Gas Company. Electrical service for most of the City's developed areas is provided by Southern California Edison. The City has established Moreno Valley Electric Utility ("MVU") to provide electric service for the remainder of the south and east ends of the City.

## **Transportation**

The City is centrally located within the Inland Empire. Highways passing through the City include California State Highway 60 and Interstate 215. California State Highway 60 connects in Riverside to California State Highway 91, which connects to Orange County and Long Beach. California State Highway 60 and Interstate 215 provide access to Interstate 10 within 15 miles of the City. Rail service in the City includes the Burlington Northern Santa Fe branch line. The main line service in Riverside has stop locations at the Union Pacific, Southern Pacific and Burlington Northern Santa Fe stations. Metrolink commuter rail service is available in Perris and in Riverside to Los Angeles and Orange County.

Ontario International Airport (owned and operated by Ontario International Airport Authority), approximately 31 miles northwest of the City, is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport. Riverside Municipal Airport has general aviation facilities with 5,400 feet and 1,600 feet runways.

## **Education**

The City is served by two public school districts: Moreno Valley Unified School District, with an approximate enrollment of 33,134 students, and Val Verde Unified School District, with an approximate enrollment of 20,244 students. Moreno Valley Unified School District has 23 elementary schools, six middle schools, four comprehensive high schools, one charter school, one adult school, one continuation school, a community day school, one pre-school and one academic center. Val Verde Unified School District serves the communities of Perris, Mead Valley and Moreno Valley. Val Verde Unified District has one pre-school, 13 elementary schools, four middle schools, three high schools and one continuation high school.

The City is also home to Moreno Valley Community College.

## **Recreation and Culture**

Lake Perris State Park offers boating, swimming, water-skiing, fishing and camping within its 8,300 acres. Box Springs Mountain Park provides trails for hiking and horseback riding. The City centralized

location allows residents to visit nearby mountain resorts, Palm Springs and the beach cities with relative ease. The City's park system consists of 29 parks with 328 acres. The City offers a variety of recreational activities for adults and youth. The City is served by the City's library system.

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**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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