

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 21, 2024

NEW ISSUE—FULL BOOK-ENTRY

RATINGS:
S&P: “AA” (___-Insured)
S&P: “___” (Underlying)
(See “RATINGS” herein)

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the City with certain covenants, under present law, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Interest with respect to the Certificates may affect the corporate alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



\$ _____ *

CERTIFICATES OF PARTICIPATION
(2024 Aquatics Facility Financing Project)
Evidencing the Direct, Undivided Fractional Interests
of the Owners Thereof in Lease Payments to be Made by the
CITY OF RIDGECREST
(Kern County, California),
As the Rental for Certain Property Pursuant to a Lease Agreement
with the Public Property Financing Corporation of California

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The \$ _____ * Certificates of Participation (2024 Aquatics Facility Financing Project) (the “Certificates”), are being sold to provide funds, together with other available moneys, to (a) finance the cost of constructing and equipping a new aquatics facility, and (b) pay costs incurred in connection with the execution, delivery and sale of the Certificates, including purchasing a municipal bond insurance policy for the Certificates and a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund.

The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the City of Ridgecrest (the “City”) to the Public Property Financing Corporation of California (the “Corporation”) for the use and occupancy of certain existing property of the City under and pursuant to a Lease Agreement, dated as of July 1, 2024, by and between the Corporation and the City (the “Lease Agreement”). See “THE PROPERTY” hereon. The Corporation will assign its right to receive Lease Payments from the City under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the City thereunder to U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually by check mailed on each June 1 and December 1, commencing December 1, 2024. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. See “THE CERTIFICATES—Book-Entry-Only System.”

The Certificates are subject to optional and mandatory redemption, as described herein. See “THE CERTIFICATES—Redemption.”

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE TOWN OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE TOWN IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE TOWN HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

MATURITY SCHEDULE

SEE THE INSIDE COVER

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The scheduled payment of principal and interest with respect to all or a portion of the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.



The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by the City Attorney, and for the Underwriter by Best Best & Krieger LLP, Los Angeles, California. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about July 24, 2024.

Hilltop Securities Inc.

Dated: July __, 2024

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____ *

CERTIFICATES OF PARTICIPATION
(2024 Aquatics Facility Financing Project)
Evidencing the Direct, Undivided Fractional Interests
of the Owners Thereof in Lease Payments to be Made by the
CITY OF RIDGECREST
(Kern County, California),
As the Rental for Certain Property Pursuant to a Lease Agreement
with the Public Property Financing Corporation of California

MATURITY SCHEDULE*

CUSIP Prefix: _____ †

Maturity (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP Suffix†
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					

*Preliminary, subject to change.

†Copyright 2024, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the registered owners of the Certificates. Neither the Town nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

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

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. 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 facts.

The information set forth herein has been obtained from the City and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease (each as defined herein), or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director of Finance for further information. See “INTRODUCTION—Other Information.”

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES 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 CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City’s forecasts in any way. Neither the City nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

The City maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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CITY OF RIDGECREST

100 West California Avenue
Ridgecrest, CA 93555
(760) 499-5000
<https://www.ridgecrest-ca.gov/>

CITY COUNCIL MEMBERS

Eric A. Bruen, *Mayor*
Kyle Blades, *Vice Mayor*
Solomon P. Rajaratnam, *Mayor Pro Tem*
John "Skip" Gorman, *Councilmember*
L. Scott Hayman, *Councilmember*

CITY OFFICIALS

Ronald Strand, *City Manager*
Cheri Freese, *Finance Director*
Kelly Brewton, *Assistant Finance Director*
Travis Reed, *Public Works Director*
Ricca Charlon, CMC, *City Clerk*
Martin Koczanowicz, Esq., *City Attorney*

PROFESSIONAL SERVICES

Wulff Hansen & Co.
San Rafael, California
Municipal Advisor

Quint & Thimmig LLP
Larkspur, California
Special Counsel and Disclosure Counsel

U.S. Bank Trust Company, National Association
Denver, Colorado
Trustee

\$ _____ *

CERTIFICATES OF PARTICIPATION
(2024 Aquatics Facility Financing Project)
Evidencing the Direct, Undivided Fractional Interests
of the Owners Thereof in Lease Payments to be Made by the
CITY OF RIDGECREST
(Kern County, California),
As the Rental for Certain Property Pursuant to a
Lease Agreement with the
Public Property Financing Corporation of California

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$ _____ * City of Ridgecrest Certificates of Participation (2024 Aquatics Facility Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2024 (the “Trust Agreement”), by and among the City of Ridgecrest, California (the “City”), the Public Property Financing Corporation of California (the “Corporation”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The City

The City, incorporated in 1963, is located in the southern portion of the Indian Wells Valley in the northeast corner of Kern County (the “County”). The City is the third most populous city in the County. The City is surrounded by four mountain ranges; the Sierra Nevada on the west, the Coso on the north, the Argus on the east, and the El Paso on the south. The City is approximately an hour and quarter from the Lancaster/Palmdale area and approximately two hours from both Bakersfield and San Bernardino, the two nearest urban areas. During the 1950s and 1960s, the City evolved as a support community to the China Lake Naval Air Weapons Station (“NAWS China Lake”), providing housing and vital services for employees and contractors.

NAWS China Lake is home to the Naval Air Warfare Center Weapons Division, which continues to be a major source of employment for the City’s residents. NAWS China Lake, the United States Navy’s largest single landholding, representing a majority of the Navy’s land for weapons and armaments research, development, acquisition, testing and evaluation. NAWS China Lake has been in continuous operation

* Preliminary, subject to change.

since 1943 and employs hundreds of active-duty military personnel as well as thousands of civilian employees and contractors.

The City operates under a council-manager form of government. The five-member City Council (the “City Council”) is elected on an at large basis by the City’s voters. City Council members serve four-year terms, with two members elected every two years. The Mayor and Mayor Pro Tem are elected by the City Council members to one-year terms. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies.

For additional information about the City, see “THE CITY,” “CITY FINANCIAL INFORMATION,” APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY and APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023.

Purpose

The proceeds of the Certificates will provide funds to (a) finance the costs of constructing and equipping a new aquatics facility, and (b) pay costs incurred in connection with the execution, delivery and sale of the Certificates, including purchasing a municipal bond insurance policy for the Certificates and a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund. See “THE PROJECT.”

The City will lease certain existing property and the improvements thereon (the “Property”) to the Corporation pursuant to a Site and Facility Lease, dated as of July 1, 2024 (the “Site and Facility Lease”). The Corporation will lease the Property back to the City pursuant to a Lease Agreement, dated as of July 1, 2024 (the “Lease Agreement”). The Certificates will be payable solely from and secured by the lease payments (the “Lease Payments”) to be made by the City to the Corporation pursuant to the Lease Agreement from its general fund. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

Interest with respect to the Certificates is payable on June 1 and December 1 of each year, commencing December 1, 2024. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the inside cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co., DTC’s nominee. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided interests of the Owners thereof in the Lease Payments to be paid by the City to the Corporation pursuant to the Lease Agreement. The Lease Payments are payable by the City from its General Fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial

interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of July 1, 2024 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the City. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Lease Payments; Covenant to Appropriate and “RISK FACTORS.”

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Municipal Bond Insurance Policies; Reserve Policy

The scheduled payment of the principal and interest with respect to all or a portion of the Certificates when due will be guaranteed under a municipal bond insurance policy (the “Municipal Bond Insurance Policy”) to be issued by Build America Mutual Assurance Company (the “Municipal Bond Insurer”) simultaneously with the delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.”

In addition, the Municipal Bond Insurer has made a commitment to issue a municipal bond insurance policy for the Reserve Fund established for the Certificates (the “Reserve Policy”) in an amount equal to the Reserve Requirement. See “SOURCES OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

Redemption

The Certificates are subject to optional and mandatory redemption. See “THE CERTIFICATES—Redemption.”

Continuing Disclosure

The City will covenant in a continuing disclosure certificate to prepare and deliver annual reports to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions.

All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally.

Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Certificates are available for inspection at the office of the City Clerk, City of Ridgecrest, 100 West California Avenue, Ridgecrest, CA 93555, Telephone: (760) 499-5000. The City may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. 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 summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from sources which are believed to be reliable. The information and expressions of opinions herein are subject to change 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 since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par Amount of the Certificates	
Plus: Original Issue Premium	
Total Sources	_____
	=====
Uses	
Deposit to the Project Fund ⁽¹⁾	
Delivery Costs ⁽²⁾	
Total Uses	_____
	=====

⁽¹⁾ Amounts deposited in the Project Fund will be used to finance a portion of the cost of the Project. See "THE PROJECT."
⁽²⁾ Delivery Costs include the Underwriter's discount, fees and expenses of the municipal advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance, the premiums for the Municipal Bond Insurance Policy and the Reserve Policy and other costs.

THE PROJECT

A portion of the proceeds of the Certificates will be deposited into a project fund and applied to finance the new Sgt. Pinney Memorial Pool Complex to be located at 205 South Warner Street in the City. The Pool Complex will include three outdoor pools: a 6,287 square foot competition pool, a 3,000 square foot children's pool and a 1,200 square foot therapy pool. In addition, there will be two structures on the site: a Community Pool Building with 7,564 square feet of space for an office, mechanical room, bathrooms, snack bar, and a community room and a 2,306 square foot building for a family restroom and pool storage.

THE PROPERTY

Pursuant to the Site and Facility Lease, the City will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the City. See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Site and Facility Lease and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement.

The Property consists of the City's Civic Center Complex, the City's Bus Transit Garage and the City's Public Works Building, and the sites thereof.

The Civic Center Complex is located on a portion of the Site at 100 West California Avenue, Ridgecrest, California, and includes the following improvements:

City Hall. The Ridgecrest City Hall, completed in late-1989, is a two story, 41,600 square foot building that houses all of the City's departments plus the City Council Chambers.

Community Center/Meeting Complex/Recreation Complex. The Community Center, also completed in late-1989, contains 40,300 square feet with assembly spaces, public building spaces, a full-service kitchen, an aerobics room, handball courts, basketball courts, craft rooms, day care facilities and offices.

The Bus Transit Garage is located on a portion of the Site at 636 West Ridgecrest Boulevard, Ridgecrest, California. The Bus Transit Garage is a 7,500 square foot structure built in 2016. It houses transit vans and mechanical operations including automotive lifts, pneumatic tools, fabrication equipment, welders, office space and restrooms. There is also a 4,500 square foot shade structure for operations vehicles, electric chargers (5) and is outfitted with 168 solar panels.

The Public Works Building is located on a portion of the Site at 636 West Ridgecrest Boulevard, Ridgecrest, California. The Public Works Building is a 4,120 square foot facility built in 1990. It houses street maintenance equipment inclusive of tractors, paint trucks, strippers as well as office space and restrooms.

The current insured value of the Property is in excess of \$31,365,000. The Civic Center Complex is also the leased property with respect to the City's Taxable Certificates of Participation (2018 PERS Financing Project) (the "2018 Certificates"), currently outstanding in the principal amount of \$16,335,000, leaving \$15,030,000 of unencumbered value.

For a description of certain terms of the Lease Agreement see "SOURCE OF PAYMENT FOR THE CERTIFICATES" and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the City may substitute the Property, in whole or in part, with other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution or Removal of Property” and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The town has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limitations on Remedies.”

DEBT SERVICE SCHEDULE

The following table shows the scheduled annual debt service for the Certificates:

Principal Payment Date (June 1)	Principal* ⁽¹⁾	Interest ⁽²⁾	Total
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
Total			

*Preliminary, subject to change.

⁽¹⁾ Principal payments with respect to the Certificates on each June 1 are derived from Lease Payments made by the City on the preceding May 15. Includes sinking fund payments.

⁽²⁾ Interest payments with respect to the Certificates on each June 1 and December 1 are derived from Lease Payments made by the City on the preceding May 15 and November 15, respectively.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover page of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on June 1 and December 1 of each year, commencing December 1, 2024 (each an “Interest Payment Date”), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and

registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before November 15, 2024, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Record Date or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on or before June 1, _____, are not subject to optional redemption. Certificates maturing on and after June 1, _____, are subject to redemption prior to their respective stated maturity dates, from the proceeds of optional prepayments of Lease Payments made by the City pursuant to the Lease Agreement, in whole or in part, on any date on or after June 1, _____, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without a premium, from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement.

Mandatory Sinking Fund Redemption. The Certificates maturing on June 1, _____, are subject to mandatory redemption in part on June 1, _____, and on each June 1 thereafter, to and including June 1, _____, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (June 1)	Principal Amount of Certificates to be Redeemed
------------------	--

†Maturity.

Redemption from Net Proceeds of Insurance and Condemnation. The Certificates are subject to mandatory redemption in whole or in part on any date from the Net Proceeds of an insurance, title insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Prepayment from Net Proceeds.”

Selection of Certificates for Redemption. Whenever provision is made for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for redemption in any order of maturity selected by the City (and if not selected by the City, *pro rata* among maturities) and by lot within a maturity. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for redemption. Upon the occurrence of a redemption in part, the maturities to be redeemed shall be subject to the approval of the Municipal Bond Insurer.

Notice of Redemption. The City shall be required to give the Trustee written notice of its intention to redeem Certificates at least thirty (30) days prior to the date fixed for redemption unless the Trustee otherwise agrees to a shorter period for such notice. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption shall be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least twenty (20) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however,* that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Certificates of a maturity are to be redeemed, the Certificate numbers (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Certificate or portion thereof called for redemption and that interest with respect thereto shall cease to accrue from and after said date; (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Designated Corporate Trust Office; (vi) the CUSIP numbers of all Certificates being redeemed; (vii) the original date of execution and delivery of the Certificates; (viii) the rate of interest payable with respect to each maturity of Certificates being redeemed; (ix) the maturity date of each Certificate being redeemed; and (x) any other descriptive information needed to identify accurately the Certificates being redeemed.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of the Trust Agreement.

Notice of redemption having been given as aforesaid and the deposit of the redemption price having been made by the City, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Upon the payment of the redemption price of Certificates being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Certificates being redeemed with the proceeds of such check or other transfer, to the extent possible. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be redelivered and shall be destroyed pursuant to the Trust Agreement.

In addition to the foregoing notice to the Owners, notice shall also be given by the Trustee, by telecopy or other electronic transmission, registered, certified or overnight mail, to all Securities Depositories and to an Information Service which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the City shall not be liable in any way for inaccuracies in said numbers.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Purchase of Certificates. In lieu of redemption of Certificates, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a City Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct. Such purchases may be effected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Certificates of the same maturity purchased in lieu of redemption shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such redemption.

Remaining moneys, if any, shall be deposited in the Lease Payment Fund. All Certificates purchased in lieu of redemption shall be canceled by the Trustee.

Transfer and Exchange of Certificates

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Designated Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount, in any authorized denominations.

Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Book-Entry System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the City or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the City will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the City will lease the Property from the Corporation and agree to make Lease Payments. See "THE PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the City may substitute the Property with other properties. See "Substitution or Removal of Property" and "Abatement" below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the City under the Lease Agreement. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the City from any source of legally available funds.

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the City has agreed to make Lease Payments for the lease of the Property. Lease Payments will be made by the City to the Trustee on May 15 and November 15 in each year, in advance of the corresponding June 1 and December 1 Interest Payment Dates. The City will also pay as additional payments ("Additional Payments"), amounts required for the payment of all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement or in connection with the execution and delivery of the Certificates. The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the City's use and occupancy of the Property or any portion thereof. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement."

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain the Reserve Fund equal to the Reserve Requirement. On the date of delivery of the Certificates, an amount of Certificate proceeds equal to the Reserve Requirement will be deposited in the Reserve Fund. "Reserve Requirement" means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments and 10% of the principal amount of the Certificates, which amount shall be \$ _____ on the Closing Date. Amounts in the Reserve Fund are to be used only for the payment of the principal and interest with respect to the Certificates to the extent amounts in the Lease Payment Fund are insufficient therefor.

On the date of delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the Reserve Requirement. There is no obligation for the City to replace the Reserve Policy or to cash fund the Reserve Fund if the rating of the Municipal Bond Insurer is downgraded or withdrawn.

Insurance

The City is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to the lesser of (i) 100% of the replacement cost (without deducting for depreciation) of the Property and (ii) the aggregate principal amount of Certificates at the time outstanding. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

To insure against loss of rental income caused by perils mentioned above, the City is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive fiscal years during the remaining term of the Lease Agreement.

Public liability and property damage insurance coverage is required in the 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 \$150,000 (subject to a deductible clause of not to exceed \$5,000, or such higher amount as the City shall determine, provided that such higher deductible shall be considered a self-insured retention) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The City shall provide, from moneys in the Costs of Issuance Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof (other than any modified portions of the Property as described in the Lease Agreement) to the extent to be agreed upon by the City and the Corporation and communicated by a City Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed), based upon any appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such

damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments. If an abatement event has occurred but remedied, the City shall be required to extend the Term of the Lease Agreement for up to 10 years, as described in the Lease Agreement, until such time as the amounts abated are recouped. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance,” APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Rental Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the Property 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 shall cease as of the day possession shall be so taken. If less than all of the Property is taken permanently, or if the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Optional Prepayment

Pursuant to the Lease Agreement, the City has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, in whole or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, with a premium as described above for the redemption of Certificates. See “THE CERTIFICATES—Prepayment—Optional Prepayment.”

Said option may be exercised by the City on any date on or after May 15, _____. In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the City. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

Prepayment from Net Proceeds of Insurance and Condemnation

The City shall be obligated to prepay the Lease Payments for the Property, in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or condemnation award with respect to the Property that have been deposited with the Trustee in the Lease Payment Fund for such purpose. Such proceeds shall be applied to the prepayment of the principal component of the Lease

Payments and the prepayment of the Certificates. See “THE CERTIFICATES—Prepayment—Prepayment from Net Proceeds of Insurance and Condemnation.”

Substitution of Property

Substitution of Property. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land and facilities (“Substitute Property”) for the Property, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) The City shall file with the Corporation, the Trustee and the Municipal Bond Insurer amended exhibits to the Site and Facility Lease which adds thereto a description of such Property and deletes therefrom the description of the Property;

(ii) The City shall file with the Corporation, the Trustee and the Municipal Bond Insurer amended exhibits to the Lease Agreement which adds thereto a description of such Substitute Property and deletes therefrom the description of the Property;

(iii) The City shall certify in writing to the Corporation, the Trustee and the Municipal Bond Insurer that such Substitute Property serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(iv) The City delivers to the Corporation, the Trustee and the Municipal Bond Insurer an Officer’s Certificate of the City based on insurance values or any other reasonable basis of valuation received by the City (which need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Property;

(v) The Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement, as evidenced by an officer’s certificate delivered to the Corporation, the Trustee and the Municipal Bond Insurer;

(vi) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the site of the Substitute Property and deletes therefrom the description of the Site;

(vii) The City shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the City; and

(viii) The City shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Special Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Release of Site. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amended exhibit to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amended exhibit to the Lease Agreement which describes the Site, as revised by such release;

(iii) The City delivers to the Corporation, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the City based on insurance values or any other reasonable basis of valuation received by the City (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(vi) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Corporation.

Events of Default and Remedies

The following shall be "events of default" under the Lease Agreement:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement (including failure to request appropriation pursuant thereunder) or under the Trust Agreement, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee (as directed by such Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding) and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by

the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Whenever any event of default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant to be kept and performed by the City under the Lease Agreement is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the City shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event, such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement.

Amendment of Lease Agreement

Except as provided below, without the prior written consent of the Trustee, the City will not alter, modify or cancel, or agree or consent to alter, modify or cancel the Lease Agreement, excepting only such alteration or modification as may be permitted by the Trust Agreement.

MUNICIPAL BOND INSURANCE

[THE FOLLOWING TEXT IS CURRENT AS OF MARCH 8, 2024]

Municipal Bond Insurance Policy

Concurrently with the delivery of the Certificates, the Municipal Bond Insurer will issue the Municipal Bond Insurance Policy. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Municipal Bond Insurance Policy included as APPNDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Municipal Bond Insurer

The Municipal Bond Insurer is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. The Municipal Bond Insurer provides credit enhancement products solely to issuers in the U.S. public finance markets. The Municipal Bond Insurer will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral

parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of the Municipal Bond Insurer is liable for the obligations of the Municipal Bond Insurer.

The address of the principal executive offices of the Municipal Bond Insurer is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

The Municipal Bond Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

The Municipal Bond Insurer's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of the Municipal Bond Insurer should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of the Municipal Bond Insurer and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of the Municipal Bond Insurer in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. The Municipal Bond Insurer only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and the Municipal Bond Insurer does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of the Municipal Bond Insurer

The Municipal Bond Insurer's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 million, respectively.

The Municipal Bond Insurer is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by the Municipal Bond Insurer, subject to certain limitations and restrictions.

The Municipal Bond Insurer's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on the Municipal Bond Insurer's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to the Municipal Bond Insurer at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

The Municipal Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Municipal Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Municipal Bond Insurer, supplied by the Municipal

Bond Insurer and presented under the heading “BOND INSURANCE”.

Additional Information Available from the Municipal Bond Insurer

Credit Insights Videos. For certain Municipal Bond Insurer-insured issues, the Municipal Bond Insurer produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors the Municipal Bond Insurer’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on the Municipal Bond Insurer’s website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that the Municipal Bond Insurer has been selected to insure, the Municipal Bond Insurer may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by the Municipal Bond Insurer, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. The Municipal Bond Insurer pre-sale and final Credit Profiles are easily accessible on the Municipal Bond Insurer’s website at www.buildamerica.com/credit-profiles. The Municipal Bond Insurer will produce a Credit Profile for all bonds insured by the Municipal Bond Insurer, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and the Municipal Bond Insurer assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by the Municipal Bond Insurer; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

The Municipal Bond Insurer receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither the Municipal Bond Insurer nor any affiliate of the Municipal Bond Insurer has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE CITY

The City, incorporated in 1963, is located in the southern portion of the Indian Wells Valley in the northeast corner of the County. The City is the third most populous city in the County. The City is surrounded by four mountain ranges; the Sierra Nevada on the west, the Coso on the north, the Argus on the east, and the El Paso on the south. The City is approximately an hour and quarter from the Lancaster/Palmdale area and approximately two hours from both Bakersfield and San Bernardino, the two nearest urban areas. During the 1950s and 1960s, the City evolved as a support community to NAWA China Lake, providing housing and vital services for employees and contractors.

NAWS China Lake is home to the Naval Air Warfare Center Weapons Division, which continues to be a major source of employment for the City’s residents. NAWS China Lake, the United States Navy’s largest single landholding, representing a majority of the Navy’s land for weapons and armaments research, development, acquisition, testing and evaluation. NAWS China Lake has been in continuous operation since 1943 and employs hundreds of active-duty military personnel as well as thousands of civilian employees and contractors.

The City provides a full range of municipal services. These include public safety, recreation and community services, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government. The City also operates and maintains a wastewater plant that serves not only the City residents but also provides service to NAWS China Lake. The City acts as the shopping and business center for the northeastern portion of the County.

The City operates under a council-manager form of government. The five-member City Council (the “City Council”) is elected on an at large basis by the City’s voters. City Council members serve four-year terms, with two members elected every two years. The Mayor and Mayor Pro Tem are elected by the City Council Members to one-year terms. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies.

For additional information about the City, see “THE CITY,” “CITY FINANCIAL INFORMATION,” APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY and APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023.

The current members of the City Council are as follows:

Name and Office	Current Term Expires
Eric A. Bruen, <i>Mayor</i>	November ____
Kyle Blades, <i>Vice Mayor</i>	November ____
Solomon P. Rajaratnam, <i>Mayor Pro Tem</i>	November ____
John “Skip” Gorman, <i>Councilmember</i>	November ____
L. Scott Hayman, <i>Councilmember</i>	November ____

CITY FINANCIAL INFORMATION

Financial Statements and Budgetary Process

The City’s accounting policies conform to generally accepted accounting principles. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

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

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

Audited Financial Statements. The City retained The Pun Group, LLP, Santa Ana, California (the “City’s Auditor”), to examine the general-purpose financial statements of the City as of and for the year ended June 30, 2023. The audited financial statements for fiscal year ended June 30, 2023, are included in APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2023. The City has not requested, and the City’s Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement.

Budget Process. The City Council adopts a budget for the fiscal year by June 30 preceding the beginning of the fiscal year on July 1. The City has adopted an annual budget process that is the foundation for the City’s financial planning and control. The City’s budgets are prepared by fund, function (e.g., public safety), and department (e.g., police). The City’s proposed budgets must be balanced, with balanced being defined as the anticipated annual fiscal expenditures not exceeding the annual fiscal revenues less non-recurring fund transfers. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The City’s budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments or capital improvement projects may be re-appropriated for the subsequent fiscal year upon City Council approval. The City makes mid-cycle budget adjustments as necessary throughout the fiscal year.

The City has adopted certain reserve policies with respect to its General Fund, including a reserve for economic uncertainty, an operating reserve, and a debt reserve. For additional discussion of the City’s General Fund reserve policies, see “City Financial Management.”

Certain of the City’s revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. See “STATE BUDGET INFORMATION.”

General Fund Balance Sheet

The following table shows the City's audited General Fund balance sheets for the five most recent fiscal years.

Table 1
CITY OF RIDGECREST
GENERAL FUND BALANCE SHEET
Fiscal Years 2018-19 through 2022-23

	Fiscal Year Ending June 30,				
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Audited
ASSETS					
Cash and investments	8,064,006	9,745,108	12,372,250	16,056,007	20,790,192
Receivables	1,641,809	1,871,234	2,464,121	3,680,094	4,407,531
Due from other funds	—	84,650	1,536,253	2,808,737	—
Due from Fiduciary	56,345	56,345	56,345	56,345	56,345
Total Assets	<u>9,762,160</u>	<u>11,757,337</u>	<u>16,428,969</u>	<u>22,601,183</u>	<u>25,254,068</u>
LIABILITIES					
Accounts payable	367,772	567,496	557,175	568,738	626,663
Accrued payroll and benefits	413,005	59,181	225,877	343,920	500,270
Deposits and other liabilities	260,050	265,711	253,140	513,040	276,036
Unearned revenue	78,993	44,583	62,795	117,288	108,853
Advances from other funds	3,314,437	3,178,099	3,041,079	2,903,374	2,764,288
Total Liabilities	<u>4,434,257</u>	<u>4,115,070</u>	<u>4,140,066</u>	<u>4,446,360</u>	<u>4,276,110</u>
DEFERRED INFLOWS					
Lease-related	—	—	—	702,809	502,006
Total deferred inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>702,809</u>	<u>502,006</u>
FUND BALANCES					
Non-spendable	56,345	56,345	56,345	56,345	56,345
Restricted	512,181	390,413	477,884	763,725	262,431
Assigned	2,445,622	3,992,413	6,322,178	7,199,527	7,199,527
Unassigned	2,313,755	3,202,799	5,432,496	9,432,417	12,957,649
Total Fund Balances	<u>5,327,903</u>	<u>7,642,267</u>	<u>12,288,903</u>	<u>17,452,014</u>	<u>20,475,952</u>
Total Liabilities, Deferred Inflows and Fund Balances	9,762,160	11,757,337	16,428,969	21,898,374	24,752,062

Sources: City of Ridgecrest Annual Comprehensive Financial Reports for Fiscal Years 2018-19 through 2022-23.

General Fund Revenues, Expenditures, and Changes in Fund Balances

The following table shows the City’s audited results for General Fund revenues and expenditures for the four most recent fiscal years and budgeted projections for fiscal year 2023-24.

Table 2
CITY OF RIDGECREST
GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2019-20 through 2023-24

	Fiscal Year Ending June 30,				
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Budgeted ⁽¹⁾
REVENUES					
Taxes and assessments ⁽²⁾	12,976,980	14,977,624	17,045,507	19,599,223	
Intergovernmental	159,584	963,045	313,949	658,454	
Licenses and permits	546,627	738,970	804,524	612,814	
Fines and forfeitures	42,455	72,893	81,580	57,537	
Use of money and property	251,184	188,313	402,362	577,516	
Charges for services	442,465	528,631	1,351,176	1,278,259	
Transfer from Fiduciary Fund	250,000	250,000	250,000	3,540,403	
Other revenues	124,618	314,753	353,845	239,410	
Total Revenues	14,793,913	18,034,229	20,602,943	26,563,616	
EXPENDITURES					
General government	2,130,399	2,144,669	2,419,074	3,122,147	
Public safety	5,729,303	6,603,020	5,587,410	7,078,009	
Culture and leisure	1,515,169	1,555,030	1,794,774	2,011,619	
Community development	748,482	797,980	1,031,402	1,389,004	
Public works	411,841	454,476	315,392	394,433	
Capital outlay	226,116	—	604,514	429,679	
Debt Service – Principal	—	—	—	—	
Debt Service – Interest	—	—	—	—	
Total Expenditures	10,761,310	11,693,562	11,752,566	14,424,891	
REVENUES OVER EXPENDITURES	4,032,603	6,340,667	8,850,377	12,138,725	
OTHER FINANCING SOURCES					
Transfers in	1,158,591	1,052,972	—	165,962	
Transfers out ⁽³⁾	(2,876,830)	(2,805,003)	(3,687,266)	(9,280,749)	
Total Other Financing Sources	(1,718,239)	(1,752,031)	(3,687,266)	(9,114,787)	
NET CHANGE IN FUND BALANCES	2,314,364	4,588,636	5,163,111	3,023,938	
FUND BALANCES – BEGINNING OF YEAR	5,327,903	7,700,267	12,288,903	17,452,014	
FUND BALANCES – END OF YEAR	7,642,267	12,288,903	17,452,014	20,475,952	

Source: City of Ridgecrest Annual Comprehensive Financial Report for Fiscal Years 2019-20 through 2022-23 data and City of Ridgecrest for Fiscal Year 2023-24 data.

(1) FY2023-24 budgeted data was provided by the City and is based on the City’s FY2023-24 Budget, as originally adopted on _____, 2023, and as most recently revised on _____, 2023.

(2) For additional detail see “Primary Sources of General Fund Revenues.”

(3) For additional detail see “General Fund Transfers.”

General Fund Budget

The following table shows the City's General Fund budget figures for the two most recent fiscal years, including a comparison of the City's initial budget, final budget, audited actual for each year.

Table 3
CITY OF RIDGECREST
GENERAL FUND BUDGET COMPARISON
Fiscal Years 2021-22 and 2022-23

	Fiscal Year Ended June 30, 2022			Fiscal Year Ended June 30, 2023		
	Adopted Budget	Final Budget	Audited Actuals	Adopted Budget	Final Budget	Audited Actuals
REVENUES						
Taxes	14,146,597	14,350,209	17,045,507	16,516,757	17,991,757	19,599,223
Intergovernmental	491,441	561,441	313,949	970,839	1,133,261	658,454
Licenses and permits	532,500	532,500	804,524	537,500	537,500	612,814
Fines and Forfeitures	46,250	46,250	81,580	53,250	53,250	57,537
Use of money and property	416,130	416,130	402,362	380,715	380,715	577,516
Charges for services	626,516	626,516	1,351,176	602,965	1,319,681	1,278,259
Transfers from Fiduciary Fund	250,000	250,000	250,000	250,000	250,000	3,540,403
Other revenues	234,400	234,400	353,845	227,400	227,400	239,410
Total revenues	16,743,834	17,017,446	20,602,943	19,539,426	21,893,564	26,563,616
EXPENDITURES						
General government	2,748,179	3,032,708	2,419,074	2,608,946	3,273,055	3,122,147
Public safety	6,871,324	6,934,293	5,587,410	7,266,659	7,446,346	7,078,009
Public works	604,277	912,456	315,392	669,907	574,540	394,433
Community development	1,363,415	1,827,354	1,031,402	1,649,699	1,735,273	1,389,004
Culture and leisure	1,876,462	2,074,803	1,794,774	2,171,491	2,241,578	2,011,619
Capital outlay	792,600	928,709	604,514	713,000	313,592	429,679
Debt service				138,394	138,394	
Total expenditures	14,393,962	15,848,028	11,752,566	15,218,096	15,722,778	14,424,891
REVENUES OVER (UNDER) EXPENDITURES	2,349,872	1,169,418	8,850,377	4,321,330	6,170,786	12,138,725
OTHER FINANCING SOURCES (USES)						
Transfers in	967,452	1,255,249		876,716	265,000	1,659,623
Transfers out	(7,304,543)	(7,925,997)	(3,687,266)	(9,384,195)	(8,870,153)	(9,280,749)
Total other financing sources (uses)	(6,337,091)	(6,670,748)	(3,687,266)	(8,508,195)	(8,605,153)	(9,114,787)
Net change in fund balance	(3,987,219)	(5,501,330)	5,163,111	(4,186,865)	(2,434,367)	3,023,938
FUND BALANCE						
Beginning of year			12,288,903			17,452,014
End of Year			17,452,014			20,475,952

Source: City of Ridgecrest Annual Comprehensive Financial Reports for Fiscal Year 2021-22 and Fiscal Year 2022-23.

General Fund Transfers

The following table shows a five-year summary of the transfers out from the City’s General Fund.

Table 4
CITY OF RIDGECREST
GENERAL FUND TRANSFERS OUT DETAIL
Fiscal Years 2018-19 through 2022-23

Transfer Out From the General Fund To:	Fiscal Year Ending June 30,				
	2019	2020	2021	2022	2023
TOTAL TRANSFERS OUT	1,239,942	2,876,830	2,805,003	3,687,266	9,280,749

Source: City of Ridgecrest.

City Financial Management

The City Council has adopted a comprehensive set of financial management policies to provide for: (i) establishing targeted general fund reserves; (ii) the prudent investment of City funds, and (iii) management of debt. The City’s practice is to incur debt only after deliberation over the effect of such debt on the City’s General Fund and other resources of the City, and in those circumstances where the use of debt would be appropriate to the scale and economic life of the asset being financed and the accumulation or availability of reserves to fund the capital requirement.

Investment Policy. The investment of funds of the City (except pension and retirement funds) is made in accordance with the City’s Investment Policy, most recently approved in April 18, 2018 (the “Investment Policy”), and section 53601 *et seq.* of the California Government Code. The Investment Policy is subject to revision at any time and is reviewed at least annually to ensure compliance with the stated objectives of safety, liquidity, yield, and current laws and financial trends. All amounts held under the Trust Agreement are invested at the direction of the City in Permitted Investments, as defined in the Trust Agreement, and are subject to certain limitations contained therein. See APPENDIX C—INVESTMENT POLICY OF THE CITY and APPENDIX D—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—TRUST AGREEMENT—Investments.

Debt Management Policy. In accordance with section 8855(i) of the California Government Code the City adopted a debt management policy on November 7, 2018, to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and

issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

Primary Sources of General Fund Revenues

Sales and use taxes are the City’s largest revenue source and represented approximately ___% of fiscal year 2022-23 General Fund revenues. Property taxes were the second largest revenue source to the General Fund in fiscal year 2022-23, representing approximately ___% of revenues. The City imposes a transient occupancy tax of 15% on short term (30 days or less) room rental which was the third largest revenue source to the General Fund in fiscal year 2022-23, representing approximately ___% of revenues. For a discussion of potential State Budget impacts on general fund revenues, see “—State Budgets.” For a discussion of sales tax revenues and property taxes, see “—Sales Tax” and “—*Ad valorem* Property Taxation.”

In addition, the City receives a business license fees and franchise fees.

The following table shows the City’s audited general fund tax revenues by source for the most recent five fiscal years.

Table 5
General Fund Tax Revenues by Source.

Source	Fiscal Year Ended June 30,				
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Audit
Sales and Use Taxes					
Property Tax					
Transient Occupancy Tax ⁽¹⁾					
Business Licenses					
Franchise Fees					
Total Tax Revenues ⁽¹⁾					

Sources: City of Ridgecrest fiscal years 2018-19 through 2022-23 ACFRs.

(1) TOT totals include a 15% assessment that is a pass-through to the Ridgecrest Area Convention and Visitors Bureau.

Sales and Use Taxes. Sales and use taxes are the General Fund’s largest revenue source. The City receives a 1% share of all taxable sales generated within its borders from the State. The City also receives sales and use taxes from a voter-approved 1% transaction and use tax (“Measure V”) and from a voter-approved 1% transaction and use tax (“Measure P”) on all taxable sales generated within its borders. In fiscal year 2022-23, sales and use taxes generated approximately \$_____. The City has estimated that sales and use taxes will generate \$_____ in Fiscal Years 2023-24. For additional discussion of the City’s General Fund sales tax revenues, see “Sales and Use Taxes.”

Property Taxes. Property taxes are the General Fund’s second largest revenue source. The County levies a tax of 1% on the assessed valuation of property within the County. The City receives a share of this 1% levy on the assessed value of property located within the City limits. In each of Fiscal Year 2021-22 and 2022-23, property taxes generated approximately \$_____ and \$_____. The City has estimated that property tax revenues will generate \$_____ in Fiscal Years 2023-24. See “Property Taxes” below for additional information relating to the property taxes and the assessed valuation of property located in the City.

Transient Occupancy Taxes. The City currently imposes a voter-approved general transient occupancy tax upon any unit in the City that is occupied for the purposes of sleeping, lodging, or similar reasons for a period of 30 consecutive days or less, charged to the transient (or guest) who is entitled to such occupancy. Transient occupancy tax revenues are the City’s third largest source of General Fund revenues. The current rate of the City’s transient occupancy tax is 15% of the taxable revenue charged by the unit operator for the use of the unit. In fiscal year 2022-23, transient occupancy taxes generated approximately \$____. The City has estimated that transient occupancy tax revenues will generate \$_____ in fiscal years 2023-24. For additional discussion and detail, see “Transient Occupancy Taxes.”

Sales and Use Taxes

A sales tax is imposed on the privilege of consuming personal property in the State. The State does not tax services. The tax rate is established by the State Legislature, and is presently 7.25%, statewide (of which 1% is paid to the City) (the “State Sales Tax”). In addition, many of the State’s cities, counties, districts and communities have special taxing jurisdiction to impose a transaction (sales) or use tax. These so-called district taxes increase the tax rate in a particular area by adding the local option tax to the statewide tax. While more than one district tax may be in effect for a particular location, counties, municipalities, and districts are allowed to increase the sales tax in specific jurisdictions up to a total of 10.25%.

Measure V. On _____, the voters of the City passed Measure V, a 1% sales and use tax. Measure R taxes will be collected indefinitely unless Measure V is repealed by the voters of the City. Measure V taxes are available for General Fund purposes.

Measure P. On November 8, 2022, the voters of the City passed Measure P, a 1% sales and use tax. Measure P taxes will be collected indefinitely unless Measure V is repealed by the voters of the City. Measure P taxes are available for General Fund purposes.

The City’s sales and use tax revenues are dependent in part on economic activity generated by tourism.

The following table shows a breakdown of the composition of the current sales and use tax rate applicable to transactions in the City:

**Table 11
CITY OF RIDGECREST
CURRENT SALES AND USE TAX RATES**

Component	Tax Rate
State Sales Tax	7.250%
Measure V	1.000
Measure P	1.000
Total	9.250%

Source: City of Ridgecrest

The State’s Department of Tax and Fee Administration actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Many categories of transactions are exempt for the State Sales Tax. The most important of these exemptions are the sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas and electricity and water when delivered to consumers through mains, lines and pipes. In addition, occasional sales (i.e., sales of property not held or used by a seller during activities for which he or she is required to hold a seller's permit) are generally exempt from both the State Sales Tax; however, the occasional sales exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on revenues produced by sales taxes. The City is not currently aware of any proposed legislative change that would have a material adverse effect on the State Sales Tax.

Transient Occupancy Taxes

The City levies a transient occupancy tax ("TOT") rate of 15% upon the taxable revenues generated by visitors to any unit in the City that is occupied for the purposes of sleeping, lodging, or similar reasons for a period of 30 consecutive days or less. The tax is applied to the customer's lodging bill. Five percent of the TOT is a pass-through to the Ridgcrest Area Convention and Visitor's Bureau (RACVB). In past years, TOT collections have provided funding for such economic development initiatives as the RACVB, the Chamber of Commerce, the City's Community and Economic Development program as well as other city services.

As the City's transient occupancy tax is a general tax, transient occupancy tax proceeds are deposited into the City's General Fund and may be used for any and all municipal purposes. For additional discussion, see "General Fund Transfers Out."

Property Taxes

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIII A of the California Constitution, the county assessor's valuation of real property is established as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Taxes are levied by the County Assessor for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

The City receives a share of property tax revenues for real property located within the City but may receive a lower portion of revenues within former redevelopment project areas. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the SBE is commonly identified for taxation purposes as “utility” property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and prepayment penalty of one and one-half percent per month to the time of prepayment. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes beginning the second month after the delinquent date, and on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The County cash position is protected by a special fund, known as the “Tax Loss Reserve Fund,” which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year’s tax levy.

Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued in the future, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The City is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Assessed Value

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the SBE. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Property taxes allocated to the City are collected by the County at the same time and on the same tax rolls as are county and special district taxes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

History of Assessed Values. The tables below show the assessed valuation of taxable property in the City for the 10 recent fiscal years.

Table 9
CITY OF RIDGECREST
HISTORIC ASSESSED VALUATIONS
Fiscal Years 2014-15 to 2023-24

Fiscal Year Ending June 30,	Local Secured	Utility	Unsecured	Total	% Change
2015	\$1,409,784,823	\$89,975	\$36,043,543	\$1,445,918,341	—
2016	1,386,659,852	800	33,932,056	1,420,592,708	-0.98
2017	1,501,362,707	1,089	33,180,798	1,534,544,594	8.02
2018	1,601,851,993	1,089	35,138,901	1,636,991,983	6.68
2019	1,680,934,495	1,089	34,404,914	1,715,340,498	4.79
2020	1,767,169,314	1,089	34,674,769	1,801,845,172	5.02
2021	1,846,786,928	1,307	33,624,049	1,880,412,284	4.36
222	1,939,329,433	1,307	33,998,902	1,973,329,642	4.94
2023	2,088,763,903	1,307	38,964,433	2,127,729,643	7.82
2024	2,242,832,172	1,307	50,226,826	2,293,060,305	7.77

Source: California Municipal Statistics, Inc.

Table 10
CITY OF RIDGECREST
SECURED TAX CHARGES AND DELINQUENCIES ⁽¹⁾
Fiscal Years 2014-15 to 2023-24

Fiscal Year Ending June 30,	Secured Tax Charge ⁽²⁾	Amt. Del. June 30	% Del. June 30
2013-14	\$365,303.99	\$4,207.17	1.15%
2014-15	368,975.65	4,242.50	1.15
2015-16	364,145.80	4,049.41	1.11
2016-17	362,582.67	4,485.82	1.24
2017-18	365,880.79	3,920.32	1.07
2018-19	368,965.98	4,212.83	1.14
2019-20	360,843.80	5,254.75	1.46
2020-21	372,671.63	4,230.04	1.14
2021-22	371,811.02	4,321.88	1.16
2022-23	376,200.09	5,097.85	1.36

Source: California Municipal Statistics, Inc.

(1) Kern County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.

(2) 1% General Fund apportionment.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the City's control, such as a general market decline in property values, reclassification of 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must apply to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the City's control, including fire, earthquake or a depressed real estate market due to general economic conditions in the City, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic

dumping, acts of terrorism, etc., or reclassification of 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).

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the City in the future.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the City.

State-Assessed Property. Under the Constitution, the SBE assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the City to non-utility companies will increase the assessed value of property in the City, since the property’s value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the City to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the City as the value is shared among the other jurisdictions in the County. The City is unable to predict future transfers of State-assessed property in the City and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the City.

Assessed Valuation by Land Use. The following table gives a distribution of taxable real property located in the City by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

Table 11
CITY OF RIDGECREST
ASSESSED VALUATION AND PARCELS BY LAND USE

	2023-24 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	\$242,475,701	10.81%	468	3.44%
Vacant Commercial	30,818,106	1.37	257	1.89
Hotel/Motel	77,573,832	3.46	23	0.17
Industrial	26,726,198	1.19	61	0.45
Vacant Industrial	4,621,428	0.21	66	0.48
Recreational	5,350,023	0.24	14	0.10
Government/Social/Institutional	113,039	0.01	153	1.12
Subtotal Non-Residential	<u>\$387,678,327</u>	<u>17.29%</u>	<u>1,042</u>	<u>7.66%</u>
Residential:				
Single Family Residence	\$1,563,283,769	69.70%	7,997	58.76%
Condominium	49,812,196	2.22	794	5.83
Mobile Home	27,631,641	1.23	1,125	8.27
Mobile Home Park	15,288,138	0.68	21	0.15
2-4 Residential Units	104,656,973	4.67	613	4.50
5+ Residential Units/Apartments	61,264,001	2.73	140	1.03
Vacant Residential	33,217,127	1.48	1,878	13.80
Subtotal Residential	<u>\$1,855,153,845</u>	<u>82.71%</u>	<u>12,568</u>	<u>92.34%</u>
Total	<u><u>\$2,242,832,172</u></u>	<u><u>100.00%</u></u>	<u><u>13,610</u></u>	<u><u>100.00%</u></u>

Source: California Municipal Statistics, Inc.

(1) Total secured assessed valuation, excluding tax-exempt property.

Assessed Valuation of Single-Family Homes. The following table focuses on single-family residential properties only, which comprise approximately 69.70% of the assessed value of taxable property in the City.

Table 12
CITY OF RIDGECREST
PER PARCEL 2023-24 ASSESSED VALUATION OF SINGLE-FAMILY HOMES

	No. of Parcels	FY2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	7.997	\$1,563,283,769	\$195,484	\$185,000

FY 2023-24 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	69	0.863%	0.863%	\$ 1,109,386	0.071%	0.071%
\$25,000 - \$49,999	251	3.139	4.002	9,580,221	0.613	0.684
\$50,000 - \$74,999	440	5.502	9.504	27,568,915	1.764	2.447
\$75,000 - \$99,999	627	7.840	17.344	55,003,973	3.518	5.966
\$100,000 - \$124,999	701	8.766	26.110	79,218,299	5.067	11.033
\$125,000 - \$149,999	767	9.591	35.701	105,584,999	6.754	17.787
\$150,000 - \$174,999	836	10.454	46.155	135,577,511	8.673	26.460
\$175,000 - \$199,999	780	9.754	55.908	146,404,251	9.365	35.825
\$200,000 - \$224,999	776	9.704	65.612	164,440,271	10.519	46.344
\$225,000 - \$249,999	656	8.203	73.815	155,403,179	9.941	56.285
\$250,000 - \$274,999	567	7.090	80.905	148,411,813	9.494	65.778
\$275,000 - \$299,999	435	5.440	86.345	124,763,231	7.981	73.759
\$300,000 - \$324,999	287	3.589	89.934	89,482,155	5.724	79.483
\$325,000 - \$349,999	193	2.413	92.347	65,075,933	4.163	83.646
\$350,000 - \$374,999	182	2.276	94.623	65,905,712	4.216	87.862
\$375,000 - \$399,999	128	1.601	96.224	49,526,448	3.168	91.030
\$400,000 - \$424,999	76	0.950	97.174	31,295,771	2.002	93.032
\$425,000 - \$449,999	73	0.913	98.087	31,885,228	2.040	95.071
\$450,000 - \$474,999	61	0.763	98.850	28,244,430	1.807	96.878
\$475,000 - \$499,999	39	0.488	99.337	18,995,097	1.215	98.093
\$500,000 and greater	53	0.663	100.000	29,806,946	1.907	100.000
	<u>7,997</u>	<u>100.000%</u>		<u>\$1,563,283,769</u>	<u>100.000%</u>	

Source: California Municipal Statistics, Inc.

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.

Principal Property Taxpayers. Based on fiscal year 2023-24 locally assessed taxable valuations, the top twenty taxable property owners in the City represent approximately 8.03% of the total fiscal year 2023-24 taxable value. The following table shows the 20 largest owners of taxable property in the City as determined by secured assessed valuation in fiscal year 2023-24. The City is not aware of any plans by the top twenty largest local secured taxpayers to leave the City or terminate operations.

Table 13
CITY OF RIDGECREST
LARGEST LOCAL SECURED PROPERTY TAXPAYERS
Fiscal Year 2023-24

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	% of Total (1)
1.	K Partners Ridgecrest I & III LP	Hotel/Motel	\$ 23,387,386	1.04%
2.	Walmart Inc.	Commercial	19,964,107	0.89
3.	Desert Oasis Apts LLC	Apartments	13,260,000	0.59
4.	Jorawar Chauhan	Hotel/Motel	11,802,436	0.53
5.	HD Development Maryland Inc.	Commercial	10,676,745	0.48
6.	La Mirage Condos LLC	Condominiums	8,556,859	0.38
7.	Aspire Hospitality LLC	Hotel/Motel	8,053,387	0.36
8.	China Lake & Ridgecrest LLC	Commercial	7,618,801	0.34
9.	Heritage Living LLC	Hotel/Motel	7,549,542	0.34
10.	G&L China Lake LLC	Commercial	7,407,515	0.33
11.	Norma St Apts LLC	Apartments	7,140,000	0.32
12.	Sixth & Union LLC	Apartments & Commercial	7,128,640	0.32
13.	Sunstart LLC	Apartments	6,707,243	0.30
14.	Ridgecrest Capital LP	Shopping Center	6,322,322	0.28
15.	Izak Kharrazi	Commercial	6,297,006	0.28
16.	Froehlich 1995 Trust	Vacant Commercial	5,950,719	0.27
17.	Bobby E. & Judith A. Tharp Trust	Commercial	5,946,721	0.27
18.	Gateway Villa LLC	Apartments	5,457,000	0.24
19.	Albertsons LLC	Supermarket	5,444,600	0.24
20.	Mathew Family Trust	Retirement Home	5,421,751	0.24
			\$180,092,780	8.03%

Source: California Municipal Statistics, Inc.

(1) FY2023-24 Local Secured Assessed Valuation: \$2,242,832,172.

Other Sources of General Fund Revenues

In addition to the tax revenues described above, the City receives the following general fund revenues:

Type of Revenue Source	Components
<i>Intergovernmental</i>	State Taxes, State Grants, County Grants, Federal Grants
<i>Licenses and Permits</i>	Dog Licenses, Construction Permits, Other Permits (Concealed Weapon, Alarm System, Filming, Special Events)
<i>Fines and Forfeitures</i>	Penalties, Court Collected Fines, DUI Fines, Parking Fees, Citations, Forfeited Spay/Rabies Deposits
<i>Use of Money and Property</i>	Investment Earnings/Interest, Rent/Lease Revenue, Concessions
<i>Charges for Services</i>	Abatement fees, construction plan check/inspection fees, recreation fees, fingerprinting and livescan fees, vehicle impound fees, and processing fees
<i>Other Revenues</i>	Donations, Sales (Reclamation Hay, ACO Supplies, Online Sales), Reimbursements, Refunds, Private Grants (NRA)

The following table shows the City’s audited other general fund revenue sources by source for the most recent five fiscal years:

**Table 14
Other Revenue Sources**

Source	Fiscal Year Ended June 30,				
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Audited
Intergovernmental					
Licenses and Permits					
Fines and Forfeitures					
Use of Money and Property					
Charges for Services					
Other Revenues					
Total Revenues					

Sources: City of Ridgecrest 2018-19 through 2022-23 CAFRs/ACFRs.

No Material Reliance on State Revenues

The City does not rely on the State for a material amount of revenues. There can be no assurance that future State budget difficulties will not adversely affect the City’s revenues or its ability to make the Lease Payments when due. See “STATE BUDGET INFORMATION.”

OTHER FINANCIAL INFORMATION

Labor Relations

Most full-time City employees are represented by two labor union associations, the Police Employees Association of Ridgecrest (PEAR) representing ___% of employees and the United Food and Commercial Workers 8-Golden State (UFCW), representing ___% of employees. All permanent City employees are covered by negotiated agreements with management, confidential, and city attorney employees being unrepresented. The City has never had an employee work stoppage. Negotiated agreements have the following expiration dates:

Bargaining Unit	Number of Employees	Contract Expiration Date
Police Employees Association of Ridgecrest (PEAR)		
United Food and Commercial Workers 8-Golden State (UFCW),		
Total		

Source: City of Ridgecrest

Risk Management

The City is a member of California State Association of Counties - Excess Insurance Authority (CSAC-EIA). The Authority is comprised of 55 California counties and currently consists of 273 public agencies, which includes municipalities, school districts, special districts and other Joint Powers Authorities (JPA). CSAC-EIA was formed as a Joint Powers Authority in 1979, pursuant to the California Government Code. The purpose of the Authority is to arrange, provide and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The Board of Directors is comprised of 62 members, one representative from each member county and seven members elected by the public entity membership.

General Liability Insurance. Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$5,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$5,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis. The City purchased an optional excess coverage which covers up to \$20,000,000 and catastrophic coverage up to \$50,000,000.

Workers' Compensation. Beginning July 1, 2006, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$150,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$50 million per claim. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

The workers' compensation and general liability claims payable of \$1,730,991 reported at June 30, 2017. Of the total claims payable, \$519,599 is due within the next fiscal year. During the past three fiscal (claims) years two claims had exceeded the SIR and the excess insurance coverage kicked in to cover the difference. There have been no significant reductions in pooled or insured liability coverage in the prior year.

See APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023—Notes to Basic Financial Statements—NOTE 10.

Employee Retirement Plans

The information set forth below regarding the California Public Employees' Retirement System ("CalPERS") program, other than the information provided by the City regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the Town or the Underwriter.

Plan Description. Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Classic, Miscellaneous Classic, Safety PEPRAs or Miscellaneous PEPRAs cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRAs plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 full-time equivalent monthly pay. Retirement benefits for classic safety miscellaneous employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that

death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Employees Covered. At June 30, 2023, measurement date, the following employees were covered by the benefit terms for each Plan.

	Miscellaneous Plan	Miscellaneous PERPA	Safety Plan	Safety PERPA
Active employees	28	51	16	13
Transferred and terminated employees	77	43	25	11
Retiree employees and beneficiaries	130	2	52	—
Total	235	96	93	24

Source: City of Ridgecrest 2022-23 ACFR.

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	Miscellaneous Plan	Miscellaneous PERPA	Safety Plan	Safety PERPA
Benefit Formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50-57
Monthly benefits as a % of eligible comp	2.7%	2.0%	3.0%	2.0% to 2.7%
Required employee contribution rate	8.000%	6.750%	9.000%	12.000%
Required employer contribution rate	14.030%	7.470%	21.840%	12.780%

Source: City of Ridgecrest 2022-23 ACFR.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for each plan were as follows:

Miscellaneous Plan	\$ 568,661
Safety Plan	517,407
Total	\$1,086,068

Source: City of Ridgecrest 2022-23 ACFR.

Net Pension Liability. The City’s net pension liability for both Plans is measured as the total pension liability, less the plan’s fiduciary net position. Net pension liability is measured as of June 30, 2022 (measurement date), using the Actuarial Valuation Report as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures.

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Position (Liability)/(Asset)
Miscellaneous			
Balance at 6/30/21	\$40,781,676	\$45,831,107	\$95,049,431
Balance at 6/30/22	42,550,163	40,130,539	2,419,624
Net change 2021-2022	\$1,768,487	\$(5,700,568)	\$7,469,055
Safety			
Balance at 6/30/21	\$33,858,528	\$38,030,755	\$(4,172,227)
Balance at 6/30/22	35,429,201	33,305,906	2,123,295
Net change 2021-2022	\$1,570,673	\$(4,724,849)	\$6,295,522

Source: City of Ridgecrest 2022-23 ACFR.

For more information, including actuarial assumptions, a discussion of the discount rate used, and schedules of funding progress for the City’s various pension plans, see APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023—Notes to Basic Financial Statements—NOTE 11.

CalPERS Amortization Period Reform. On February 13, 2018, the CalPERS Board voted to shorten the period over which actuarial gains and losses are amortized from 30 years to 20 years for new pension liabilities. The new 20-year amortization period began with new gains or losses accrued starting with the June 30, 2019 actuarial valuations. The first payments on the new 20-year amortization schedule took place in 2021.

A shorter amortization period will increase annual Unfunded Accrued Liability (“UAL”) contributions for cities that participate in CalPERS so long as CalPERS remains underfunded. The shortened amortization period will also lead to reductions of periods of negative amortization of the UAL, interest cost savings, and faster recoveries of funded status after market downturns.

Cities that participate in CalPERS will also see additional volatility in their future UAL contributions due to market performance as gains or losses will be amortized faster under the new amortization period.

The announcement on July 12, 2021 that CalPERS achieved an investment return of 21.3% for the period from July 1, 2020 through June 30, 2023 caused the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% on November 15, 2021 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.

The City cannot currently estimate the impact the shorter amortization period or lower discount rate will have on its required contributions for its Miscellaneous and Safety Plans. For information concerning the Plans, including descriptions of the actuarial methods and assumptions, please see APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30, 2023, Note 11.

Cities that participate in CalPERS will also see additional volatility in their future UAL contributions due to market performance as gains or losses will be amortized faster under the new amortization period.

The City cannot currently estimate the impact the shorter amortization period will have on its required contributions for its Miscellaneous and Safety Plans.

Other Post-Employment Benefits

The City provides \$133 per month subject to the minimum required employer contribution (plus any administration fees) under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 60 days of retirement with the City. The surviving spouse of an eligible retiree who elected spouse coverage under the CalPERS Health Plan is eligible for the employer contribution upon the death of the retiree. For calendar year 2023, the required employer contributions under the CalPERS Health plan will be \$133 per month. CalPERS adjusts this amount annually based on an inflation index.

Retired employees who have health coverage outside CalPERS do not get any premium reimbursement from the City with the exception of those who are members of the Police Employees Association of Ridgecrest ("PEAR"). For PEAR members who retired between the dates of March 17, 2005 and August 31, 2011, they are eligible for a reimbursement of up to \$100 per month for non-CalPERS health coverage. For those who retire September 1, 2011 and after, that monthly amount goes up to \$250.

On April 2, 2008, the City entered into an agreement with CalPERS to prefund its other post-employment benefits through California Employer's Retiree Benefit Trust (CERBT) program. The plan is an agent multiple employer plan. It is the City's funding policy to contribute at least 100% of the annual required contribution as calculated in the actuarial valuation prepared biannually. OPEB benefits are currently paid either directly to the eligible retirees who are not enrolled in the CalPERS Health Benefit program or to CalPERS for those eligible retirees who are enrolled in the CalPERS Health Benefit program. The total amount of these benefits paid may be deducted from the annual required contribution or be reimbursed directly from the trust. As of June 30, 2018, valuation date, there were 32 participants receiving

these healthcare benefits. Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95814, or by visiting the CalPERS website at www.calpers.ca.gov.

The actuarial assumptions are described in detail in in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023—Notes to Basic Financial Statements—NOTE 12.

As of the July 1, 2022, actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	109
Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to, but not yet receiving benefits	—
Total	<u>143</u>

Source: City of Ridgecrest 2022-23 ACFR.

The obligation of the City to contribute to the plan is established and may be amended by the City Council. The contribution required to be made is based on an Actuarially Determined Contributions (i.e., as medical insurance premiums become due). For fiscal year 2023, contributions were made totaling \$163,570.

The City’s net OPEB liability was measured as of June 30, 2022, and the net OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

The net OPEB liability, measured as of June 30, 2022, was determined using the following actuarial assumptions:

Actuarial Valuation Date	July 1, 2021
Actuarial Cost Method	Early Age Normal, Level Percentage of Pay
Amortization Method	Level Percent
Asset Valuation Method	Market Value
Inflation	2.50%
Payroll Growth	2.75% Plus Merit Scale
Discount Rate	6.75

For more information see APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2017—Notes to Basic Financial Statements—NOTE 12.

Debt Obligations

Short-Term General Fund-Secured Obligations. The City has no outstanding short-term obligations secured by its general fund.

Long-Term General Fund-Secured Obligations. In 2018, the City caused the execution and delivery of the 2018 Certificates to refinance a portion of the City’s unfunded actuarial accrued liability with respect

to its payment obligations to CalPERS. The 2018 Certificates accrue interest rates between 4.263% and 5.000%. Interest is payable semiannually on each June 1 and December 1. The following table shows the annual debt service requirements of the 2018 Certificates:

Maturity Date (June 1)	Principal	Interest	Total
2025	\$ 840,000	\$ 766,162.06	\$ 1,606,162.06
2026	925,000	724,162.06	1,649,162.06
2027	1,020,000	677,912.06	1,697,912.06
2028	975,000	626,912.06	1,601,912.06
2029	1,070,000	578,162.06	1,648,162.06
2030	1,160,000	532,547.96	1,692,547.96
2031	1,260,000	482,517.16	1,742,517.16
2032	1,285,000	427,543.36	1,712,543.36
2033	1,305,000	370,836.30	1,675,836.30
2034	1,295,000	312,594.16	1,607,594.16
2035	1,245,000	250,602.50	1,495,602.50
2036	715,000	191,004.36	906,004.36
2037	480,000	156,777.30	636,777.30
2038	450,000	133,799.70	583,799.70
2039	445,000	112,258.20	557,258.20
2040	485,000	90,956.06	575,956.06
2041	385,000	67,302.60	452,302.60
2042	390,000	48,526.16	438,526.16
2043	330,000	29,505.86	359,505.86
2044	180,000	13,411.76	193,411.76
2045	65,000	4,633.16	69,633.16
2046	30,000	1,463.10	31,463.10
Total	\$16,335,000	\$6,599,590.00	\$22,934,590.00

Other Obligations. The City has certain other outstanding obligations, including tax allocation bonds issued by its successor agency, which are not secured by the City’s general fund.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective March 1, 2024. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither the City nor the Underwriter makes any representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third

column is an apportionment of the dollar amount of each public agency’s outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City’s assessed valuation represented in column 2.

Table 15
CITY OF RIDGECREST
DIRECT AND OVERLAPPING BONDED DEBT
as of March 1, 2024

CITY OF RIDGECREST

2023-24 Assessed Valuation: \$2,293,060,305

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt</u> <u>3/1/24</u>
Kern Community College District Safety, Repair and Improvement District	1.976%	\$ 7,466,711
Kern Community College District School Facilities Improvement District No. 1	1.988	1,647,174
Sierra Sands Joint Unified School District	77.742	<u>8,443,684</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$17,557,569
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County General Fund Obligations	1.935%	\$ 1,904,301
Kern County Pension Obligation Bonds	1.935	1,473,476
Kern County Board of Education Certificates of Participation	1.935	606,236
Kern Community College District General Fund Obligations	1.781	407,439
Kern Community College District Benefit Obligations	1.781	1,280,005
Sierra Sands Joint Unified School District General Fund Obligations	77.742	6,468,263
City of Ridgecrest Certificates of Participation	100.000	<u>17,090,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$29,229,720
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		
	100.000 %	\$19,432,000
 COMBINED TOTAL DEBT		\$66,219,289 ⁽²⁾

Ratios to 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.77%
Total Direct Debt (\$17,090,000)	0.75%
Combined Total Debt	2.89%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,803,612,486):

Total Overlapping Tax Increment Debt	1.08%
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Source: California Municipal Statistics, Inc.

(1) Excludes issue to be sold.

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

INVESTMENT OF CITY FUNDS

Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Indenture.

Funds held by the City are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Finance Director as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years. The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

For more information about the City's investment policy, see APPENDIX D—CITY INVESTMENT POLICY.

THE CORPORATION

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purposes of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation. The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform. The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consist of at least two but no more than five directors, holding office for terms of six years. The Corporation has no employees and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

STATE BUDGET INFORMATION

Information regarding the State Budget is regularly available at various State-maintained websites. The fiscal year 2023-24 State Budget and fiscal year 2024-25 Proposed State Budget described below can be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” Additionally, an impartial analysis of the State’s Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and neither the City nor the Underwriter takes responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget Process. Through the State budget process, the State enacts legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “Governor’s Budget”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures more than projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State’s website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The State Treasurer’s Internet home page at www.treasurer.ca.gov, under the heading “Financial Information,” posts the State’s audited financial statements. In addition, the “Financial Information” section includes the State’s Rule 15c2-12 filings for State bond issues. The “Financial Information” section also includes the “Overview of the State Economy and Government, State Finances, State Indebtedness,

Litigation” from the State’s most current Official Statement, which discusses the State budget and the state budget process in greater detail.

The State Legislative Analyst’s Office (“LAO”) prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Internet home page at www.lao.ca.gov.

2023-24 State Budget

On June 27, 2023, the Governor signed the fiscal year 2023-24 State Budget, which was amended through a series of legislative bills, many of which were signed by the Governor on July 10, 2023 (as amended, the “2023-24 State Budget”). The 2023-24 State Budget reflects downturns in revenues driven by a declining stock market, persistently high inflation, rising interest rates, and job losses in high-wage sectors. The 2023-24 State Budget also reflects the fact that most Californians were granted until October, instead of April, to file income tax returns because of storm-related disaster declarations, leading to delays in revenue collections.

The 2023-24 State Budget projects a budget shortfall of approximately \$31.7 billion for the 2023-24 fiscal year, down from a budget surplus of \$7.8 billion in the 2022-23 State Budget. The 2023-24 State Budget addresses the \$31.7 billion shortfall through a variety of solutions, including \$9.3 billion in funding shifts of spending commitments from the General Fund to other funds, \$8.1 billion in General Fund spending reductions or pullbacks of previously approved spending, \$7.9 billion in delayed spending across multiple years, \$6.1 billion in new revenues, primarily from the Managed Care Organization tax, internal borrowing from special fund balances not projected for programmatic purposes, and \$340 million in reductions that will be restored in the State’s 2024-25 Budget if there are sufficient resources to do so at that time.

The 2023-24 State Budget projects a \$3 billion increase in general fund revenues as compared to the 2022-23 State Budget (from \$205.6 billion to \$208.7 billion) despite a projected \$4.6 billion decline in projected revenues from personal income taxes. The 2023-24 State Budget reduces General Fund expenditure levels by \$8.7 billion as compared to the 2022-23 State Budget (from \$234.6 billion to \$225.9 billion) with the largest reductions in expenditures occurring in expenditures for legislative, judicial, and executive operations, natural resources, government operations, and environmental protections. The largest areas of increased expenditures in the 2023-24 State Budget are expenditures related to health and human services and K-12 education.

While the 2023-24 State Budget projects a \$17 billion draw-down of the State General Fund’s fund balance (from \$26.3 billion in 2022-23 to \$9.1 billion in 2023-24), the 2023-24 State Budget maintains the funding levels of budget stabilization account/rainy day fund (at \$22.2 billion) and safety net reserve (at \$900 million) while increasing the balance of the State’s public school system stabilization account by \$900 million (from \$9.9 billion to \$10.8 billion).

2024-25 Proposed State Budget

On January 10, 2024, Governor Newsom released his proposed budget for fiscal 2025 (the “2024-25 Proposed State Budget”). The 2024-25 Proposed State Budget proposes total expenditures of \$291.5 billion in total across all State funds (approximately \$19 billion less than the 2023-24 State Budget), consisting of approximately \$208.7 billion from the State’s General Fund (approximately \$22 billion less

than the 2023-24 State Budget), \$80.8 billion from special funds, and \$2 billion from bond funds. The 2024-25 Proposed State Budget revenues for the General Fund include a one-time draw down of reserves from the Budget Stabilization/Rainy-Day Fund of \$12 billion.

Governor Newsom attributes a total budget shortfall projected in the 2024-25 Proposed State Budget (estimated at \$37.9 billion) to two separate but related developments during the past two years, first, the substantial decline in the stock market that drove down revenues in 2022-23, and second, the unprecedented delay in critical income tax collections caused by natural disasters that resulted in the State pushing back its filing deadline until October. The combination of reduced revenues from personal income taxes and a later income tax filing deadline meant that the Governor and the State legislature lacked the data normally available during the 2023-24 State budget process. As a result, the 2023-24 State Budget committed money that was not actually available to spending programs underway now. As such, the correction that would have come as part of last year's May Revision is instead being made in the 2024-25 Proposed State Budget.

Governor Newsom's plan to close the deficit in the 2024-25 Proposed State Budget includes: withdrawing \$13.1 billion from the budget stabilization/rainy-day and safety net reserve accounts, cutting \$8.5 billion from existing programs and services, delaying \$5.1 billion worth of spending and deferring another \$2.1 billion to 2025-26, and \$5.7 billion in internal borrowing from special funds. Due to the State's high reserves levels, the State would have \$18.4 billion of reserves remaining even after the drawdowns in the 2024-25 Proposed State Budget.

The 2024-25 Proposed State Budget reduces General Fund expenditures by \$22.2 billion compared to 2023-24 levels. The largest areas in General Fund spending reductions in the 2024-25 Proposed State Budget include reductions of \$5.8 billion for legislative, judicial and executive expenditures, reductions of \$6.8 billion in expenditures for natural resources, and reductions of \$2.7 billion in expenditures for business, consumer services, and housing. General Fund revenue sources in the 2024-25 Proposed State Budget are projected to remain relatively similar to 2023-24 levels with only a modest 2.2% increase. The remaining revenues used to balance the General Fund's budget come primarily from drawdowns of the budget stabilization/rainy day fund.

LAO's Analysis of the 2024-25 Proposed State Budget. On January 13, 2024, the Legislative Analyst's Office released its analysis of the 2024-25 Proposed State Budget, which found certain revenue projections contained in the 2024-25 Proposed State Budget to be "optimistic." The main difference between the estimates in the 2024-25 Proposed State Budget and the LAO's analysis is that the 2024-25 Proposed State Budget estimates the State will see an 8% increase in income tax collections compared to 2023-24, resulting in \$15 billion more in revenues than the LAO's estimate. While the LAO's analysis agrees the rebound in stock prices that occurred in 2023 is one reason for optimism it also notes that "stock market rallies can reverse as quickly as they start."

On the spending side, the LAO's analysis notes strengths and weaknesses. Plans to withdraw \$13 billion from reserves are viewed as reasonable, as are the 2024-25 Proposed State Budget's spending solutions, though some spending-related solutions pose challenges. The reserve drawdown would still leave \$11 billion in the State's budget stabilization/rainy-day fund, which the LAO report called "prudent" since the 2024-25 Proposed State Budget projects operating deficits ranging from \$4 billion to \$9 billion every year through 2026-27.

The LAO's analysis recommends that the State legislature be mindful of future deficits by developing a final 2024-25 State budget that plans for lower revenues over the next three years, maintains a similar reserve withdrawal, develops a plan for school and community college funding, maximizes reductions in one-time spending and applies a higher bar for any discretionary proposals and contains ongoing service levels.

For additional information regarding the 2023-24 State Budget or the 2024-25 Proposed State Budget, please see the Department of Finance website at ebudget.ca.gov and the LAO's website at lao.ca.gov. The City can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other local agencies in the State.

The City cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, 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 its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California 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 one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are “severely disabled,” to transfer the old residence’s assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing

such appropriation limit is Fiscal Year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Articles XIII C and XIII D (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes and assessments, fees and charges.

Section 2 of Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be

given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or 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, such as the TOT, Proposition 172 revenues, or storm water fees which support the City's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil* (Kelley) (the "Bighorn Decision") that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIID.

In the Bighorn Decision, the Supreme Court stated that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 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.

Article XIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. 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 currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described below. If not, the scope of the initiative power under Article XIII C potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the City's General Fund. Given the approval requirements imposed by Article XIII D, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIII D defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the Bighorn Decision, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIII D.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property-related fee" under Article XIII D, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not

possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIII A and XIII B, as well as Articles XIII C and XIII D described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time-to-time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the "State-local agreement") in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004, the voters of the State approved Proposition 1A ("Proposition 1A of 2004"). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property tax, sales tax, and VLF revenues as of November 3, 2004. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without

providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the Fiscal Year 2009-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the “February 2012 Budget Package”), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund.

Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ – Proposition 1 A of 2004” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase schools’ and community college districts’ share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The City does not believe that Proposition 22 will have a significant impact on its revenues and expenditures.

Proposition 26

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the City’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Proposition 19

On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment (“Proposition 19”), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope

of legal entity ownership changes that trigger reassessment of properties. The City cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the City.

Taxpayer Protection and Government Accountability Act Initiative

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and known as the “Taxpayer Protection and Government Accountability Act,” had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

The City cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the City, the County, or the State.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D, Propositions 1A, 22, 26 and 19 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, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City’s revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Lease Payments Are Not Debt

The obligation of the City to make the Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Lease

Payments does not constitute a debt of the City, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. 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. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D—FORM OF SPECIAL COUNSEL OPINION) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City.

Additional Obligations of the City

The Lease Agreement does not prohibit the City from incurring additional lease and other obligations payable from the City's General Fund. In that regard, the City may, from time to time, incur General Fund obligations to finance public improvements (see "OTHER CITY FINANCIAL INFORMATION—Long-Term General Fund-Secured Obligations"), which may also include lease obligations payable from its General Fund.

Cash Management

The City has numerous internal or external means to manage its cash flow, including but not limited to interfund borrowing, intrafund borrowing and tax and revenue anticipation notes which may be employed to the extent the City Council is required to make budget adjustments in order to maintain a balanced budget. If the City does not take required actions and the budget remains out of balance, the cash

requirements of the City may exceed available cash flow. The ability of the City to borrow on an interim basis to meet any cash shortfalls also may be limited if the budget remains out of balance for a sustained period of time. See “CITY FINANCIAL INFORMATION.”

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City’s rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an 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, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to foreclose or sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below. See “—Limitations on Remedies.”

Risk of Uninsured Loss

The City covenants under the Lease Agreement to maintain certain insurance policies on the Property. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance.” The City does not insure its facilities against the risk of earthquake. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s casualty and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to prepay the Certificates.

Under the Lease Agreement the City is required to obtain casualty insurance which provides for a deductible up to \$250,000. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Lease Payments may be correspondingly affected.

Eminent Domain

If the Property 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, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

Public Health Emergencies

The COVID-19 Pandemic commenced in approximately March 2020 and resulted in a global public health crisis that was fluid and unpredictable with unknown financial and economic impacts. While the health emergency and related declarations have ceased, the City continues to assess the full impacts that the COVID-19 Pandemic has had either directly or indirectly on its operations and finances.

There could be future outbreaks of other COVID-19 variants or other public health emergencies that could have material adverse effects on tourism to the City and the City's operations and finances.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently 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 current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The City is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Natural Calamities

General. From time to time, the City has been and could be subject to natural calamities, including, but not limited to, earthquakes, severe weather, wildfire, or volcanic activity, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to persons, property and structures in the City and could have a substantial negative effect on the City's General Fund. The following is a summary of certain natural calamities that have affected the City and the County and are likely to continue to occur in the future.

Drought. The County and the City both depend on groundwater and surface water, which are susceptible to drought. Droughts are a regular feature in California and are almost certain to continue to occur, with varying severity and duration. Any local drought conditions may impact the water supply systems in the County and the City, as there is no infrastructure to import water from elsewhere in California and, due to the location of the County in the upper portion of the watershed, there is little possibility to divert water from other areas without the cost of pipelines and pumping.

Flood. Like most of California, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The Property is not located in the 100-year floodplain.

Seismic. The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. The occurrence of severe seismic activity in or near the City could result in substantial damage and could lead to successful appeals for reduction of assessed values of property. Such a reduction of assessed valuations could result in a reduction of the general fund revenues available to pay the Certificates.

If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City's right to use and occupy all or a portion of the Property, which could result in Lease Payments being subject to abatement. See "—Abatement" above. Damage resulting from such an event could have a material adverse effect on the City's financial condition as well, through unexpected recovery costs and reduced tax and other revenues.

Climate Change. Climate change caused by human activities may have adverse effects on the City and its finances. Projections of the impacts of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when and where the adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

Hazard Mitigation Plan. The City and the County have adopted a regularly updated multi-jurisdictional hazard mitigation plan (the "Hazard Mitigation Plan") that analyzes and discusses the above-mentioned natural calamities and lays out mitigation measures. Reference should be made to the complete

Hazard Mitigation Plan, which is available from the County's website at _____. The Hazard Mitigation Plan is not incorporated herein by this reference.

China Lake Naval Weapons Facility

The Navy owns and operates NAWS China Lake on over one million acres, of which 5,000 acres lie in the City. NAWS China Lake has a significant economic benefit in the City as a result of its extensive civilian employment and substantial annual budget. Significant declines in assessed values in the City in the early and mid-1990s were, in part, a result of cutbacks in the workforce at NAWS China Lake. Future budget reductions or total closure of NAWS China Lake would most likely have a significant economic impact on the City's available general fund revenues. The City is not aware of any plans to close NAWS China Lake.

Potential Impact of State Financial Condition on the City

During the 2008-09 recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the State there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and unfunded long-term liabilities of more than \$200 billion related to pensions and other post-retirement benefits. These risks and financial pressures could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to adjust its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources.

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal 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 Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control (see "STATE BUDGET INFORMATION"). The ability of the State to divert funds from the City has been limited by Proposition 1A and Proposition 22, which are discussed herein. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS."

Risk of Changing Economic Conditions

While the City has historically enjoyed strong economic and financial performance, the City faces several long-term financial challenges including climate change and natural disasters, public health emergencies, changes to the economy of the region and the nation, and the management of pension and post-employment retirement obligations. While the City has adopted measures and policies to better position its operating budgets for future risks and future economic downturns, such measures may not be sufficient.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of CalPERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), mortality rates, and differences between actual and anticipated investment experience of CalPERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund the City's obligations to its pension plans.

Risks Related to Cyber Security

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. The City owns and operates its own enterprise class data network serving the municipal City government and its operations. The City has retained information technology professionals to support, maintain and protect these operations locally in a purpose-built and physically secure environment. This network and its operations are governed by and in compliance with all applicable governmental regulations as well as the City's own administrative regulations. Within the City's operations and guidance is an active cyber-security program designed to protect from, and to quickly identify and mitigate, a multitude of complex security threats. While no network is completely immune from all possible compromise, the City exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the City's computers and technologies.

The City has cyber-insurance. Additionally, the City conducts employee training programs for cybersecurity related matters and has a continuity plan which is regularly tested. The City's servers are backed up offsite each day and the City's systems have insider protection to protect against deletion.

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

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. A City bankruptcy petition could have a material adverse effect on the payment of the Certificates. The following paragraphs present a discussion of certain potential consequences surrounding a potential City bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. 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 commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder.

The City entered into voluntary bankruptcy proceedings in July 2012 due to an adverse ruling regarding litigation over the impairment of the Development Agreement which required the City to pay \$42,186,032.42. The bankruptcy filing resulted in the City and the other parties entering into a settlement agreement in September 2012, providing for the payment of the judgment over time and other requirements. Following the execution of the settlement agreement, the City exited the bankruptcy proceedings. The City has met all the requirements of the settlement agreement. The City has been and continues to be solvent in meeting all of its obligations.

Early Redemption Risk

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain or from the proceeds of title insurance (see "THE CERTIFICATES—Redemption").

Limitations on Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that if the City defaults the Trustee may enter the Property and re-let the Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest with respect to the Certificates so as to preserve the tax-exempt nature of interest with respect to the Certificates. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the City to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Certificates are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) 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. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the City under the Lease Agreement.

Special Counsel has limited its opinion as to the enforceability of the Lease Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Lease Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Secondary Market Risk

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

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the Certificates.

Risks Relating to the Municipal Bond Insurance Policy

In the event of default of the payment of principal and interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Municipal Bond Insurance Policy for such payments. The Municipal Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory sinking fund or optional redemption of the Certificates by the City which is recovered by the City from the Owner as a voidable preference under applicable bankruptcy law is covered by the Municipal Bond Insurance Policy, however, such payments will be made by the Municipal Bond Insurer at such time and in such

amounts as would have been due absence such prepayment by the City unless the Municipal Bond Insurer chooses to pay such amounts at an earlier date.

The Municipal Bond Insurer may direct and must consent to any remedies and the Municipal Bond Insurer's consent may be required in connection with amendments to any applicable legal documents.

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

The long-term ratings on the Certificates are dependent in part on the financial strength of the Municipal Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Municipal Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Municipal Bond Insurer and of the ratings on the Certificates will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "RATINGS."

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

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the Lease Payments and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the City and the Corporation will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the City or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Corporation or their authority with respect to the Certificates or any action of the City or the Corporation contemplated by any of said documents, nor, to the knowledge of the City or the Corporation, is there any basis therefor. There is no litigation pending or threatened against the City that could affect the City's ability to make the Lease Payments.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City has agreed, for the benefit of holders of the Certificates, to provide certain financial information and operating data relating to the City relating to the Certificates (the “Annual Reports”) and its audited financial statements, by not later than March 31 of each year commencing with the report for the 2021-22 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain events. The Annual Reports, audited financial statements and notices of events will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Reports and the notices of events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

[INSERT CONTINUING DISCLOSURE COMPLIANCE]

MUNICIPAL ADVISOR

Wulff Hansen & Co. (the “Municipal Advisor”) is registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor has assisted the City in connection with the planning, structuring, sale and issuance of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Certificates are contingent upon their sale and delivery.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF SPECIAL COUNSEL OPINION. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Martin Koczanowicz, Esq., the City Attorney. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. The fees and expenses of Special Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the delivery of the Certificates.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become

includible in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to compliance by the City with certain covenants, in the opinion of Special Counsel, under present law, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax under the Internal Revenue Code of 1986, as amended (the "Code"). Interest with respect to the Certificates may affect the corporate alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price for original issue discount (as further discussed below) and market discount purposes (the "OID Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the OID Issue Price of a maturity of the Certificates is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Certificates (the "OID Certificates") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Certificate in the initial public offering at the OID Issue Price for such maturity and who holds such OID Certificate to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Certificate constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Certificate at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code; and (d) the accretion of original issue discount in each year may result in certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Certificates should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Certificates.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from

the OID Issue Price or purchase Certificates subsequent to the initial public offering should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity or, in the case of an OID Certificate, its OID Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Certificate for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Certificates delivered prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup

withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other State and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such State and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

The Certificates are being purchased by Hilltop Securities Inc. (the “Underwriter”) at a price of \$_____ (being \$_____ aggregate principal amount of the Certificates, plus a net original premium of \$_____, and less \$_____ of Underwriter’s discount). The Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement for the Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

RATINGS

S&P is expected to assign the rating of “AA” (stable outlook) to the Certificates based on the issuance of the Municipal Bond Insurance Policy by the Municipal Bond Insurer at the time of delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.” In addition, S&P has assigned the underlying rating of “___” to the Certificates without regard to the issuance of the Municipal Bond Insurance Policy. These ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P if, in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

FINANCIAL STATEMENTS

The City’s financial statements for the Fiscal Year ended June 30, 2023, included in APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2023, have been audited by the City’s Auditor, as stated in its reports appearing in such appendix. The City’s Auditor has not undertaken to update its reports 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 City's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which 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.

The City will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the City, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the City have been duly authorized by the City Council on behalf of the City.

CITY OF RIDGECREST

By _____
Ronald Strand,
City Manager

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APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY

The following information concerning the City of Ridgecrest and Kern County is included only for the purpose of supplying general information regarding the City and the County. The Certificates are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State nor any of their political subdivisions, except for the City, are liable therefor.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, 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.

The City

The City of Ridgecrest (the “City”), incorporated in 1963, is located in the southern portion of the Indian Wells Valley in the northeast corner of Kern County (the “County”). The City is the third most populous city in the County. The City is surrounded by four mountain ranges; the Sierra Nevada on the west, the Coso on the north, the Argus Range on the east, and the El Paso on the south. The City is approximately an hour and quarter from the Lancaster/Palmdale area and approximately two hours from both Bakersfield and San Bernardino, the two nearest urban areas. During the 1950s and 1960s, the City evolved as a support community to the China Lake Naval Ordnance Test Station, providing housing and vital services for employees and contractors.

The County

The County has sometimes been referred to as “The Golden Empire,” because of its history of gold, oil, and agricultural production. Located at the southern end of California’s Central Valley, the County consistently ranks among the top five most-productive agricultural counties in the United States and is one of the nation’s leading petroleum-producing counties. There is also a strong aviation, space, and military presence, such as Edwards Air Force Base, the China Lake Naval Air Weapons Station, and the Mojave Air and Space Port. Because of its unique geographical positioning, the County has also become the distribution center for some of the world’s largest companies. The County is host to a major freeway system, providing access to California’s central coast, Arizona, Nevada, and Utah. The County seat (and largest city) is Bakersfield.

Population

The table below summarizes population of the City, the County, and the State for the last five years.

CITY OF RIDGECREST, KERN COUNTY, and CALIFORNIA Population

Year	City of Ridgecrest	Kern County	State of California
2019			39,605,361
2020			39,648,938
2021			39,286,510
2022	28,083	908,107	39,078,674
2023	27,885	907,476	38,940,231

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-23, with 2020 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State and the United States:

KERN COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2018	Kern County				
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	Kern County				
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7
2020	Kern County				
	California	18,821,200	16,913,100	1,908,100	10.1
	United States	160,742,000	147,795,000	12,947,000	8.1
2021	Kern County				
	California	18,923,200	17,541,900	1,381,200	7.3
	United States	161,204,000	152,581,000	8,623,000	5.3
2022 ⁽²⁾	Kern County				
	California	19,252,000	18,440,900	811,100	4.2
	United States	164,287,000	158,291,000	5,996,000	3.6

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-22, and US Department of Labor.

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

(2) Latest available full-year data.

Major Employers in the County

The table below sets forth a list of major employers in the County in 2023.

KERN COUNTY 2023 Major Employers

Employer Name	Location	Industry
Adventist Health Bakersfield	Bakersfield	Hospitals
Bolthouse Farms	Bakersfield	Agricultural Consultants
California Correctional Instn	Tehachapi	State Govt-Correctional Institutions
Chevron Corp	Bakersfield	Management Services
Community Action Partnership	Bakersfield	Community Centers
Dignity Health Mercy Downtown	Bakersfield	Hospitals
Edwards Air Force Base	Edwards	Military Bases
Ensign United States Drilling	Bakersfield	Energy Management Systems & Products
Foster Care Human Svc	Bakersfield	Foster Care
Frito-Lay Inc	Bakersfield	Potato Chip Factories (mfrs)
Grimmway Farms	Arvin	Fruits & Vegetables-Growers & Shippers
Kern County Human Svc Dept	Bakersfield	Government Offices-County
Marko Zaninovich Inc	McFarland	Fruits & Vegetables-Growers & Shippers
Memorial Hospital Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Armstrong Flight Research	Edwards	Alternative Fuels
Naval Air Warfare Ctr	Ridgecrest	Military Bases
Paramount Farms Huller 4	Lost Hills	Farms
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Sierra Sands Unified Sch Dist	Ridgecrest	School Districts
Sun Pacific	Bakersfield	Fruits & Vegetables-Growers & Shippers
US Naval Air Weapons Station	Ridgecrest	Federal Government-National Security
Vasinda Investments Inc	Bakersfield	Home Health Service
Wasco State Prison Fire Dept	Wasco	State Govt-Correctional Institutions
Wonderful Citrus LLC	Delano	Citrus Growers

Source: America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF RIDGECREST Building Permits and Valuation (Dollars in Thousands)

	2018	2019	2020	2021	2022 ⁽¹⁾
<u>Permit Valuation:</u>					
New Single-family					
New Multi-family					
Res. Alterations/Additions					
Total Residential	_____	_____	_____	_____	_____
Total Nonresidential	_____	_____	_____	_____	_____
Total All Building	=====	=====	=====	=====	=====
<u>New Dwelling Units:</u>					
Single Family					
Multiple Family					
Total	_____	_____	_____	_____	_____

KERN COUNTY Building Permits and Valuation (Dollars in Thousands)

	2018	2019	2020	2021	2022 ⁽²⁾
<u>Permit Valuation:</u>					
New Single-family					
New Multi-family					
Res. Alterations/Additions					
Total Residential	_____	_____	_____	_____	_____
Total Nonresidential	_____	_____	_____	_____	_____
Total All Building	=====	=====	=====	=====	=====
<u>New Dwelling Units:</u>					
Single Family					
Multiple Family					
Total	_____	_____	_____	_____	_____

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Columns may not sum to totals due to independent rounding.

(1) Latest available full year data.

Household Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, State and local), nontax payments (fines, fees, penalties, etc.) and personal

contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the nation for the past five years.

**CITY OF RIDGECREST, KERN COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City of Ridgecrest					
Kern County					
California	62,637	65,870	67,956	77,058	77,175
United States	52,841	55,303	56,790	64,448	65,326

Source: Nielsen, Inc.

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APPENDIX B

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

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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APPENDIX C
INVESTMENT POLICY OF THE CITY

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APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Closing Date]

City Council of the
City of Ridgecrest
100 West California Avenue
Ridgecrest, California 93555

OPINION: \$ _____ * Certificates of Participation (2024 Aquatics Facility Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Ridgecrest, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Ridgecrest (the “City”), of its \$ _____ * Lease Agreement, dated as of July 1, 2024, by and between the Public Property Financing Corporation of California (the “Corporation”) and the City (the “Lease Agreement”), pursuant to the California Government Code. The Corporation has, pursuant to the Assignment Agreement, dated as of July 1, 2024 (the “Assignment Agreement”), by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the City thereunder (the “Lease Payments”), to the Trustee. Pursuant to the Trust Agreement, dated as of July 1, 2024, by and among the Trustee, the Corporation and the City (the “Trust Agreement”), the Trustee has executed and delivered certificates of participation (the “Certificates”) evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California with the power to enter into the Site and Facility Lease (as defined in the Trust Agreement), the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Site and Facility Lease, the Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the City and are obligations of the City valid, binding and enforceable against the City in accordance with their respective terms.

3. The Assignment Agreement is valid, binding and enforceable in accordance with their terms.

* Preliminary, subject to change.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the City are payable from general funds of the City lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the City's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Interest with respect to the Certificates may affect the corporate alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

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APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

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

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

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent or bond 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 nor its nominee, the paying agent or bond trustee, or the City, 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 City or the paying agent or bond 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.

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

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

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

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF RIDGECREST (the “City”) in connection with the execution and delivery of \$ _____ * Certificates of Participation (2024 Aquatics Facility Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2024, by and among U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the City and the Public Property Financing Corporation of California (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the City covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Trust Agreement which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, RSG, Inc., or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

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

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Certificates.

“*Participating Underwriter*” means Hilltop Securities Inc., the original underwriter of the Certificates.

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

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2- 12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2025, with the report for fiscal year 2023-24 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, as follows:

- (i) Table 4—General Fund Tax Revenues by Source;
- (ii) Table 5—Assessed Valuations;
- (iii) Table 6—Largest Local Secured Property Tax Payers;
- (iv) Table 8—Property Tax In-Lieu of VLF; and
- (v) Table 9—Other Revenue Sources.

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

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

Section 5. Reporting of Significant Events.

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; and
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) The City shall or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in the Rule.

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

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

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

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a), 5(b) or 5(c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after considering any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

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

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

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

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

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

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

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

(a) Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

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

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

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

Date: [Closing Date]

CITY OF RIDGECREST

By _____
City Manager

ACKNOWLEDGED:

RSG, INC., as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Ridgecrest

Name of Issue: Certificates of Participation (2024 Aquatics Facility Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the City of Ridgecrest, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

RSG, INC., as Dissemination Agent

By _____
Authorized Officer

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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