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.

PRELIMINARY OFFICIAL STATEMENT DATED [_], 2025

NEW ISSUE - FULL BOOK-ENTRY **S&P: "[AA-]"**

See "RATING" herein.

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2025A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2025A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" herein with respect to tax consequences relating to the Series 2025A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

$138,635,000*
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A

Dated: Date of Delivery **Due: November 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "Series 2025A Bonds") are being issued by the Fontana Public Facilities Financing Authority (the "Authority") pursuant to the Marks-Roos Local Bond Pooling Act of 1985 and an Indenture dated as of October 1, 2025 (the "Indenture"), by and among the Authority, the City of Fontana (the "City"), and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

Purpose. The proceeds of the Series 2025A Bonds will be used to (i) refinance all of the outstanding Fontana Public Facilities Public Financing Authority Lease Revenue Refunding Bonds, Series 2014A, (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, and (iii) pay the costs of issuing the Series 2025A Bonds. See "FINANCING PLAN."

Security. Under the Indenture, the Series 2025A Bonds are secured by a pledge and first lien on base rental payments ("Base Rental Payments") to be made by the City for the lease of property under a Lease Agreement dated as of October 1, 2025, between the Authority, as lessor, and the City, as lessee, concerning the leaseback of certain real property, as described in this Official Statement. The Series 2025A Bonds are also secured by certain funds held under the Indenture. The City has covenanted under the Lease Agreement to make all scheduled Base Rental Payments, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property. No debt service reserve fund or account will be established by the Authority or the City in connection with the issuance of the Series 2025A Bonds. The Series 2025A Bonds are not subject to acceleration in the event of a payment default. See "SECURITY FOR THE SERIES 2025A BONDS" and "BOND OWNERS' RISKS – Abatement."

Bond Terms; Book-Entry Only. The Series 2025A Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on [May 1, 2026], and will be issued in fully-registered form without coupons in integral multiples of $5,000. The Series 2025A Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Series 2025A Bonds will not receive certificates representing their interests in the Series 2025A Bonds. Payments of the principal of, premium, if any, and interest on the Series 2025A Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2025A Bonds. See "THE SERIES 2025A BONDS − General Provisions."

Redemption. The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See "THE SERIES 2025A BONDS – Redemption."

Bond Insurance. The Authority has applied for a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on some or all of the maturities of the Series 2025A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2025A Bonds.

The Series 2025A Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the Base Rental Payments and other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2025A Bonds. The obligation of the City to pay Base Rental Payments does not constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF ALL THE PROVISIONS OF THE SERIES 2025A BONDS. PROSPECTIVE INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2025A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the City by Best Best & Krieger LLP, as City Attorney. Certain legal matters will be passed on for the Underwriter by Kutak Rock LLP. It is anticipated that the Series 2025A Bonds will be delivered in book-entry form through the facilities of DTC on or about [October 2], 2025.

Ramirez & Co. Inc.

The date of this Official Statement is: _____, 2025

* Preliminary; subject to change.

$138,635,000*
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A

MATURITY SCHEDULE
(Base CUSIP:† _____)

$_____ Serial Bonds

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$_____ – _____% Term Bonds due November 1, 20__; Yield _____%; Price ____; CUSIP†: ___

$_____ – _____% Term Bonds due November 1, 20__; Yield _____%; Price ____; CUSIP†: ___

* Preliminary; subject to change.

C Priced to first optional redemption date of November 1, 20__, at par

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[Insert location map from 2021 OS]

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

BOARD OF DIRECTORS

Acquanetta Warren, Authority Chair
Peter Garcia, Authority Vice-Chair
John Roberts, Authority Member
Jesus “Jesse” Sandoval, Authority Member
Phillip Cothran, Authority Member

Matthew Ballantyne, Executive Director
Germaine McClellan Key, City Clerk/Authority Secretary
Jessica Brown, City Treasurer

CITY OF FONTANA

CITY COUNCIL

Acquanetta Warren, Mayor
Peter Garcia, Mayor Pro Tem
John Roberts, Council Member
Jesus “Jesse” Sandoval, Council Member
Phillip Cothran, Authority Member

STAFF

Matthew Ballantyne, City Manager
Jessica Brown, Chief Financial Officer
Janet Koehler-Brooks, City Treasurer
Germaine McClellan Key, City Clerk
Best Best & Krieger LLP, City Attorney

PROFESSIONAL SERVICES

BOND COUNSEL
Stradling Yocca Carlson & Rauth LLP,
Newport Beach, California

DISCLOSURE COUNSEL
Jones Hall LLP
San Francisco, California

MUNICIPAL ADVISOR
CSG Advisors Incorporated
San Francisco, California

TRUSTEE AND ESCROW BANK
U.S. Bank Trust Company, National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series 2025A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Authority, the City or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2025A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of Official Statement. The information set forth in this Official Statement has been furnished by the Authority, the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project", "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the City or any other entity described or referenced herein since the date hereof.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Series 2025A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2025A Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Series 2025A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series 2025A Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2025A Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the City, the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

Website. The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2025A Bonds.

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OFFICIAL STATEMENT

$[_]*
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**Series 2025A Bonds**") by the Fontana Public Facilities Financing Authority (the "**Authority**"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2025A Bonds to potential investors is made only by means of the entire Official Statement.

General

The Authority will issue the Series 2025A Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the "**Act**"), and an Indenture (the "**Indenture**") dated as October 1, 2025, by and among the Authority, the City of Fontana (the "**City**") and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"). Capitalized terms not defined elsewhere in this Official Statement have the meanings assigned to such terms in Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

The Series 2025A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers will not receive certificates representing their interest in the Series 2025A Bonds. Individual purchases will be in integral multiples of $5,000. Principal of and interest on the Series 2025A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2025A Bonds. See the caption "THE SERIES 2025A BONDS – Book-Entry Only System."

The Series 2025A Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described in this Official Statement. See the caption "THE SERIES 2025A BONDS – Redemption."

* Preliminary; subject to change.

The Series 2025A Bonds are being issued to provide funds to: (i) refinance all of the outstanding Fontana Public Facilities Public Financing Authority Lease Revenue Refunding Bonds, Series 2014A (the "**2014 Bonds**"), which are outstanding in the aggregate principal amount of $24,375,000; (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, including capital improvements located in the City including demolition and reconstruction of the City Hall building, construction of a new parking garage, and other capital improvements including pavement rehabilitation, underground utility infrastructure, and park improvements (the "**2025 Project**") and (ii) to pay the costs of issuing the Series 2025A Bonds. See "FINANCING PLAN."

Security for the Series 2025A Bonds; Base Rental Payments

Under the Indenture, the Series 2025A Bonds are secured by a pledge and first lien on base rental payments (the "**Base Rental Payments**") to be made by the City for the right to use certain real property and improvements (the "**Property**") pursuant to a Lease Agreement dated as of October 1, 2025 (the "**Lease Agreement**"), between the City, as lessee, and the Authority, as lessor.

Pursuant to a Ground Lease, dated as of October 1, 2025 (the "**Ground Lease**"), the City will lease the Property to the Authority. The Authority will sublease the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority will enter into an Assignment Agreement, dated as of October 1, 2025 (the "**Assignment Agreement**"), pursuant to which the Authority will assign to the Trustee for the benefit of the Bond Owners substantially all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City covenants under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof. See "SECURITY FOR THE SERIES 2025A BONDS – Abatement" and "BOND OWNERS' RISKS – Abatement." Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Series 2025A Bonds. To the extent that moneys in any of the funds and accounts established under the Indenture or proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

No Reserve Fund

The Authority will not establish a debt service reserve fund for the Series 2025A Bonds.

Application for Bond Insurance

The Authority has applied for a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on some or all of the maturities of the Series 2025A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2025A Bonds. Should the Authority select a provider for such policies, then the Authority will include a summary of the terms of such policies in the final Official Statement.

Limited Obligation

THE SERIES 2025A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE BASE RENTAL PAYMENTS AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2025A BONDS.

THE OBLIGATION OF THE CITY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO POWER TO TAX.

Additional Bonds; Other Obligations

Under the Lease Agreement, the Authority may issue additional bonds (the "**Additional Bonds**") payable from Base Rental Payments on a parity basis with the Series 2025A Bonds. The Series 2025A Bonds and any Additional Bonds are collectively referred to in this Official Statement as the "**Bonds**." See the caption "SECURITY FOR THE SERIES 2025A BONDS – Additional Bonds." The Lease Agreement does not limit the City's right to incur additional obligations payable from its General Fund. The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations" for a description of such obligations.

The Authority

The Authority is a joint exercise of powers authority organized and existing pursuant to the Act and a Joint Exercise of Powers Agreement, dated as of September 1, 2014. Its members are the City and the Fontana Fire Protection District (the "**Fire Protection District**"). See "THE AUTHORITY."

The City; The Fire Protection District

The City was incorporated on June 25, 1952 under the General Laws of the State of California (the "**State**") in the County of San Bernardino (the "**County**"). The City is located approximately 50 miles east of Los Angeles, and approximately 10 miles west of the cities of Riverside and San Bernardino and encompasses approximately 42.4 square miles. The City currently has an estimated population of approximately 219,172 persons.

The Fire Protection District serves the City and its sphere of influence. It was created effective July 1, 2008 to provide fire suppression, emergency medical, fire prevention and education services within the City limits and unincorporated area within the City's sphere of influence. The members of the City Council serve as the governing board of the Fire Protection District. All obligations of the Authority under the Indenture are special obligations of the Authority, payable solely from Rental Payments and the other assets pledged under the Indenture, as described herein. The Fire Protection District is not contractually obligated to make any such payments nor are any of its assets pledged as security for the Series 2025A Bonds under the Indenture. However, the City expects that the Fire Protection District will reimburse the City for Rental Payments on an annual basis. See "SECURITY FOR THE SERIES 2025A BONDS."

Professionals Involved in the Offering

CSG Advisors Incorporated, San Francisco, California, has acted as municipal advisor to the Authority and the City (the "**Municipal Advisor**"). U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2025A Bonds and as Escrow Bank with respect to the 2014 Bonds and as Escrow Bank with respect to the 2014 Bonds. Samuel A. Ramirez & Co., Inc, (the "**Underwriter**"), is underwriting the Series 2025A Bonds.

All proceedings in connection with the issuance of the Series 2025A Bonds are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by Best Best & Krieger LLP, Riverside, California, in its capacity as City Attorney, and by Jones Hall LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, as Underwriter's Counsel. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Series 2025A Bonds.*

Forward-Looking Statements

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. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not 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 change.

Risk Factors

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption "BOND OWNERS' RISKS" for a discussion of certain factors that should be considered, in addition to other matters that are set forth in this Official Statement, in evaluating an investment in the Series 2025A Bonds.

Summaries Not Definitive

The summaries of and references to documents, statutes, reports and other instruments in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by the complete document, statute, report or instrument. Copies of the documents described in this Official Statement will be available at the office of the Chief Financial Officer, City of Fontana, 8353 Sierra Avenue, Fontana, California 92335.

FINANCING PLAN

Refinancing of 2014 Bonds

The Authority issued the 2014 Bonds, which are currently outstanding in the aggregate principal amount of $24,375,000, pursuant to an Indenture of Trust, dated as of October 1, 2014 (the "**2014 Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**2014 Trustee**"). The 2014 Bonds are payable from lease payments made under a Lease Agreement, dated as of October 1, 2014 (the "**2014 Lease**"), by and between the City and the Authority. The City plans to apply a portion of the proceeds of the Series 2025A Bonds to refund all of the outstanding 2014 Bonds on or about [November 3], 2025 (the "**Redemption Date**") at a redemption price equal to the outstanding principal amount of the 2014 Bonds, plus accrued interest to such date, without premium.

2014 Bonds to be Refunded

Maturity Date (September 1)	*Amount Refunded*	*Interest Rate*	*CUSIP*[*]
2026	$1,555,000	5.000%	34461BAM8
2027	1,630,000	5.000	34461BAN6
2028	1,000,000	3.875	34461BAP1
2028	715,000	5.000	34461BAU0
2029	1,790,000	5.000	34461BAQ9
2032	5,915,000	5.000	34461BAT3
2037	11,770,000	4.000	34461BAV8

[*] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the City and are included solely for the convenience of the registered owners of the applicable 2014 Bonds. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriter or the

Under an Escrow Agreement (2014 Bonds), dated as of October 1, 2025 (the "**2014 Escrow Agreement**"), by and among the City, the Authority and the U.S. Bank National Association, as escrow bank (the "**Escrow Bank**") and as 2014 Trustee, the City will deliver a portion of the proceeds of the Series 2025A Bonds to the Escrow Bank for deposit in the escrow fund established under the 2014 Escrow Agreement (the "**2014 Escrow Fund**"). The Escrow Bank will invest amounts so deposited in the 2014 Escrow Fund in Federal Securities as set out in the 2014 Escrow Agreement. From the moneys on deposit in the 2014 Escrow Fund, the Escrow Bank will pay on the Redemption Date the principal of the outstanding 2014 Bonds, plus interest accrued to such date, without premium. The moneys delivered to the Escrow Bank to redeem the 2014 Bonds are pledged solely to the redemption of such 2014 Bonds. Neither such moneys nor any related interest will be available for the payments of principal of and interest on the Series 2025A Bonds.

The 2025 Project

The 2025 Project consists of the acquisition, construction, and installation of certain public capital improvements in the City, including demolition and reconstruction of the City Hall building, construction of a new parking garage, and other capital improvements including pavement rehabilitation, underground utility infrastructure, and park improvements.

The existing City Hall building is being demolished and will be replaced with a two-story structure consisting of approximately 42,000 square feet of office and related spaces. The new building will include administrative and executive offices, meeting rooms, public services areas, and the City Council Chambers, as well as 42 parking spaces within a secured employee only parking garage. Construction of the new City Hall is projected to begin in January 2026 and be completed by December 2027. The new parking garage will be located downtown and will have over 300 parking spaces.

The expected cost of the 2025 Project is approximately $120 million, with any additional costs to be paid from currently available City funds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2025A Bonds are as follows:

Sources:	**Amount**
Principal	$
Plus: Available Funds Relating to 2014 Bonds	
Less: Underwriter's Discount	
TOTAL SOURCES	$
Uses:	
Deposit to 2014 Escrow Fund [(1)]	$
Project Fund [(2)]	$
Costs of Issuance [(3)]	

Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2014 Bonds or as included herein.

TOTAL USES	$

(1) To be used to refinance the outstanding 2014 Bonds pursuant to the terms of the 2014 Escrow Agreement. See "FINANCING PLAN – Refinancing of 2014 Bonds."
(2) To be used to finance the 2025 Project. See "FINANCING PLAN – The 2025 Project."
(3) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, Escrow Bank, the Municipal Advisor, rating agency fees, and printing the preliminary and final Official Statements.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of annual debt service on the Series 2025A Bonds, assuming no optional or extraordinary prepayments.

Year Ending November 1	Principal	Interest	Total Debt Service

Base Rental Payments will be made by the City under the Lease Agreement for the use and occupancy of the Property. The Property will initially consist of five components: (i) the Lewis Library and Technology Center located adjacent to City Hall (the "**Library Component**"), (ii) the City Hall/Development Services Building (the "**City Hall/DSB Component**", (iii) the parking structure adjacent to City Hall on Arrow Boulevard (the "**Parking Structure No. 1 Component**"), (iv) the Fire District Administration Building (the "**Fire District Administration Component**") and (v) Fontana Park (the "**Fontana Park Component**").

Library Component. The Library Component is a two-story, 93,000-square- foot building completed in April 2008, and is the largest branch in the San Bernardino County Library system. It includes a 330-seat auditorium, a coffee bar and bookstore. The facility has received a "silver" LEED rating from the U.S. Green Building Council. The City received an approximately $14.9 million grant from the State of California in connection with development of the Library Component (the "State Grant"). The City has also entered into a Joint Use Cooperative Agreement, dated as of December 1, 2003 (the "Joint Use Agreement"), with the County of San Bernardino and the Fontana Unified School District, pursuant to which the parties have agreed to operate the Library Component as a public library for a period of 20 years. While the Joint Use Agreement does not prohibit the lease of the Library Component pursuant to the Lease Agreement, in the event the Library Component was not operated as a public library facility at some point in the future the City could be obligated to repay a portion of the State Grant and be subject to other liabilities with respect to the Joint Use Agreement or the State Grant. As described under "– Substitution or Release of the Property" below, the City may provide for the release of the Library Component following the completion of improvements at the City Hall/DSB Component.

City Hall/DSB Component. The City Hall/DSB Component is located on two contiguous parcels encompassing 4.20 acres of land and includes the City administrative building (City Hall), built in 1961 which is located on both of the contiguous parcels. The site also includes the Development Services Building, which is approximately 27,050 square feet and completed in 2007. As described under "FINANCING PLAN--The 2025 Project", the existing City Hall building is being demolished and will be fully rebuilt. Until the completion of the 2025 Project, the City Hall/DSB Component will be treated as having $0 value for purposes of determining the property values of the Property for purposes of the Lease Agreement.

Parking Structure No. 1 Component. The Parking Structure No. 1 Component is located at 16948 Arrow Boulevard. Construction began in March of 2024 and was completed in July of 2025 and includes 323 parking spaces. Parking Structure No. 1 is expected to serve the expansion of the downtown entertainment revitalization project.

Fire District Administration Component. The Fire District Administration Component is located at 17001 Upland Avenue. Construction began in February 2024 and was completed in August of 2025. The property consists of a 27,000 square foot administrative office building with offices constructed on the second level and parking for 38 vehicles in an open garage on the first level. The building will house the Fontana Fire Protection District, as well as the City's Human Resources, Community Services, and Code Compliance departments. The City may sublease the Fire District Administration Building Component or any portion thereof to the Fontana Fire Protection District, so long as the City remains fully liable for all obligations under the Lease Agreement and the sublease is subordinate in all respects to the rights of the Authority and the Trustee under the Lease Agreement.

Fontana Park Component. The Fontana Park Component is a 33-acre park generally located northeast of Summit Avenue and Lytle Creek Road in north Fontana. The Fontana Park

Component features the Jessie Turner Community Center, an approximately 43,000 square foot community services building that includes various sized multi-purpose rooms for public gatherings and events, a 5,000 square foot banquet room and commercial catering kitchen, aerobics / dance studios, supporting staff offices, as well as a fully apportioned health and fitness center. In addition to the Jessie Turner Community Center, the Fontana Park Component includes the Fontana Aquatics Center, which features an event building and amphitheater, an Olympic size pool, a children's pool, and water slides. The Fontana Park Component also includes a STEAM inspired playground, a dog park, a covered hockey arena, and a 2-acre skate park along with more than 15 acres of open space as well as more than 5 acres of parking. The improvements at the Fontana Park Component were completed by the City from _____ to _____. The Fontana Park Component will have an earlier Termination Date than the other components, in line with declining debt service obligations.

See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

Under the Lease Agreement, remedies available to the Authority and the Trustee to collect amounts due from the City do not include the right to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable. See "SECURITY FOR THE SERIES 2025A BONDS – Default; Remedies" below and "BOND OWNERS' RISKS – Limitation on Remedies."

Modification of Property

General. Under the Lease Agreement, subject to covenant relating to liens in the Lease Agreement as described in the subcaption "– *Covenant Regarding Liens"* below, the City and any sublessee, at its own expense, or with the proceeds of Additional Bonds, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way cause an abatement of Rental Payments with respect to the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds); and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease Agreement, shall have an annual fair rental value which is not less than the annual Rental Payments.

Subject to covenant relating to liens in the Lease Agreement as described in the subcaption "– *Covenant Regarding Liens"* below, the City and any sublessee, at its own expense, or with the proceeds of Additional Bonds, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The City receives an opinion of Bond Counsel, a copy of which the City shall furnish to the Authority and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds), and (2) the Lease Agreement will remain the legal, valid, binding and enforceable obligation of the City;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Rental Payments as provided in the Lease Agreement the City shall have notified any rating agency then providing a rating on the Bonds and shall deposit moneys with the Trustee in advance for payment of Rental Payments from the proceeds of Additional Bonds or from special funds of the City or other moneys, the application of which would not, in the opinion of Bond Counsel (a copy of which shall have been delivered to the Trustee), result in such Rental Payments constituting indebtedness of the City in contravention of the Constitution and laws of the State; and

(iii) The City shall certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation.

Covenant Regarding Liens. In the event the City shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as such contestment is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Substitution or Release of the Property

Under the Lease Agreement, the City has the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the City. Notwithstanding any substitution or release of Property, there shall be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following conditions precedent:

- the City shall have found (as set forth in a certificate delivered by the City to the Trustee) that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

- the City shall have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;

- the City shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

- the City, the Authority and the Trustee shall have executed, and the City shall have caused to be recorded with the San Bernardino County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease;

- the City shall have provided notice of such substitution to each rating agency then rating the Bonds;

- no Event of Default (within the meaning of the Lease Agreement) has occurred and is continuing;

- the City will give, or cause to be given, any notice of the occurrence of such substitution required to be given pursuant to the Continuing Disclosure Certificate;

- the City will certify to the Trustee that the City has a current need for the substituted real property;

- the City shall certify to the Trustee that any substitution shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement; and

- [the 2025 Insurer shall have consented in writing to such substitution or release.]

Without regard to the requirements described above, the Authority may provide for release and deletion of the Library Component of the Property from the Property, provided that the City shall satisfy each of the conditions below prior to such release:

- The City shall file with the Authority and the Trustee a copy of a Lease Supplement which deletes the Library Component from the Lease Agreement (and, at the election of the City, from the Ground Lease); and

- The City shall have delivered the certificate to the Trustee confirming that the construction of the new City Hall has been completed substantially in conformity with the plans and specifications for such project; and

- no event of default (as described in the Lease Agreement) has occurred and is continuing.

See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

THE SERIES 2025A BONDS

General

The Series 2025A Bonds will be issued in fully registered form without coupons in denominations of integral multiples of $5,000. The Series 2025A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page. Interest on the Series 2025A Bonds will be paid semiannually on [May 1, 2026] and each November 1 and May 1 thereafter (each, an "**Interest Payment Date**").

Interest on the Series 2025A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2025A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2025A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2025A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2025A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Except when the Series 2025A Bonds are held in book-entry form, interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2025A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2025A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

Registration, Transfers and Exchanges

The Series 2025A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2025A Bonds (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2025A Bonds. See "– Book-Entry Only System" below.

Redemption*

Optional Redemption. The Series 2025A Bonds maturing on or after November 1, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after November 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid

* Preliminary; subject to change.

pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2025A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2025A Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund, at a Redemption Price equal to the principal amount of the Series 2025A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Sinking Fund Redemption. The Series 2025A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of $5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Sinking Fund Redemption Date (November 1)	***Principal Amount To Be Redeemed***
	$_____
(maturity)	

The Series 2025A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of $5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Sinking Fund Redemption Date (November 1)	***Principal Amount To Be Redeemed***
	$_____
(maturity)	

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption pursuant to the Indenture and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds

designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Redemption. Notice having been mailed as described above, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Book-Entry Only System

The Series 2025A Bonds are registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2025A Bonds. Ownership interests in the Series 2025A Bonds may be purchased in book-entry form only. So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Series 2025A Bonds, all payments on the Series 2025A Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants, as more fully described in Appendix F.

As long as Cede & Co. is the registered owner of the Series 2025A Bonds, references herein to the Owners of the Series 2025A Bonds will refer to Cede & Co. and not to the Beneficial Owners. Neither the Authority nor the City gives any assurance that DTC, DTC Participants nor others will distribute payments with respect to the Series 2025A Bonds nor notices concerning

the Series 2025A Bonds to the Beneficial Owners or that DTC will otherwise serve and act in the manner described in this Official Statement. See Appendix F for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

SECURITY FOR THE SERIES 2025A BONDS

Pledge of Base Rental Payments

The Series 2025A Bonds are payable from and secured by the Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds.

The Authority, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Series 2025A Bond Owners all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption "– Base Rental Payments."

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2025A Bonds. See the caption "– Additional Bonds."

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

All obligations of the Authority under the Indenture are special obligations of the Authority, payable solely from Rental Payments and the other assets pledged under the Indenture; provided, however, that all obligations of the Authority under the Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Additional Bonds

The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2025A Bonds) payable from Base Rental Payments on a parity with all other Bonds issued under the Indenture, but only subject to the following conditions precedent:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following: (1) the application of the proceeds of the sale of such Additional Bonds; (2) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds; (3) the date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on November 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on November 1, (ii) the Additional Bonds shall be payable as to interest semiannually on May 1 and November 1 of each year, except that the first installment of interest may be payable on either May 1 or November 1 and shall be for a period of not longer than twelve months and the interest shall be payable thereafter semiannually on May 1 and November 1, (iii) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination (except that Additional Bonds of a Series and like maturity may have different interest rates), and (iv) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates; (4) the redemption premiums and terms, if any, for such Additional Bonds; (5) the form of such Additional Bonds; and (6) if a reserve fund is to be established and maintained for such Series of Additional Bonds, the applicable reserve requirement and the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in such reserve fund to be held as separate security for such Series of Additional Bonds; (7) designate accounts in the Interest Fund, the Principal Fund, the Redemption Fund, the Rebate Fund and the reserve fund (if any) to be applicable to such Additional Bonds; and (8) such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof, including the establishment of a capitalized interest fund for the Additional Bonds, if appropriate;

(b) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(c) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(d) The Ground Lease shall have been amended, to the extent necessary, and the Lease Agreement shall have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the timely payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City).

Nothing in the Indenture limits the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Base Rental Payments

General. Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than third day Business Day next preceding each Interest Payment Date (the "**Base Rental Deposit Date**"). All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time shall be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee shall be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund to the Interest Fund and the Principal Fund as necessary to provide for the payment of the interest on and principal of the Series 2025A Bonds.

Fair Rental Value. The Authority and the City have agreed and determined that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Covenant to Budget and Appropriate. The City covenants in the Lease Agreement to take such action as may be necessary to include all Rental Payments due thereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City will deliver to the Authority and the Trustee a Certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within ten days after the filing or adoption thereof. The Lease Agreement declares that these covenants shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

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

Additional Rental Payments

Under the Lease Agreement, the City is also required to pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the Lease Agreement;

(d) any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with Section 148(f) of the Code;

(e) all amounts due to the [2025 Insurer] under the Indenture; and

(f) all other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

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

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The amount of such abatement shall be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority shall calculate such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term shall in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds, accounts and proceeds. The City is permitted to apply Net Insurance Proceeds: (a) together with other legally available funds that the City elects to contribute, to the repair, reconstruction or replacement of the damaged or destroyed portions of the Property; (b) to redeem Series 2025A Bonds; and/or (c) if the annual fair rental value of the Property is at least equal to 100% of the Base Rental Payments, to any other lawful purpose, including Base Rental Payments. See the captions "THE SERIES 2025A BONDS – Redemption – Extraordinary Redemption from Condemnation Award or Insurance Proceeds," "RISK FACTORS – Abatement" and Appendix B.

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. *Base Rental Payments may not be accelerated upon a default under the Lease Agreement*. See the caption "BOND OWNERS' RISKS – No Acceleration Upon Default."

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

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see Appendix B.

No Reserve Fund

No debt service reserve fund or account will be established by the Authority or the City in connection with the issuance of the Series 2025A Bonds.

Insurance

The Lease Agreement requires:

(1) The City to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies must provide coverage 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 a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such commercial general 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 or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease Agreement. The Net Insurance Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid;

(2) The City to maintain or cause to be maintained, throughout the term of the Lease Agreement, a workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations to carry workers' compensation insurance may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement.

(3) The City to maintain or cause to be maintained, throughout the term of the Lease Agreement, a fire, lightning and special extended coverage insurance (which shall include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All insurance required to be maintained pursuant to this subsection may be subject to a deductible in an amount not to exceed $500,000. The City's obligations under this subsection may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement.

(4) The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments under the Lease Agreement resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to clause (3) above in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City's obligation to carry rental interruption insurance may be satisfied by self-insurance, provided such self-insurance complies with the provisions described under "--Self Insurance" below.

The insurance required to be maintained by the Lease Agreement must be provided by reputable insurance companies with claims-paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes hereof.

The City will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, the form of which policy or policies shall be acceptable to the [2025 Insurer], in the aggregate amount of not less than the aggregate principal amount of the Bonds. Such policy or policies will insure: (a) the fee interest of the City in the Property; (b) the Authority's ground leasehold estate in the Property under the Ground Lease; and (c) the City's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each

policy of title insurance obtained pursuant to the Indenture or Lease Agreement or required thereby must provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

Self Insurance

Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance is deemed by the Lease Agreement to be self-insurance and may be utilized by the City to satisfy the requirements set forth above without the consent of the 2025 Insurer. The City must obtain the prior written consent of the 2025 Insurer to utilize other self-insurance to satisfy the requirements described above. Any self-insurance maintained by the City pursuant to this Article shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the City's Risk Manager, a professionally certified risk manager, or an independent insurance consultant;

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the City's Risk Management Department, a professionally certified risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the City's Risk Management Department, a professionally certified risk manager or an independent insurance consultant, as applicable; and

(c) in the event that the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by a professionally certified risk manager or by an independent insurance consultant, shall be maintained.

THE CITY

General

The City encompasses approximately 42.2 square mile and has an estimated population of 219,172 as of January 1, 2025. It is located 50 miles east of Los Angeles and is approximately 10 miles west of the cities of Riverside and San Bernardino. Founded in 1913, Fontana is the second largest city in San Bernardino County, and the 20th largest in the State. The Riverside-San Bernardino area is often referred to as Southern California's "Inland Empire." As one of the cities in the Inland Empire, Fontana is part of a region whose population base exceeds 4.6 million people.

The City was first developed as an organized rural community through the vision of Mr. A. B. Miller. Although self-sufficient, the farming community was abruptly reshaped to accommodate the industrial revolution in 1942 with the transformation of Mr. Miller's farm into a steel mill by Henry J. Kaiser. The area became Southern California's leading producer of steel and steel-related products. The steel industry dominated the City's economy until 1984 when the steel mill closed. Today, Fontana has emerged as an affordable suburb, attracting both residents and businesses.

Residential development continues to play a significant role in the City's growth. According to a July 2025 Ryness Report, there were ten new home residential communities actively selling within the City. With the ever-increasing demand for housing and ongoing addition of new residential units in the City, [Southern California Association of Governments projected] that the City's population will exceed 280,900 by the year 2040.

The City is a major transportation hub with convenient access to Interstates 10, 15 and the 210 freeway. Rail service available from Union Pacific Railroad and MetroLink to the greater Los Angeles area runs through the center of town. [The City is approximately] 10 minutes away from Ontario International Airport.

The City is also home to the Kaiser Permanente Medical Center, one of the largest hospitals in the Inland Empire, providing comprehensive inpatient and outpatient services and continuing to expand to meet regional demand.

City Government and Administration

The City was incorporated as a general law city in 1952 and is governed by a Mayor and four council members elected at large to serve four-year terms. The City operates under a Council-Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City.

The City provides police protection, street sweeping, park maintenance, building inspection, library, sewer, storm drain and sanitation services. The City contracts with the County for fire protection services. Numerous hospitals and health care facilities are located in or near the City. The current City Council members and their respective term expiration dates are as follows:

Name and Office	Term Expires
Acquanetta Warren, Mayor	November, 2026
Peter Garcia, Mayor Pro Tem	November, 2028
John Roberts, Council Member	November, 2026
Jesus “Jesse” Sandoval, Council Member	November, 2028
Phillip Cothran, Council Member	November, 2026

The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Clerk, and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Recent Developments affecting City General Fund

In recent years, the City has attracted a variety of new development. In 2024, over 500 single family housing units and over 900 multi-family housing units were entitled. Residential development is primarily occurring in the northern portion of the City with the adoption of the Arboretum Specific Plan, which allows for the development of up to 3,532 residential units. The master planned community in this area is called the Arboretum, and its first residential community called the Meadows has been developed with 585 residential units. The second residential community called the Gardens is planned for 585 residential units and is under development. The City is also proceeding with the development of a downtown entertainment district called the Forge District, which is supported by the State of California's SB2 Grant to increase housing and create a walkable community with retail, services, and entertainment for residents and visitors.

In January 2025, ZM Trucks, a manufacturer of zero-emission commercial trucks, leased a 210,000 square foot facility in Fontana to support the production of a diverse portfolio of zero-emission products including electric commercial trucks, terminal tractors, and airport ground service equipment. This will be ZM Trucks’ first North American manufacturing plant.

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (“**GAAP**”) and the standards established by the Governmental Accounting Standards Board (“**GASB**”). Combined financial statements of the City and its component units are produced following the close of each fiscal year of the City ended June 30 (each, a “**Fiscal Year**”).

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with GAAP, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council. The accounts of the City are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set

of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The budget is adopted in accordance with GAAP. Revenues are recognized on the accrual basis (i.e., when they are earned). Expenditures are recorded when the related fund liability is incurred. See "APPENDIX C – Comprehensive Annual Financial Report of the City for the Fiscal Year Ended June 30, 2024 – Note (1)" for a description of the significant accounting policies of the City. See the caption "– City Financial Statements" for a discussion of the City's audited financial statements for Fiscal Year 2023-24.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund because there are legal restrictions on their use. It is expected that debt service on the Series 2025A Bonds will be paid from amounts in the General Fund. Information on the remaining governmental funds of the City as of June 30, 2024, is set forth in Appendix B.

Reserve Policy

General Fund Reserves. The City maintains a reserve policy (the "**Reserve Policy**"). Under the Reserve Policy, it is the responsibility of the City Council to maintain a sufficient level of reserve funds to provide for the orderly provision of services to the citizens of the City. The City Council has the authority to decide the circumstances under which the reserves can be used. The City Manager and the Chief Financial Officer may, from time to time, make recommendations as to the level of reserve funds necessary for prudent fiscal management. Reserve levels are reviewed annually during the budget process as well as quarterly if any budget adjustments are requested to ensure that they are consistent with the conditions faced by the City.

Under the Reserve Policy, the City maintains the following three categories of General Fund reserves as part of the General Fund:

Contingency Reserve. In February 2025, the City Council adopted revisions to the Reserve Policy which included an increase in the minimum contingency reserve from 25% to 40% of the appropriated operating expenditures (excluding transfers out) adopted at the beginning of the fiscal year, which would be sufficient to finance operations for a period of over four and a half months (the "**Contingency Reserve**"). The primary purpose of this reserve is to protect the City's ability to provide ongoing services to its citizens in the case of an unanticipated event. The balance in the Contingency Reserve was approximately $33.09 million as of June 30, 2024, or 25% of operating expenditures adopted at the beginning of Fiscal Year 2023-24. The City estimates that the balance in the Contingency Reserve was approximately $43.7 million as of June 30, 2025, or 32% of operating expenditures adopted at the beginning of Fiscal Year 2024-25. With the increase in the contingency reserve to 40%, the minimum threshold for 2025-26 increased by $23.0 million from $38.4 million to $61.4 million. Per the Reserve Policy, at the end of each fiscal year, the year-end operating surplus shall be contributed to the contingency reserve fund balance until the minimum threshold is met. It is the goal of the City to meet the minimum threshold within the next five years.

Operating Contingencies Reserve. The City will maintain an operating reserve to provide one-time funding for unexpected or unprogrammed operational needs that may

be used if authorized by a majority vote of the City Council. The balance in the operating reserve was $3.0 million as of June 30, 2024 and the City estimates that the balance in the Operating Reserve was $3.0 million as of June 30, 2025.

CalPERS Rate Stability Reserve. The City has established a Retirement Section 115 Trust with the purpose of stabilizing future pension costs through the prefunding of future liabilities. The balance in the CalPERS Rate Stability Reserve was approximately $12.2 million as of June 30, 2024. The City estimates that the balance in the CalPERS Rate Stability Reserve was approximately $13.6 million as of June 30, 2025.

In addition to the reserves listed above, the City also maintains an Other Post Employment Benefits (OPEB) reserves in a Section 115 Trust to offset the future costs. As of June 30, 2025, the estimated balance was $29.2 million.

In addition to the three reserves the City maintains, the Reserve Policy also addresses new ongoing revenue allocations and unassigned fund balance.

New Ongoing Revenue. The City's updated Reserve Policy calls for New Ongoing Revenue to be allocated 50/50 to infrastructure and general government services. "New Ongoing Revenue" is defined as a new general tax, an increase in the rate of an existing tax, a new lease of City property, or a new, clearly identifiable unrestricted revenue source not previously included in the City's budget at the time of adoption of the City's updated Reserve Policy on February 25, 2025], which generates at least $100,000 per year in revenue and which is expected to continue for at least a period of 20 years. Revenues attributable to Measure T will be subject to this allocation policy.

Unassigned Fund Balance. Unassigned fund balance results from when fund balance exceeds the combined total of non-spendable, restricted, committed and assigned fund balances and all reserves have been fully funded. As the City is committed to prudent fiscal practices, upon final close of the fiscal year, any unassigned fund balance, less any encumbrances and budget being carried forward to the next fiscal year, shall be appropriated 50/50 between the prefunding of the City's pension unfunded liability and road improvements.

Other General Funds. The City maintains certain funds that the City generally refers to as "Other General Funds." Similar to reserves, Other General Funds have been established by the City to set aside financial resources for specific purposes and are funded by transfers from the General Fund based on need, including for facility maintenance, self-insurance, and City technology. Other General Funds are not maintained within the City's General Fund. However, Other General Funds are consolidated with the City's General Fund for financial reporting purposes.

The following table shows the balances of the General Fund reserves and Other General Funds as of June 30 of the years 2021 through 2024 based on the City's audited financial statements, and the estimated balances of such reserves and funds as of June 30, 2025.

CITY OF FONTANA
GENERAL FUND AND OTHER GENERAL FUNDS RESERVES

	Fiscal Year Ended June 30				
	2021	2022	2023	2024	2025*
General Fund Reserves					
Contingency Reserve [1]	$15,884,000	$16,505,000	$22,941,910	$33,087,836	$43,650,473
Economic Uncertainty Reserve [1]	8,514,643	9,469,586	-	-	-
CalPERS Rate Stability Reserve [2]	5,869,393	10,886,393	10,694,317	12,204,822	13,644,923
Operating Contingencies	-	-	-	3,000,000	3,000,000
Future Projects and Reserves	-	-	-	750,000	-
Animal Shelter JPA	-	-	-	800,000	582,570
Total General Fund Reserves	$30,268,036	$36,860,979	$33,636,227	$49,842,658	$60,877,966
Other General Funds [3]					
City Technology	$4,150,041	$775,360	$4,266,840	$3,508,359	$3,459,248
Facility Maintenance	834,832	222,747	185,028	11,177	977,681
Office of Emergency Services	1,099,864	1,062,474	1,481,986	1,291,877	1,290,307
Government Access/KFON	1,375,818	1,646,164	1,703,897	1,832,888	1,902,471
Self Insurance	8,189,755	9,626,636	8,219,502	3,872,719	21,510,555
Retiree Medical Benefits	25,572,792	23,549,549	2,042,332	2,395,853	2,654,762
Supplemental Retirement Plan	1,617	1,615	(302)	32,517	38,483
General Fund Operating Projects	494,558	477,535	1,101,781	1,292,256	545,580
Lease-Fire	0	0	2,406,545	15,898	3
Storm Water Compliance	265,860	457,269	564,680	578,674	469,509
Total Other General Funds	$41,985,137	$37,819,349	$21,972,289	$14,832,218	$32,848,599
Total General Fund Reserves and Other General Funds	**$72,253,173**	**$74,680,328**	**$55,878,516**	**$64,674,876**	**$93,726,565**

(1) Maintained as part of unassigned fund balance of the General Fund.
(2) Maintained as part of the committed fund balance of the General Fund.
(3) Other General Funds are not maintained within the General Fund.
Source: City of Fontana.
* Estimated; subject to change.

Budget Procedure, Current Budget and Historical Budget Information

General. The annual budget serves as the foundation for the City's financial planning and is an important policy document serving as the annual financial plan that identifies the spending priorities for the organization. The budget is prepared according to fund, function (e.g., public safety), and department (e.g., police). The City operates under a two-year budget process. As such, the City Council adopts a budget biennially which begins in the first fiscal year and covers a two-year period beginning on July 1 and running through June 30 for two years. Beginning July 1, the budget process approves operating appropriations at the department and fund level and allows the City to make resource allocation decisions as well as determining which program priorities will be addressed in the coming Fiscal Year. Although the City Council deliberates the proposed budget in June, the budget process occurs throughout the year, as described below.

Budget Timeline. In preparing the two-year budget, several key meetings are held and documents produced that significantly affect its development. The following is a description of each of these along with a calendar of key dates in the preparation process.

The Finance Department is responsible for preparing the budget documents. The process begins in January with the budget "kick-off" meeting and citywide departmental training on yearend estimates, revenue and expenditure budgeting, and fund balance analysis, followed by the opening of the on-line budget system to departments.

In February of each year, the City Council is provided with a detailed update and review of the City's financial condition at the mid-point of the fiscal year along with year-end fund balance projections.

Departments enter revenue projections by January 31 of each year directly into the budget system. Departments enter expenditure requests by March 31 of each year, with the exception of personnel, directly into the budget system. The Finance Department calculates and provides to each department personnel costs and General Fund operating target numbers. Departments identify which Budget Units should be charged for the personnel costs by position number. Departments are required to enter operating expenditures equal to or less than their target numbers. Requests for new funding are entered into the budget system with specific documentation provided to Finance.

Before requests are submitted to the City Manager, the Finance Department reviews and analyzes all supporting documentation. Then, in April of each year, the City Manager and Finance staff hold meetings with each department and/or organization to discuss the budget requests and obtain additional information if necessary. Following these meetings, line item requests are adjusted in accordance with the City Manager's funding decisions. The Proposed Budget is then presented to the City Council for consideration and approval. Changes made by the City Council during the budget deliberation process will be incorporated into the adopted budget.

On or before June 30, the City Council votes to adopt the budget, including any amendments to the proposed budget that may occur, by an affirmative vote of the majority of the City Council. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by a majority vote of the City Council.

Upon final adoption, the budget becomes the legal authorization for the various departments to expend appropriations, subject to any controls established by the City Manager, City Council and internal audit requirements. The budget is also published and distributed to interested parties.

Once the budget is adopted by the City Council, the responsibility of implementing each departmental budget lies with each department head, with ultimate responsibility resting with the City Manager. Department directors are expected to operate their departments within the appropriations established in the budget. In certain cases, however, amendment requests are considered where unforeseen events have occurred. In such cases, the department head and Chief Financial Officer may approve transfers within the same fund, division and expenditure category. Transfers moving funds from one division or department to another or one category to another within the same fund requires the approval of the department head, Chief Financial Officer, and City Manager. To amend or supplement the budget by the transfer of all or any part of unused and unencumbered balances appropriated for one purpose to another purpose, to appropriate available funds not included in the budget, or to cancel in whole or in part any appropriation not expended or encumbered or to move funds from one fund to another fund requires an affirmative vote of the City Council.

To ensure the highest levels of fiscal oversight by fostering transparency, accountability, and proactive budget management across all departments, citywide departmental budget meetings are held monthly. Additionally, monthly budget status reports are developed internally and quarterly budget status reports are developed and presented to the City Council to assist City departments in communicating their financial operations throughout the fiscal year including any program changes and significant impacts to their annual budgets, as well as gauging the City's budget plan as compared to actual revenue and expenditures. This information provides the City Council with the most current information on the financial activities of the City upon which to base decisions.

Budget Policy. Budgetary control is set at the department level by fund to ensure compliance with the budget as approved by the City Council. The City's budget policy requires the following:

- All appropriations lapse at fiscal year end. Outstanding encumbrance balances at fiscal year end require re-approval by the City Council, typically as part of the First Quarter Budget Review.
- City Council approval for all new appropriations and increases to estimated revenues.
- City Council approval for budgetary changes between funds.
- City Council approval for any changes to staffing levels.
- City Manager approval for project changes within the same fund.
- Departments may transfer budget between divisions in the same department and fund.
- Budget Reviews to be prepared on a quarterly basis and submitted to City Council for approval.

Adopted Budget for Fiscal Years 2023-25. The City Council adopted the City's operating budget for Fiscal Years 2023-24 and 2024-25 (the "**2023-25 Adopted Budget**") on June 13, 2023. The 2023-25 Adopted Budget is fiscally balanced and continues to support the City's core services, maintenance, facilities and infrastructure in line with the priorities of the City Council. In the 2023-25 Adopted Budget, General Fund revenues for Fiscal Year 2024-25 are projected to increase by approximately $3.2 million, or 2.2%, when compared to estimated General Fund revenues for Fiscal Year 2023-24. This $3.2 million increase is due primarily to increases when compared to estimated General Fund revenues for Fiscal Year 2023-24 in sales tax revenues of approximately $1.2 million, property tax revenues of approximately $1.2 million and recreation revenues of approximately $0.1 million.

With respect to expenditures, in the 2023-25 Adopted Budget, total General Fund expenditures are projected to decrease approximately $1.0 million, or 0.8% when compared to estimated General Fund expenditures for Fiscal Year 2023-24.

Adopted Budget for Fiscal Years 2025-27. The City Council adopted the City's operating budget for Fiscal Years 2025-26 and 2026-27 (the "**2025-27 Adopted Budget**") on June 10, 2025.

The 2025-27 Adopted Budget is fiscally balanced and continues to support the City's core services, maintenance, facilities and infrastructure in line with the priorities of the City Council. In the 2025-27 Adopted Budget, General Fund revenues for Fiscal Year 2025-26 are projected to increase by approximately $28.9 million, or 16.9%, when compared to estimated General Fund revenues for Fiscal Year 2024-25. This $28.9 million increase is due primarily to the impact of the passage of Measure T, effective as of April 1, 2025, with a projected increase in transactional use tax revenue of $42.7 million, along with increases when compared to estimated General Fund revenues for Fiscal Year 2024-25 in property tax revenues of approximately $3.4 million and revenues from other agencies of approximately $2.6 million.

With respect to expenditures, in the 2025-27 Adopted Budget, total General Fund expenditures are projected to increase approximately $22.5 million, or 13.6% when compared to estimated General Fund expenditures for Fiscal Year 2024-25.

Comparison of Budget to Actual Performance. The following table shows (i) the City's final budget and actual results for General Fund revenues and expenditures for the two most recently completed Fiscal Years, (ii) the City's final budget for such Fiscal Years, Fiscal Year 2024-25 and Fiscal Year 2025-26, and (iii) estimated results for General Fund revenues and expenditures for Fiscal Year 2024-25. During the course of each Fiscal Year, the budget may be amended and revised as necessary by the City Council; budgeted amounts shown reflect such amendments and revisions in certain Fiscal Years.

Table 1
CITY OF FONTANA
General Fund Budget Summary
Fiscal Years 2022-23 through 2025-26

	Final Budget 2022-23	Audited 2022-23	Final Budget 2023-24	Audited 2023-24	Final Budget 2024-25	Estimated Actuals 2024-25[1]	Adopted Budget 2025-26
Revenues:							
Taxes[2]	$105,986,750	$116,384,679	$119,877,473	$121,079,308	134,739,326	131,559,463	$166,856,560
Licenses and permits	8,390,123	7,872,926	5,544,930	5,799,129	6,207,550	5,311,407	5,400,640
Intergovernmental	1,531,915	1,283,694	870,200	1,042,245	927,260	1,085,274	1,015,400
Charges for services	16,657,367	16,174,908	19,147,259	18,353,240	21,122,661	19,039,955	19,589,090
Fines and forfeitures	503,200	703,886	627,510	702,670	558,110	738,208	640,600
Investment earnings	3,418,880	4,381,331	2,907,850	6,544,409	3,776,145	5,069,935	2,959,670
Other revenue[3]	5,137,669	4,737,365	3,939,282	4,280,869	4,738,854	8,078,121	3,277 020
Total Revenues	$141,625,904	$151,538,789	$152,914,504	$157,801,870	$172,069,906	170,882,363	$199,738,980
Expenditures:							
Current:							
General government:							
City Council and Commissions	$1,443,936	$1,339,208	$1,254,490	$1,217,194	2,027,335	1,680,264	$1,561,790
City Administration	4,418,402	3,936,406	6,539,237	5,226,815	3,511,738	3,248,441	4,646,200
Finance	4,497,719	3,804,859	5,833,427	5,270,108	6,417,923	4,903,352	6,197,800
Information Technology	13,202,856	9,114,829	15,868,884	13,601,739	16,142,099	12,396,911	14,073,640
Human Resources	13,051,521	11,485,046	26,007,610	24,219,245	17,420,286	16,148,000	15,640,620
Public safety:							
Police	75,917,229	72,166,973	80,292,104	74,862,832	83,257,026	81,167,935	87,733,460
Public works[4]	15,696,216	14,972,455	24,197,718	-	-	-	-
Engineering[4]	5,299,304	4,319,998	-	-	-	-	-
Public Works & Engineering[4]	-	-	-	22,543,555	26,930,071	24,658,562	26,734,860
Community Development	8,434,836	7,676,951	12,018,096	9,640,724	13,269,432	10,374,411	15,873,660
Community services	15,043,195	12,845,952	15,127,000	13,703,338	15,351,267	14,176,914	15,876,460
Debt service:							
Principal	163,994	58,822	77,418	979,425	102,066	98,583	69,740
Interest	200	1,567	-	19,958	19	(308)	-
Total Expenditures	$157,169,408	$141,723,066	$187,215,984	$171,143,830	184,429,263	168,653,065	188,338,490
Revenues over (under expenditures)	(15,543,504)	9,815,723	(34,301,480)	(13,341,960)	(12,359,357)	2,029,295	11,400,490
Other Financing Sources (uses)							
Transfers in	$34,623,944	$18,272,319	$50,380,267	$22,819,661	35,430,600	34,430,601	27,402,950
Transfers out	(29,625,330)	(13,380,541)	(51,424,867)	(25,319,815)	(24,500,406)	(24,500,406)	(29,412,860)
Leases issued (as lessee)	-	-	-	161,022	-	-	-
Other financing sources - SBITA	-	-	-	2,459,222	-	-	-
Sale of capital assets	1,500	45,946	-	9,513	-	4,574	-
Total other sources (uses)	$5,000,114	$4,937,724	$(1,044,600)	$129,603	10,930,194	9,934,769	$2,009,910
Net Change in Fund Balance	(10,543,390)	14,753,447	(35,346,080)	(13,212,357)	(1,429,163)	12,164,064	9,390,580

Fund Balance-beginning of year	102,507,937	102,507,937	117,261,384	117,261,384	104,049,027	104,049,027	116,213,091
Fund Balance-end of year	$91,964,547	$117,261,384	$81,915,304	$104,049,027	$102,620,507	116,213,091	$103,844,231

(1) Estimated; subject to change.
(2) Fiscal Year 2025-26 Adopted Budget includes the first fiscal year of the City's new transaction use tax revenue, otherwise referred to Measure T, that was voted in by voters in November 2024 and effective April 1, 2025.
(3) Includes code enforcement fines, animal licenses, passport fees and other miscellaneous revenues. Fiscal Year 2024-25 Estimated Actuals reflect a one-time increase due to a settlement reimbursement received.
(4) Beginning in Fiscal Year 2023-24, Engineering and Public Works were combined into the Public Works & Engineering Department due to a reorganization.
Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Years 2022-23 and 2023-24; City of Fontana Adopted Budgets for Fiscal Years 2022-23, 2023-24, 2024-25 and 2025-26; and City of Fontana for estimated actuals for Fiscal Year 2024-25.

City Financial Statements

A copy of the most recent audited financial statements of the City (the "**Financial Statements**") for the Fiscal Year ended June 30, 2024, prepared by Eide Bailly LLP, (the "**Auditor**"), is included as Appendix C to this Official Statement. The Auditor's letter dated March 31, 2025 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City's audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of each Fiscal Year.

The City's accounting and budgeting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and the expenditures being recorded when the services or goods are received or the liabilities incurred, in each case regardless of the timing of related cash flows. As examples, property taxes, franchise fees, investment income and charges for services are considered to be susceptible to accruals and recognized as revenues in the year for which they are levied. For these purposes, the City considers revenues as available if they are collected within 60 days of the end of the current fiscal period Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The following table shows the City's audited General Fund balance sheets for Fiscal Years 2019-20 through 2023-24 and unaudited balance sheets for Fiscal Year 2024-25.

Table 2
CITY OF FONTANA
General Fund Balance Sheets
Fiscal Years 2020-21 through 2024-25

	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Estimated Actuals 2024-25[1]
Assets:					
Cash and investments	$86,853,608	$56,667,510	$58,277,222	$46,225,376	$53,963,930
Receivables:					
Accounts	3,121,607	3,610,035	3,861,306	4,694,548	3,670,730
Interest	73,969	177,025	428,870	434,814	584,234
Due from custodial funds	161,888	-	-	-	-
Loans to Successor Agency	26,208,993	24,978,218	23,599,749	22,555,864	21,076,713
Allowance for doubtful accounts	(205,532)	(207,433)	(207,573)	-	-
Leases	-	10,876,556	10,220,102	9,264,282	8,523,139
Due from other funds	5,332,412	10,688,518	24,075,880	25,526,416	30,576,796
Due from other governments	9,655,979	10,595,299	11,503,386	9,982,515	8,352,473
Inventories	253,533	375,878	407,053	512,764	656,337
Deposits	69,025	7,877	100,384	44,090	57,745
Restricted assets:	-	-	-	-	-
Cash with fiscal agent	376,900	31,698,881	11,071,217	12,712,521	14,539,424
Total Assets	$131,902,382	$149,468,364	$143,337,596	$131,953,190	$142,001,52
Liabilities, Deferred Inflow of Resources and Fund Balance					
Liabilities:					
Accounts payable	$6,122,349	$7,399,606	$7,804,236	$8,885,217	$7,953,530
Deposits payable	4,425,394	5,090,294	5,923,999	7,219,058	7,405,210
Retentions payable	-	-	-	52,587	11,034.53
Due to other funds	672,192	1,177	-	-	-
Due to other governments	967	967	-	-	-
Unearned revenue	2,018,966	-	150,200	111,831	10,000
Total Liabilities	$13,239,868	$12,492,044	$13,878,435	$16,268,693	$15,379,775
Deferred Inflows of Resources					
Unavailable Revenue	$1,606,602	$2,323,515	$2,494,088	$2,936,954	$2,497,810
Leases	-	10,591,369	9,703,689	8,698,516	7,910,845
Total Deferred Inflows of Resources	$1,606,602	$12,914,884	$12,197,777	$11,635,470	10,408,655
Fund Balances					
Nonspendable	$322,558	$383,755	$24,107,186	$23,112,718	$21,790,795
Restricted	1,510,351	1,510,351	12,398,214	1,832,888	1,902,471
Committed	6,038,085	10,886,393	32,411,496	47,182,993	57,387,510
Assigned	33,944,406	33,944,406	3,143,811	6,428,514	13,644,923
Unassigned	75,240,512	77,336,531	45,200,677	25,491,914	21,487,392
Total Fund Balances	$117,055,912	$124,061,436	$117,261,384	$104,049,027	$116,213,09
Total Liabilities, Deferred Inflow of	$131,902,382	$149,468,364	$143,337,596	$131,953,190	$142,001,52

(1) Estimated; subject to change.
Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2020-21 through 2023-24.

The following table shows the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2020-21 through 2023-24 and estimated statements of revenues, expenditures and changes in fund balance for Fiscal Year 2024-25.

Table 3
CITY OF FONTANA
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2020-21 through 2024-25

	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Estimated Actuals 2024-25[1]
Revenues:					
Taxes[2]	$98,300,476	$108,183,439	$116,384,679	$121,079,308	$131,559,463
Licenses and permits	7,983,843	7,218,687	7,872,926	5,799,129	5,311,407
Intergovernmental	12,658,140	2,780,614	1,283,694	1,042,245	1,085,274
Charges for services	11,750,773	15,407,066	16,174,908	18,353,240	19,039,955
Fines and forfeitures	625,043	696,245	703,886	702,670	738,208
Investment earnings (Loss)	3,821,817	(1,966,368)	4,381,331	6,544,409	5,069,935
Contribution from other governments	-	400,300	-	-	-
Other revenue[3]	6,485,232	3,132,185	4,737,365	4,280,869	8,078,121
Total Revenues	$141,625,324	$135,852,168	$151,538,789	$157,801,870	$170,882,363
Expenditures:					
Current:					
General Government:					
City Council and Commissions	$347,084	$1,194,130	$1,339,208	$1,217,194	$1,680,264
City Administration	6,194,147	5,628,870	3,936,406	5,226,815	3,248,441
Finance	11,254,438	3,373,760	3,804,859	5,270,108	4,903,352
Information Technology	7,954,151	8,691,404	9,114,829	13,601,739	12,396,911
Human Resources[4]	11,033,395	9,160,752	11,485,046	24,219,245	16,148,000
Public safety:					
Police	64,954,148	70,200,864	72,166,973	74,862,832	81,167,935
Public works[5]	12,467,593	14,807,433	14,972,455		-
Engineering[5]	3,611,950	3,925,533	4,319,998	-	-
Public Works & Engineering[5]	-	-	-	22,402,452	24,658,562
Community Development	4,494,154	6,997,587	7,676,951	9,640,724	10,374,411
Community Services	7,742,424	11,414,027	12,845,952	13,703,338	14,176,914
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	-	2,474	58,822	979,425	98,583
Interest	-	192	1,567	19,958	(308)
Total Expenditures	$130,053,484	$135,397,026	$141,723,066	$171,143,830	$168,653,065
Other Financing Sources (uses)					
Transfers In[6]	$14,694,059	$15,945,288	$18,272,319	$22,819,661	$34,430,601
Transfers out[6]	(7,839,502)	(9,555,877)	(13,380,541)	(25,319,815)	(24,500,406)

Leases	-	108,141	-	161,022	-
Other financing sources - SBITA	-	-	-	2,459,222	-
Sale of capital assets	153,669	52,830	45,946	9,513	4,574
Total other sources (uses)	$7,008,226	$6,550,382	$4,937,724	$129,603	$9,934,769
Net Change in Fund Balance	18,580,066	7,005,524	14,753,447	(13,212,357)	12,164,064
Fund Balance-beginning of year(7)	98,475,846	117,055,912	102,507,937	117,261,384	104,049,027
Fund Balance-end of year(7)	$117,055,912	$124,061,436	$117,261,384	$104,049,027	$116,213,091

(1) Estimated; subject to change.
(2) Fiscal Year 2024-25 Estimated Actuals include the City's new transaction use tax revenue, otherwise referred to Measure T, that was voted in by voters in November 2024 and effective April 1, 2025.
(3) Includes code enforcement fines, animal licenses, passport fees and other miscellaneous revenues. Fiscal Year 2024-25 Estimated Actuals reflect a one-time increase due to a settlement reimbursement received.
(4) Fiscal Year 2023-24 reflects a one-time increase in expenditure due to legal settlements.
(5) Beginning in Fiscal Year 2023-24, Engineering and Public Works were combined into the Public Works & Engineering Department due to a reorganization.
(6) The main categories of "Transfers in" are for cost allocation for central services, repayment to the General Fund for past-year advances and lease revenues from the Fire District. The main categories of "Transfers out" are capital improvements and minor amounts to community facilities districts.
(7) The difference in "Fund Balance-end of year" in Fiscal Year 2021-22 and Fiscal Year 2022-23 is due to a restatement of prior year's expenditures for contributions to the City's Section 115 trust.
Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2020-21 through 2023-24.

General Fund Major Revenues By Source

A summary of the primary General Fund revenues received by the City in the last five Fiscal Years, and budgeted General Fund revenues for Fiscal Year 2024-25, is set forth in the following table. Certain general fund taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIIC and Article XIIID."

Table 4
CITY OF FONTANA
General Fund Major Tax Revenues by Source
(000's)

Revenue Source	Audited FY 2020-21	Audited FY 2021-22	Audited FY 2022-23	Audited FY 2023-24	% of Total(1)	Estimated FY 2024-25(2)	Adopted Budget 2025-26
Sales Taxes	51,408,188	56,726,526	59,102,489	55,887,448	35.42%	54,154,214	54,914,670
Measure T(3)	N/A	N/A	N/A	N/A	N/A	10,300,000	42,740,750
Property Taxes	30,768,978	33,306,316	37,020,598	41,365,516	26.21%	44,826,907	46,948,270
Business license taxes	6,753,437	7,569,458	8,384,750	11,932,231	7.56%	10,425,570	10,150,820
Transient occupancy taxes	1,132,091	1,374,182	1,302,569	1,144,605	.73%	1,030,166	1,023,750
Franchise Taxes	8,237,783	9,206,958	10,574,272	10,749,509	6.81%	10,822,606	11,078,300
Charges for Services	11,750,773	15,407,066	16,174,908	18,353,240	11.63%	19,039,955	19,589,090
Investment earnings	3,821,817	(1,966,368)	4,381,331	6,544,409	4.15%	5,069,935	2,959,670
Other Revenue Sources(4)	27,752,258	14,228,031	14,597,871	11,824,913	7.49%	15,213,010	10,333,660
Total	141,625,324	135,852,168	151,538,789	157,801,870	100.00%	170,882,363	199,738,980

(1) Reflects percentage of total Fiscal Year 2023-24 General Fund revenues.
(2) Estimated; subject to change.

(3) City's new transaction use tax revenue, otherwise referred to Measure T, that was voted in by voters in November 2024 and effective April 1, 2025. Fiscal Year 2024-25 includes two months of the anticipated new revenue with 2025-26 being the first full year the revenue will be collected.
(4) "Other Revenues Sources" consist of license and permit fees, intergovernmental revenues, fines and forfeitures, contribution from other governments and other revenues. Fiscal Year 2024-25 Estimated Actuals reflect a one-time increase due to a settlement reimbursement received. See Table 1.
Source: City of Fontana.

Sales and Use Taxes

General. A sales tax, and effective April 1, 2025, a use tax ("Measure T") is imposed on retail sales or consumption of personal property. Voters approved Measure T in November 2024, and it became effective on April 1, 2025. Measure T is a 1% general tax, and there are no legal constraints on the use of revenues attributable to Measure T. Measure T will remain in place unless voters rescind it in a future election.

As shown in Table 4, sales and use tax revenues represented the largest source of tax revenues for the City's General Fund in each of Fiscal Years 2020-21 through 2023-24, comprising approximately 35.42% of the City's total General Fund revenues for Fiscal Year 2023-24. In Fiscal Year 2023-24, the City's sales tax revenues totaled approximately $55.9 million, a $3.2 million decrease of approximately 5.4% compared to sales tax revenues of approximately $59.1 in Fiscal Year 2022-23. The City estimates sales tax and Measure T revenues will total approximately $64.5 million in Fiscal Year 2024-25, which will include only two months of Measure T revenues due to its effective date.

Based on the 2025-27 Adopted Budget, the City's sales and use tax revenues are projected at $97.7 million for Fiscal Year 2025-26. This represents a substantial increase from revenues for Fiscal Year 2024-25, primarily due to the impact of Measure T.

The City's sales and use tax revenue represents the City's share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law, set forth in California Revenue and Taxation Code Section 7200 et seq. As of April 1, 2025, local sales tax rate in the City is 8.75%, of which the City is allocated 2%. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

Table 5
CITY OF FONTANA
Sales Tax Rates

	Rate
State	6.00%
County of San Bernardino	0.75
City Sales Tax	1.00
Measure T local tax	1.00
Total	**8.75%**

Source: California Department of Tax and Fee Administration.

The State's 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. Sales tax revenue collected by the State is directly deposited monthly to the City's General Fund. For a summary of historical taxable transactions in the City, see "– History of Taxable Transactions."

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the CDTFA's March 2018 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the CDTFA's website at http://www.cdtfa.ca.gov. *The reference to this Internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the "**Wayfair Decision**"), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have physical nexus in a state in order for the seller to be liable for the collection of that state's sales tax. Physical nexus is defined as having either property or payroll in the state, including a resident employee working from home or inventory stored in that state. The State of California has issued guidance in response to the Wayfair Decision. Under such guidance, beginning April 1, 2019, retailers located outside of the State are required to register with the California Department of Tax and Fee Administration (the "**CDTFA**"), collect the California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state. The new collection requirements apply to retailers if during the preceding or current calendar year certain sales thresholds are met. The new collection requirements apply to taxable sales of tangible personal property to California consumers on and after April 1, 2019, and are not retroactive. Additionally, the State's passage of Assembly Bill 147, signed by the Governor on April 25, 2019, provides the implementation rules for the Wayfair Decision in California. The City is unable to predict the impact that the Wayfair Decision will have on its sales tax revenues.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA, and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method. Using the prior year's quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire, or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances, and the current advance are provided with each quarterly clean-up payment.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2020 through 2024 is shown in the following table.

Table 6
CITY OF FONTANA
Taxable Sales by Category
(in thousands)

Business	2020	2021	2022	2023	2024
Motor Vehicle and Parts Dealers	$952,097	$1,144,571	$1,125,709	$1,166,201	$1,132,610
Home Furnishings and Appliance Stores	56,200	61,817	71,486	71,596	34,185
Building Material, Garden Equip & Supplies	300,895	314,009	298,306	222,194	225,216
Food and Beverage Stores	159,406	165,007	173,417	177,660	168,529
Gasoline Stations	293,760	474,023	633,123	562,464	517,572
Clothing and Clothing Accessories Stores	103,093	165,403	161,135	163,477	167,125
General Merchandise Stores	338,935	392,781	414,044	390,789	371,373
Food Services and Drinking Places	318,157	397,533	417,610	433,690	448,282
Other Retail Group	245,737	277,944	274,768	270,957	216,053
Total Retail and Food Services	2,768,279	3,393,088	3,569,600	3,459,027	3,280,945
All Other Outlets	868,856	981,271	1,235,018	1,224,063	1,178,342
Total All Outlets	$3,637,135	4,374,359	$4,804,618	$4,683,090	$4,459,287

Source: State Department of Tax and Fee Administration.

Property Taxes

General. As shown in Table 4, property tax revenues represented the second largest source of tax revenues for the City's General Fund in each of Fiscal Years 2020-21 through 2023-24, comprising approximately 26.21% of the City's total General Fund revenues for Fiscal Year 2023-24. The figures shown in Table 4 for property tax revenues include property tax that the City received in lieu of vehicle license tax (see "– Vehicle License Fees" below). The City's property tax revenues are estimated at approximately $44.8 million for Fiscal Year 2024-25. Based on the 2025-27 Adopted Budget, the City's property tax revenues are projected at $46.9 million for Fiscal Year 2025-26.

Property taxes have been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 35 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever was less. and property tax assessment appeals could depress property tax revenue growth over time.

Vehicle License Fees. The State imposes a Vehicle License Fee (the "**VLF**"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the State Budget for Fiscal Year 2004-05, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee. The State Budget for Fiscal Year 2004-05 permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and removed the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. 100% of the VLF revenues the City receives from the State can be used for City general purposes. See "– State Budget."

In Fiscal Year 2023-24, the City received VLF revenues and property tax revenues in lieu of VLF totaling approximately $31.2 million, representing approximately 18.3% percent of the City's General Fund revenues for Fiscal Year 2023-24. Based on the 2024-25 Adopted Budget, the City's VLF revenues are estimated at $34.2 million, representing approximately 20.0% of the City's total budgeted General Fund revenues for Fiscal Year 2024-25.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment 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 Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A" and "– Proposition 22." There can be no assurance that the State will not undertake future ERAF shifts.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation History. The following table shows the City's assessed valuation for Fiscal Years 2016-17 through 2025-26, which reflects a 112% increase in value since 2016-17.

Table 7
CITY OF FONTANA
Assessed Value of Taxable Property
Fiscal Years 2016-17 through 2025-26

Fiscal Year	Secured Property	Secured Utility	Unsecured Property	Total Taxable Assessed Value	% Change
2016-17	$16,070,268,385	$10,141	$748,882,833	$16,819,161,359	--
2017-18	16,955,778,326	0	765,457,641	17,721,235,967	5.09%
2018-19	18,862,239,266	10,141	804,180,873	19,666,430,280	10.98%
2019-20	20,266,174,605	0	893,910,903	21,160,085,508	7.59%
2020-21	21,549,068,307	0	954,475,194	22,503,543,501	6.35%
2021-22	23,070,587,354	0	955,113,724	24,025,701,078	6.76%

2022-23	26,048,285,962	0	970,981,590	27,019,267,552	12.46%
2023-24	29,019,307,925	0	1,153,500,322	30,172,808,247	11.67%
2024-25	31,737,468,027	0	1,329,297,356	33,066,765,383	9.59%
2025-26*	34,307,337,928	0	1,431,742,965	35,739,080,893	8.1%

*2025-26 values provided by the County Assessor
Source: California Municipal Statistics.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of the January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value." "Proposition 8 values" are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

***No Teeter Plan*.** The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the "**Teeter Plan**"), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code of the State. However, the City has elected not to participate in the County's Teeter Plan and the City is therefore exposed to the risk of delinquencies in the payment of property taxes. However, the City also receives penalties and interest when property taxes are paid late. Substantial delinquencies in the payment of property taxes in the City could have an adverse effect on the City's ability to make timely payments on the Series 2025A Bonds.

Property Tax Levies and Collections. The following table shows secured property tax levies and tax collections for Fiscal Years 2019-20 through 2024-25. The amounts shown are for City property taxes only.

Table 8
CITY OF FONTANA

Secured Property Tax Levies and Collections [1]

Fiscal Year	Total Tax Levy	Collected within Fiscal Year of Levy		Collections in Subsequent Years[2]	Tax Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2019-20	$155,079,893	$150,276,972	96.90%	N/A	$160,025,650	103.19%
2020-21	165,790,631	163,224,145	98.45%	N/A	172,050,509	103.78%
2021-22	177,815,170	154,626,525	86.96%	N/A	188,891,255	106.23%
2022-23	200,945,869	205,420,805	102.23%	N/A	215,154,745	107.07%
2023-24	225,258,107	230,646,962	102.39%	N/A	245,790,595	109.12 %
2024-25	[_]	[_]	[_]%	[_]	[_]	[_]%

(1) Includes property taxes collected in the former project areas of the City's former redevelopment agency. Also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies

(2) Data provided by the San Bernardino County Assessor's Office for collection of prior year taxes does not segregate the information by fiscal year. Therefore, the City is not able to provide this information in the above schedule.

Source: San Bernardino's Auditor-Controller's Office.

Major Property Taxpayers. The top ten property taxpayers, based on assessed values of taxable property in the City, as shown on the 2024-25 tax roll, are set forth in the following table.

Table 9
CITY OF FONTANA
Top Ten Taxpayers Based on Assessed Value
Fiscal Year 2024-25

Property Owner	Taxable Assessed Value	% of Total
1. Prologis Inc.	$817,934,606	2.58%
2. Rexford Industrial LP	641,700,969	2.02
3. GLC Fontana LLC	241,434,234	0.76
4. San Gabriel Valley Water Co	213,224,373	0.67
5. Lit Industrial LP	177,654,815	0.56
6. Fontana Foothills Commerce Center LP	167,292,848	0.53
7. I-15 Logistics LLC	148,598,730	0.47
8. Vintage Park East LLC	143,828,027	0.45
9. IDIL West Valley Logistics Center LLC	130,978,354	0.41
10. Fontana Fulfillment Center ILP LLC	129,540,000	0.41
TOTAL	$2,812,186,956	8.86

Source: San Bernardino County Assessor. California Municipal Statistics.

Redevelopment Dissolution Act. The State's Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area is formed. In effect, local taxing agencies, such as the City, realize tax revenues only in the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. Although Assembly Bill No. 26 ("**AB X1 26**"), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies, continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012, and as such statutory provisions have and may further be amended from time to time (as amended, the "**Dissolution Act**"). Pursuant to the Dissolution Act, the City's former redevelopment agency, the Fontana Redevelopment Agency (the "**Former Agency**") was dissolved and succeeded by the Successor Agency to the Fontana Redevelopment Agency (the "**Successor Agency**").

Under the Dissolution Act, taxing entities, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value on each June 1 and January 2, commencing June 1, 2012, after payment of (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former

redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

In 2014, in accordance with the Dissolution Act, the State Controller's Office reviewed all asset transfers made by the Former Agency to the City and any other public agency after January 1, 2011. Based on its review the State Controller's Office concluded that the Former Agency made unallowable transfers to the City totaling approximately $7.1 million. In response, the State Controller's Office issued an order directing the City to turn over such funds to the Successor Agency. As of the date hereof, no such funds have been turned over by the City to the Successor Agency.

The City believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Dissolution Act. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. In the event that this issue is resolved unfavorably to the City, the City does not believe it will materially adversely affect its ability to make Base Rental Payments under the Lease Agreement as scheduled.

Charges for Services

The City provides various services which generate revenue for the General Fund. Services provided by the City include building construction and planning fees, engineering encroachment inspections, police fees such as fingerprinting, police reports, and towing, ambulance services and the administration of local assessment districts, as well as recreation fees including class registrations, center rentals, sports, pool, field and court revenues. As shown in Table 4, charges for services represented the third largest source of tax revenues for the City's General Fund in each of Fiscal Years 2020-21 through 2023-24, comprising approximately 11.63% of the City's total General Fund revenues for Fiscal Year 2023-24. The City's charges for services are estimated to total $19.0 million for Fiscal Year 2024-25, an increase of approximately $686,715 (or less than 3.74%) when compared to Fiscal Year 2023-24. Based on the 2025-27 Adopted Budget, the City's charges for services revenues are projected at $19.6 million for Fiscal Year 2025-26.

Not included in the Fiscal Year 2025-26 Adopted Budget charges for services revenue figures are fee increases that were approved by the City Council on July 22, 2025, with an effective date of January 1, 2026. A summary of the fee increases by department are as follows:

Department	Average Fee Increase
Building & Safety	69%
Code Compliance	3%
Environmental	53%
Engineering	29%
Police	3%
Planning	11%

Franchise Taxes

The City levies a franchise fee on its cable television, trash collection, utility franchises, taxi cabs, and natural gas piping. As shown in Table 4, franchise taxes represented the sixth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2020-21 through 2023-24, comprising approximately 6.81% of the City's total General Fund revenues for Fiscal Year 2023-24. The City's franchise taxes are estimated to total $10.8 million for Fiscal Year 2024-25. Based on the 2025-27 Adopted Budget, the City's franchise taxes are projected to remain at $11.1 million for Fiscal Year 2025-26.

Business License Taxes

The City levies a business license tax based principally on gross receipts and on number of employees. The tax was not approved by majority vote of the electorate, although the current tax was approved prior to the passage of Proposition 62 and has not been increased. As shown in Table 4, business license taxes represented the fourth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2020-21 through 2023-24, comprising approximately 7.56% of the City's total General Fund revenues for Fiscal Year 2023-24. The City's business license taxes are estimated to total $10.4 million for Fiscal Year 2024-25.

Long-Term General Fund Obligations

In addition to the Series 2025A Bonds, the City makes scheduled periodic payments pursuant to certain other outstanding long term agreements. Below are descriptions of the City's outstanding long-term agreements, in connection with which General Fund appropriations are made annually. This excludes bonds payable by the City or its related entities from special revenues, such as special tax bonds and tax allocation bonds. For additional information, see the notes to the City's 2023-24 audited financial statements included in Appendix C.

2014 Bonds. In November 2014, the Authority issued its Lease Revenue Refunding Bonds, Series 2014A (the "**2014 Bonds**"), in the original principal amount of $37,675,000. The 2014 Bonds are outstanding in the aggregate principal amount of $24,375,000. A portion of the proceeds of the Series 2025A Bonds will be used to refinance all of the outstanding 2014 Bonds. See "FINANCING PLAN – Refinancing of 2014 Bonds."

2021 Bonds. In November 2021, the Authority issued its Lease Revenue Refunding Bonds, Series 2021A (the "**2021 Bonds**"), in the original principal amount of $23,125,000. The 2021 Bonds are outstanding in the aggregate principal amount of $21,655,000. The 2021 Bonds pay interest semi-annually at a rate of 4.000% and mature from November 2022 through November 2051.

SANBAG Loan. In 2020, the City entered in a project funding agreement (the "**SANBAG Agreement**") with the San Bernardino Associated Governments ("**SANBAG**") for the Interstate 15 Duncan Canyon Interchange Project. Under the SANBAG Agreement, SANBAG contributed $12 million of State Proposition 1B Corridor Mobility Improvement funds to the project. Under the SANBAG Agreement, the City agreed to reimburse SANBAG for approximately $4.1 million of such funding (the "**SANBAG Loan**"). The SANBAG Loan matures in 2030, bears 0% interest, and had an outstanding balance of $1,629,608 million as of June 30, 2025.

Overlapping Debt Statement

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated August 5, 2025. This Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy.

Table 10
CITY OF FONTANA
Direct and Overlapping Debt

City FY 2024-25 Assessed Valuation: $33,066,765,383

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/25
Metropolitan Water District	0.657%	$112,708
Chaffey Community College District	16.807	74,048,281
San Bernardino Community College District	3.669	36,807,216
Chaffey Joint Union High School District	7.072	44,210,270
Colton Joint Unified School District	16.409	31,820,042
Fontana Unified School District	77.827	297,664,803
Rialto Unified School District	8.00	9,895,616
Etiwanda School District	29.789	32,814,050
Colton Joint Unified School District Community Facilities District No. 3	100	4,740,000
Etiwanda School District Community Facilities District No. 4	100	-
Etiwanda School District Community Facilities District No. 7	30.10	1,476,405
Etiwanda School District Community Facilities District No. 8	21.998	632,443
Etiwanda School District Community Facilities District No. 9	29.069	1,603,155
Etiwanda School District Community Facilities District No. 2001-1	100	1,820,000
Etiwanda School District Community Facilities District No. 2004-1 I.A. No. 1 & 2	100	14,750,000
City of Fontana Community Facilities Districts	100	234,250,000
California Statewide Community Facilities District Assessment District No. 2020-3	100	790,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$787,434,989
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	9.678%	$9,752,037
San Bernardino County Flood Control District General Fund Obligations	9.678	3,609,410
Chaffey Community College District General Fund Obligations	16.807	3,658,884
Colton Joint Unified School District General Fund Obligations	16.409	892,306
Fontana Unified School District Certificates of Participation	77.827	10,518,319
Rialto Unified School District Certificates of Participation	8.000	3,897,555
Cucamonga School District Certificates of Participation	4.908	44,368
City of Fontana General Fund Obligations	**100**	**46,030,000**(1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$78,402,879
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	6.003 - 100%	$167,256,007
COMBINED TOTAL DEBT		$1,033,093,875(2)

Ratios to 2024-25 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.38%
Total Direct Debt ($46,030,000)	**0.14%**
Combined Total Debt	3.12%

Ratios to Redevelopment Successor Agency Incremental Valuation ($23,643,716,856):

Total Overlapping Tax Increment Debt	0.71%

(1) Excludes the Series 2025A Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Employee Retirement System

This section contains certain information relating to the California Public Employees' Retirement System ("**CalPERS**"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The Comprehensive Annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Description of Plans. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) (the "**Safety Plan**") and Miscellaneous (all other) Plans (the "**Miscellaneous Plan**" and together with the Safety Plan, the "**Plans**"), an agent multiple-employer defined benefit pension plan administered by CalPERS.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The provisions and benefits of each Plan that were in effect as of June 30, 2024, are summarized as follows:

Miscellaneous Plan

Hire Date	Prior to July 1, 2011	On or after July 1, 2011
Benefit formula	2.5% @ 55	2% @ 62
Final Average Compensation Period	Highest 1-year salary	Final 3-year average
Benefit vesting schedule	5 yrs credited service	5 yrs credited service
Benefit payments	Monthly	Monthly
Retirement age	55 and above	55 and above
Monthly benefit basis	Benefit factor, years of	Benefit factor, years of
Required employee contribution rates	8.00%	7.00%
To be paid by employee	3.00%	7.00%
To be paid by the city	5.00%	0%
Required employer contribution rates	10.21%	10.21%

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

Safety Plan

	Tier I	Tier II	Tier III
Hire Date	Prior to July 1, 2011	On or after July 1, 2011	After January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Final Average Compensation Period	Highest 1-year salary	Final 3-year average	Final 3-year average
Benefit vesting schedule	5 yrs credited service	5 yrs credited service	5 yrs credited service
Benefit payments	Monthly	Monthly	Monthly
Retirement age	50 and above	50 and above	50 and above
Monthly benefit basis	Benefit factor, years of	Benefit factor, years of	Benefit factor, years of
Required employee contribution rates	9.00%	9.00%	12.5%
To be paid by employee	0%	9.00%	12.5%
To be paid by the city	9.00%	0%	0%
Required employer contribution rates	21.51%	21.51%	21.51%

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

Employees Covered. As of the June 30, 2023 measurement date, the following employees were covered by the benefit terms of each Plan:

	Miscellaneous	**Safety**
Inactive employees or beneficiaries currently receiving benefits	557	208
Inactive employees entitled to but not yet receiving benefits	1013	73
Active employees	502	189
Total	2,072	470

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

California Public Employees' Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered "Classic" employees. California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation and retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation and retirement benefits for Classic safety employees are calculated as 3% of the average final 12 months compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit. PEPRA also capped pensionable income

as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

CalPERS Pension Compensation Limits for Calendar Year 2025 (Classic and PEPRA members)

	Classic	*PEPRA*
Maximum Pensionable Income	$350,000	$186,0961[(1)]

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is $155,081.
Source: CalPERS Payroll Circular Letter dated January 2, 2025.

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

Required Contributions. Section 20814(c) of the Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The City contribution rates may change if plan contracts are amended. Beginning in Fiscal Year 2017-18, CalPERS collects employer contributions for each plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the UAL. The dollar amounts are billed on an annual basis. The actuarially determined normal cost rates and UAL contribution amounts for each Plan for Fiscal Years 2023-24, 2024-25 and 2025-26 are as follows:

	Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26	
	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL
Miscellaneous Plan	10.21%	$5,915,042	9.91%	$7,023,903	9.62%	$7,455,333
Safety	20.212	7,560,381	19.78	9,161,493	19.40	10,112,558

Source: CalPERS Actuarial Reports dated June 2022 and June 2023.

The City's estimated total contribution amounts (including the required normal cost and UAL contributions) and as a percentage of estimated covered payroll for the Plans in Fiscal Years 2023-24, 2024-25 and 2025-26 are as follows:

	Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26	
	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll
Miscellaneous Plan	$9,194,356	28.63%	$10,393,288	230.57%	$11,240,548	28.57%
Safety	16,072,286	62.28	16,038,189	61.52	17,249,381	62.89

Source: CalPERS Actuarial Reports dated June 2022 and June 2023.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2025-26 and projected employer contributions (before cost sharing) for Fiscal Years 2026-27 through 2030-31 for each Plan by normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount). The projections assume a 6.80% annual rate of return for Fiscal Year 2023-24 and beyond but do not include any reductions in the normal cost that will occur over time as new employees are hired into PEPRA or other lower cost benefit tiers.

Miscellaneous Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)				
Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Normal Cost %	9.62%	9.5%	9.4%	9.3%	9.2%	9.1%
UAL Payment	$7,455,333	$7,613,000	$8,056,000	$8,998,000	$9,203,000	$9,377,000

Safety Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)				
Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Normal Cost %	20.68%	10.1%	19.7%	19.3%	18.7%	18.3%
UAL Payment	$11,577,571	$12,343,000	$12,974,000	$14,125,000	$14,447,000	$14,735,000

Source: CalPERS Actuarial Reports dated June 2023.

As previously described, the City maintains the CalPERS Rate Stability Reserve to smooth out fluctuations in contribution rates to the Plans. The City estimates that the balance in the CalPERS Rate Stability Reserve was approximately $13.6 million as of June 30, 2025. See "CITY FINANCIAL INFORMATION – Reserve Policy" for additional information regarding the CalPERS Rate Stability Reserve.

Funded Status. The following table sets forth the schedule of funding for the Plans for the actuarial valuations as of June 30 of the years 2020 through 2023.

Valuation Date Ended June 30	Accrued Liability	Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2020	$237,405,409	$170,257,751	$67,147,658	71.7%	$30,257,878
2021	256,320,214	208,934,061	47,386,153	81.5	29,565,008
2022	271,275,805	191,842,864	79,432,941	70.7	31,296,639
2023	288,385,182	202,649,655	85,735,527	70.3	36,218,969
Safety Plan					
2020	$308,930,382	$187,000,928	$121,929,454	60.5%	$22,720,292
2021	335,797,625	231,632,698	104,164,927	69.0	23,756,074
2022	353,791,485	215,433,365	138,358,120	60.9	23,996,101
2023	374,555,279	231,252,951	143,302,328	61.7	25,245,954

(1) Based on the market value of assets.
Source: CalPERS Actuarial Reports Dated June 2023.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2023 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2025-26. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

Net Pension Liability. The City's net pension liability for the Miscellaneous Plan and the Safety Plan totaled approximately $76,408,744 million and $134,002,270 million, respectively, measured as of June 30, 2023, using an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. For the year ended June 30, 2024, the City recognized pension expense of $13,975,274 for the Miscellaneous Plan and $21,061,913 for the Safety Plan.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability as of June 30, 2024 with respect to the Plans was 6.90%. The following tables present the City's proportionate share of the net pension liability for the Miscellaneous Plan and the Safety Plan, calculated using the discount rate for the Plans, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 100 basis points higher or 100 basis points lower than the current rate:

Miscellaneous Plan

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	$116,810,263	$76,408,744	$43,510,074

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

Safety Plan

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	$187,272,573	$134,002,270	$90,676,816

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

***Potential Impacts on Future Required Contributions*.** The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. The prescribed discount rate assumption, adopted by the CalPERS board on November 17, 2021, is 6.80% compounded annually (net of investment and administrative expenses) as of June 30, 2023. On April 16, 2024, the CalPERS board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a CalPERS board discussion would be placed on the calendar.

Investment Performance. CalPERS earnings reports for Fiscal Years 2013 through 2024 report investment gains of approximately 12.5%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3%, -6.1%, 5.8%, and 9.3% respectively. The CalPERS Fiscal Year 2023-24 investment gain of 9.3% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. CalPERS has preliminarily reported a 11.6% investment return for Fiscal Year 2024-25.

The CalPERS website contains the most recent actuarial valuation reports for the City's Miscellaneous Plan and Safety Plan and other information that concerns benefits and other matters. The Comprehensive Annual financial reports of CalPERS are also available on CalPERS' Internet website at www.calpers.ca.gov. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the City nor the Underwriter guarantee the accuracy of such information.

See "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 – Note (12)" for additional information regarding the Plans, including a description of the actuarial methods and assumptions used to measure the City's net pension liability as of the June 30, 2023 measurement date.

Other Post-Employment Benefits

Plan Description. The City provides post-retirement health care benefits (the "**OPEB Plan**") in accordance with City Council approval to all employees who retire from the City on or after reaching age 50 or over with at least five years of CalPERS-credited service. The post-retirement health care benefits are provided to eligible retirees by the City, as a single-employer plan. Additional requirements are set forth in the individual contracts for executive positions or in the Memorandum of Understanding ("**MOUs**") for the five bargaining units operating within the City. The amount the City provides on the behalf of retirees is dictated in the MOUs. As of June 30, 2023, there were 234 inactive employees or beneficiaries currently receiving benefits and 572 active employees.

Contributions. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2024, the City's cash contributions were $2,355,211 in the form of current premiums, which is funded through the General Fund, and the estimated implied subsidy was $678,629 resulting in total payments of $3,043,840.

As previously described, the City maintains the OPEB reserve to smooth out future fluctuations in associated costs. The City estimates that the balance in the OPEB Reserve was approximately $29.2 million as of June 30, 2025.

Total OPEB Liability. As of the June 30, 2023 measurement date, the City's total OPEB liability was approximately $43.5 million. The City's net OPEB liability was approximately $[_] million.

The following presents the OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	Discount Rate – 1% 5.80%	Current Discount Rate 6.80%	Discount Rate + 1% 7.80%
Net OPEB Liability	$13,005,703	$17,181,931	$22,063,778

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2024, the City recognized OPEB expense of $555,099. As of fiscal year ended June 30, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
OPEB contributions subsequent to measurement date	$3,524,890	$--
Changes of assumptions	7,529,782	20,685,607
Net difference between projected and actual earnings on OPEB plan investments	1,886,709	--
Differences between expected and actual experience	6,277,017	11,064,549
Total	$19,218,398	$31,750,156

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2024.

The $3,524,890 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025.

See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 – Note (11)” for additional information regarding the Healthcare Plan, including a description of the actuarial methods and assumptions used to measure the City’s net OPEB liability as of the June 30, 2024 measurement date.

Employee Relations

The City had 657 authorized positions at the beginning of Fiscal Year 2024-25. The City’s employees are represented by the following labor groups. In the previous five years, there have not been any work stoppages by City employees.

Table 11
CITY OF FONTANA
City Employee Labor Groups

Labor Group	Number of Budgeted Employees	Contract Expiration Date
Management Confidential	117	6/30/27
Police Management	34	6/30/24[(1)]
Police Officers	182	6/30/28
City Hall	167	6/30/27
City Yard	74	6/30/27
Police Benefit	88	6/30/27

(1) The City and the respective labor groups are currently engaged in discussions regarding new collective bargaining agreements.
Source: City of Fontana.

Capital Improvement Program

The City prepares a seven-year Capital Improvement Program ("**CIP**") as part of its biennial operating budget. The CIP is used as a planning tool and identifies the City's capital improvement needs. The 2025-27 Adopted Budget includes a CIP budget for Fiscal Years 2025-26 through 2031-32 (as so adopted, the "**2026-2032 CIP Budget**"). The 2026-32 CIP Budget is $1.29 billion and includes more than 165 projects. Of such total, the 2026-32 CIP Budget includes $22.7 million in capital projects for Fiscal Year 2025-26 and $20.4 million for Fiscal Year 2026-27. The greatest funding needs in the 2026-32 CIP Budget relate to street improvements, representing approximately 53% of the total funding needs. Nearly all such street improvement projects are slated as future projects.

The City has no plans to issue Additional Bonds or other General Fund supported debt to finance additional projects in the CIP. However, there is no guarantee that the City's plans will not change.

Risk Management

The City established risk management programs for workers' compensation in 1978-79 and for general liability in 1983-84, which are accounted for in the City's General Fund. The programs are supported by contributions from the other principal City funds and intra-fund transfers.

Effective with an excess coverage insurance policy on July 1, 1992, the workers' compensation program provides for self-insurance up to a maximum of $1,000,000 per incident. The claims which exceed the limit are insured up to a maximum per incident of $45,000,000. Under the City's excess insurance policy for general liability, all claims incurred after October 1, 1992, are self-insured up to a maximum of $1,000,000 per incident. The claims which exceed the limit are insured up to a maximum per incident of $25,000,000. The City is self-insured for general liability claims incurred prior to October 1, 1992. There have been no significant changes in insurance coverage in the last three years. The amount of settlements has not exceeded the amount of insurance coverage for each of the past three fiscal years.

As previously described, the City maintains reserves to offset future liability costs. The City estimates that the balance in the Self Insurance reserve was approximately $21.5 million as of June 30, 2025.

Investment Policies and Procedures

The City's current investment policy (the "**Investment Policy**"), rendered annually to the City Council by the City Treasurer pursuant to Section 53646 of the Government Code of the State was approved by the City Council on June 30, 2025. The Investment Policy provides guidelines for the prudent investment of the unexpended cash in the City's treasury and outline policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash. The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity.

Cash management and investment transactions are the responsibility of the Chief Financial Officer or designee. At least quarterly, the Investment Review Committee, consisting of the City Treasurer, Chief Financial Officer/Deputy City Treasurer, City Manager, Mayor, Mayor Pro Tem, and the City's Financial Advisor shall meet to discuss the status of current investments, strategies for future investments, and other matters deemed relevant, and shall report to the City Council as necessary.

Investment of City funds is governed by the California Government Code Sections 16429.1 and 53601. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 or five years (measured by settlement date) unless the City Council has granted express authority, no less than 3 months prior to the investment, for a specific investment to exceed such limit.

It should be noted that while the Government Code specifies the maximum percentage of the portfolio which may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations in the Investment Policy apply to investments at the time of purchase.

The par value, market value, costs basis, and percent of total investments by market value for each category of the City's investments, as June 30, 2025, are set forth in the following table:

Table 12
CITY OF FONTANA
Investment Portfolio as of June 30, 2025

Investment Type	Cost Basis	Market Value	% of Total Market Value
Sweep Account MM	$7,648,201	$7,648,201	1.33%
U.S. Treasuries	163,520,143	164,800,152	29.28%
Agency Securities	36,079,763	37,284,048	6.62%
Corporates	77,316,026	79,075,201	14.05%
Asset Backed Securities	31,948,427	31,833,575	5.87%
115 Trust - Pension	11,727,594	13,644,923	2.42%
115 Trust - OPEB	25,693,100	29,185,553	5.18%
CA Class	199,450,387	199,450,387	35.43%
Local Agency Investment Fund	201,420	201,661	.03%
Total	$553,396,242	$562,934,882	100%

Source: City of Fontana.

State Budget

Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

In recent years, State budgets have been balanced. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

THE AUTHORITY

The Authority is a joint exercise of powers authority, duly organized and validly existing under and pursuant to a Joint Exercise of Powers Agreement, dated September 1, 2014 (the "**Joint Powers Agreement**"), by and between the City and the Fire Protection District (collectively, the "**Members**"). The Joint Powers Agreement was entered into pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "**Joint Exercise of Power Act**"). The governing body of the Authority consists of the same individuals who comprise the members of the City Council.

The Authority was created for the purpose of assisting the Members with the financing of capital projects. The Authority is authorized to provide financing or refinancing of Public Capital Improvements (within the meaning of the Joint Exercise of Powers Act) for the City. Pursuant to the Joint Exercise of Powers Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES 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.

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) 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, or (iii) bonded indebtedness incurred by a school district or community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 fiscal year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation implementing Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

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

Articles XIIIC and XIIID of the California Constitution.

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("**general taxes**") require a majority vote; taxes for specific purposes ("**special taxes**"), even if deposited into the City's General Fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees, Charges and Assessments. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. 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. If such repeal or reduction occurs, the City's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Impact on City's General Fund. The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Judicial Interpretation. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

Statutory Revenue Limitations - Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two–thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively. In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-2005 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-2007, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state

financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 amended the state Constitution to eliminate or reduce the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with fiscal year 1988-89, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State–assessed revenue; and (ii) if county–wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 constitute neither an elimination of the assessment of any State–assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 111, 218 and 1A 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, further affecting revenues of the City or

the City's ability to expend revenues. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the Series 2025A Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Series 2025A Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Series 2025A Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Series 2025A Bonds. There can be no assurance that other considerations will not materialize in the future.

Limited Obligations

The Series 2025A Bonds are limited obligations of the Authority payable solely from and secured solely by the Base Rental Payments pledged therefor under the Indenture, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee. If for any of the reasons described below, or for any other reason, the Authority does not receive sufficient Base Rental Payments to pay debt service on the Series 2025A Bonds, the Authority will not be obligated to utilize any other of its funds, other than amounts on deposit in certain funds and accounts established under the Indenture, to pay debt service on the Series 2025A Bonds.

The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenue of the City, but are payable from all funds lawfully available to the City. The City has the capacity to enter into other obligations that may constitute additional obligations against its revenues, including any Additional Bonds. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental Payments; in that case, the failure to pay Base Rental Payments in full would constitute a default under the Lease Agreement (see "– Additional Obligations of the City" below). 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; in that case, the failure to pay Base Rental Payments in full would constitute a default under the Lease Agreement. The City must adopt a balanced Budget each year, and has covenanted in the Lease Agreement to budget for, appropriate and make the Base Rental Payments in each year that it has possession and use of the Property.

Abatement of Lease

Under California law, the obligation of the City to make Base Rental Payments is contingent upon the availability of the Property for use and occupancy by the City. The Base Rental Payments will be abated proportionately during any period in which by reason of material damage or destruction, there is substantial interference with the use and occupancy of any portion of the Property by the City, and such abatement will continue until substantial completion of the work of repair or replacement of the portion of the Property damaged or destroyed; provided that, in determining the amount of abatement. Any abatement of Base Rental Payments could affect the Authority's ability to pay debt service on the Series 2025A Bonds. However, there will be no abatement of Base Rental Payments under the Lease Agreement to the extent that the proceeds of property insurance or rental interruption insurance are available to pay Base Rental Payments that would otherwise be abated.

In the event Base Rental Payments are abated, no assurances can be given that the proceeds of property insurance (which is not expected to be available to cover earthquake

damage) or rental interruption insurance will be sufficient to pay the debt service on the Series 2025A Bonds during the period of such abatement. See "SECURITY FOR THE SERIES 2025A BONDS − Abatement" and "APPENDIX B − SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

Notwithstanding the provisions of the Lease Agreement specifying the extent of abatement in the event of the City's failure to have full use and occupancy of the Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest with respect to the Series 2025A Bonds.

Limitation on Remedies

The enforcement of any remedies provided for in the Lease Agreement and in the Indenture could prove to be both expensive and time-consuming. Although the Lease Agreement provides that upon the occurrence and during the continuance of an Event of Default the Trustee may take possession of and re-let the Property, no assurance can be given that the amounts received from such reletting would be sufficient to pay the principal of and interest with respect to the Series 2025A Bonds when due. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

In addition to the limitations on remedies contained in the Lease Agreement and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights generally. The various legal opinions to be delivered concurrently with the issuance of the Series 2025A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles. See "– Bankruptcy Risks" below.

Limitation on Trustee's Obligations under the Indentures

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

Release of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute or release a portion of the Property upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. Moreover, the City may issue Additional Bonds secured by Base Rental Payments which are increased above current levels. See the captions "THE PROPERTY – Substitution or Release of the Property" and "SECURITY FOR THE SERIES 2025A BONDS – Additional Bonds."

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments for the Property coming due in the then-current Fiscal Year or in any subsequent Fiscal Year, it does not require that the Property have an annual fair rental value equal to the annual fair rental value of the Property prior to the substitution release of any portion thereof. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a substitution or release could have an adverse impact on the security for the Series 2025A Bonds, particularly if an event requiring abatement of the Base Rental Payments were to occur subsequent to such substitution or release.

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount that is sufficient to pay the principal of and interest on such Additional Bonds; provided, however, that no such amendment may be made such that the sum of such Base Rental Payments, including any increase in Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Fiscal Year is in excess of the annual fair rental value of the applicable Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption "SECURITY FOR THE SERIES 2025A BONDS – Additional Bonds" for a full description of the requirements that must be met in order for the Authority to deliver Additional Bonds.

Insurance on the Property

Under the Lease Agreement, the City is required to maintain through the term of the Lease Agreement policies of insurance covering loss or damage to the Property up to replacement costs and covering title defects. If the Property is damaged or destroyed, there can be no assurance that the insurance proceeds will be sufficient to repair or restore the Property, or to redeem or defease all of the then-Outstanding Series 2025A Bonds. In addition, neither the Authority nor the City can provide any assurance as to whether the provider of an insurance policy will pay under such policy. See the caption "SECURITY FOR THE SERIES 2025A BONDS – Insurance" for a description of the insurance coverages that are required by the Lease Agreement. See the caption "THE CITY – Risk Management" for a description of the City's current insurance coverages. Certain risks, such as earthquakes and floods, are not required to be covered under the Lease Agreement and the City is not required to maintain such coverage during the term of the Lease Agreement.

Condemnation of the Property

If all or a portion of the Property were condemned, there can be no assurance that any such award or payment will be sufficient at the time to prepay or defease all of the then-Outstanding Series 2025A Bonds. If the award is less than the amounts remaining on such Outstanding Series 2025A Bonds, then the Owners will be paid less than the amounts remaining on such Outstanding Series 2025A Bonds.

Value of Property

In the event that the Trustee re-enters or re-lets the Property upon the occurrence of an Event of Default, there can be no assurance such actions will provide funds in an amount that is sufficient to pay the principal of and interest on the Series 2025A Bonds. The security under the Lease Agreement extends only to the Authority's leasehold interest in the Property granted under

the Ground Lease and is subject to the restrictions of the Ground Lease. The Property has not been appraised in connection with the issuance of the Series 2025A Bonds.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments for the term of the Lease. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

Early Prepayment Risk

Early payment of the Base Rental Payments and early prepayment of the Series 2025A Bonds may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the City exercises it right to prepay the Base Rental Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Indenture.

Bankruptcy Risks

The rights of the owners of the Series 2025A Bonds and the enforceability of the Authority's obligation to make payments on the Series 2025A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future, and may also be subject to the exercise of judicial discretion under certain circumstances.

Under existing law, the City is eligible to file for bankruptcy. Should the City file for bankruptcy, there could be adverse effects on the holders of the Series 2025A Bonds. In a bankruptcy of the City, the Authority or the Trustee as its assignee and the owners of the Series 2025A Bonds may be prohibited from taking any action against the City, any official of the City, or any property of the City (including the Property) to enforce the terms of the Lease Agreement, unless the consent of the bankruptcy court is first obtained. The bankruptcy court is not required to give its consent. This prohibition on action may even prohibit the Trustee from using funds in its possession to make payments on the Series 2025A Bonds. As a result, Owners may experience temporary or permanent delays in the payment of the Series 2025A Bonds.

In a bankruptcy case, a plan of adjustment for the City could be confirmed that would allow for enforcement of the Lease Agreement, but the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2025A Bonds may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Authority or the Trustee as its assignee and the owners of the Series 2025A Bonds, and without their consent. Additionally, the resulting plan could adjust some or all of the City's financial obligations, which include the City's lease payment obligations under the Lease Agreement to and the City's obligation to fund certain retirement benefits.

The adjustment plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant

reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the Series 2025A Bonds. The City can provide no assurance about the outcome of the bankruptcy cases of other California municipalities of the nature of any adjustment plan it if were to file for bankruptcy.

In addition, if the Lease Agreement is determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose not to perform under the Lease Agreement and the claim of the owners of the Series 2025A Bonds could be substantially limited. An allowable claim could be substantially less than the amount of the Series 2025A Bonds outstanding, resulting in the owners of the Series 2025A Bonds suffering a substantial loss.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Series 2025A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the owners of the Series 2025A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental Payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS – Limitations on Revenues – Expenditures and Appropriations."

Limitations on Taxes and Fees

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Base Rental Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State

Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. The City is permitted to enter into other obligations which constitute additional charges against its revenues, including Additional Bonds payable from a lease of the Property, without the consent of Owners of the Series 2025A Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments to the Owners of the Series 2025A Bonds may decline. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations" and "SECURITY FOR THE SERIES 2025A BONDS – Additional Bonds."

The Base Rental Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Property Taxes

Levy and Collection. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the Series 2025A Bonds when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed 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. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date

the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as "Proposition 8" appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. For example, in 2020 the WHO announced that COVID-19, an upper respiratory tract illness, was a pandemic as it spread across the globe, having significant adverse health and financial impacts throughout the world. The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, resulted in negative health and economic impacts to various communities, including the City (on a temporary basis).

Future pandemics may arise in the future with similar or more adverse economic impacts. Uncertain too are the actions that may be taken by federal, State and local governmental authorities to contain or mitigate the effects of any such future outbreak.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2023-24, sales tax revenues were the largest source of revenue to the City. See "CITY FINANCIAL INFORMATION – Sales and Use Taxes." Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in

times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. See "BOND OWNERS' RISKS – Public Health Emergencies – Collection of Taxes" above for a discussion of Executive Order N-40-20.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIIC and Article XIIID."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed. See "CITY FINANCIAL INFORMATION."

Increasing Retirement Related Costs

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

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances area also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect assessed values of property in the City and the operations and finances of the City.

Natural Hazards

The value of the Property, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic

conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the City could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay their property taxes. The Property is not within a flood plain designated by the Federal Emergency Management Administration.

Seismic. There are several identified faults within close proximity to or within the boundaries of the City that could potentially result in damage to buildings, roads, bridges, and property within the City, including the Property, in the event of an earthquake. In addition, there may be other as yet unidentified faults in the area. The four nearest known faults within close proximity to the City are the San Andreas Fault (7.5 miles to the northeast), the Cucamonga Fault (2.5 miles to the northeast), the San Ysidro Fault (5.5 miles to the northeast) and the North Lytle Creek Fault (5 miles to the northeast). While past experiences have resulted in minimal damage to the infrastructure and property within the City there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. While certain of the property within the City has been developed in conformity with the 1988 Uniform Building Code standards, such compliance is no guarantee that such buildings will not be severely damaged in an earthquake.

If there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City's ability to pay the Base Rental Payments. The Lease Agreement does not require that the City maintain earthquake insurance with respect to the Property.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the Property, as well as public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition. See "– Abatement of Lease" above.

Wildfires. In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events.

Certain portions of the City are located in areas identified by Cal Fire's 2025 Local Responsibility Area Fire Hazard Severity Zones as being in "high" or "very high" severity zones. While certain City parks and community buildings are located with these areas, the

only essential mechanical facilities within the high severity fire zones are sewer lift stations. If rendered inoperable, sewer service would be impaired for the immediate local area. These structures are built within buildings constructed of concrete and masonry. The last major wildfire in the vicinity of the City was the Grand Prix Fire in October 2003. There have been smaller fires, such as the 147-acre Sierra Fire that burned in November 2018 and the 277-acre Karen Fire in July of 2020.

The northwestern corner of the City has high hazard chaparral vegetation and steep slopes. This area is also subject to high, hot Santa Ana winds that blow from the north-northeast down the Cajon Pass. The Jurupa Mountains also have high grasses and locally steep slopes. Residential developments located next to high fire hazard areas are at high risk of being impacted by fire, especially if the structures are not properly protected and there is inadequate vegetation management. Fire models indicate that a fire in these areas can also have a major impact on the fire-fighting forces in the City and neighboring communities. Since 1986, all new homes in the City are required to be equipped with fire sprinkler systems and smoke detectors.

Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in City and in the ability or willingness of property owners to pay property taxes.

Climate Change

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

Droughts

California is subject to droughts from time to time. Most recently, in October, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use. While some drought-related water restrictions were eased in May 2023, no assurance can be given that drought conditions will not return in the future.

Cyber Security

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the

City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage.

To strengthen cyber security, the City has deployed managed detection and response services, along with advanced data security and threat detection systems. These tools provide 24/7 monitoring and rapid response to potential risks, ensuring that taxpayer dollars and sensitive information remain protected. In addition, the City has invested in a best-in-class email management platform that defends against phishing, spam, and other threats while supporting efficient communication across departments.

The City is also advancing community engagement and service delivery. The City has invested in a robust customer relationship management (CRM) system, which powers the City's 311 platform. This tool centralizes access to City services, making it easier for residents to connect with departments, submit requests, and receive timely updates. By streamlining how residents interact with their local government, the system enhances responsiveness and accountability.

To support these initiatives, the City has adopted a cloud-first strategy when evaluating technology solutions. This approach provides flexibility, scalability, and cost savings while ensuring that critical systems are reliable and secure.

The City is finalizing a project to connect all City facilities through a dedicated fiber backbone network. This major step will improve reliability, reduce long-term costs, and allow the City to deliver services more efficiently and securely across every center.

Notwithstanding the foregoing, no assurance can be given that the City and the other entities the City relies on will not be affected by cyber threats and attacks in a manner that may affect the Series 2025A Bond owners.

Litigation

The City is and may become a party to litigation that has the potential to have an impact on the City's General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Base Rental Payments under the Lease Agreement when due.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2025A Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2025A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series 2025A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2025A Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2025A Bonds is based upon certain representations of fact and certifications made by the Authority and others and is subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025A Bonds to assure that interest (and original issue discount) on the Series 2025A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2025A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025A Bonds. The Authority has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Series 2025A Bond (the first price at which a substantial amount of the Series 2025A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series 2025A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Series 2025A Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Series 2025A Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax.

The amount by which a Series 2025A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2025A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series 2025A Bond Owner's basis in the applicable Series 2025A Bond (and the amount of tax-exempt interest received with respect to the Series 2025A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2025A Bond Owner realizing a taxable gain when a Series 2025A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2025A Bond to the Owner. Purchasers of the Series 2025A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2025A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2025A Bonds might be affected as a result of such an audit of the Series 2025A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2025A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2025A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2025A BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2025A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2025A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2025A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2025A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2025A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2025A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2025A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Series 2025A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series 2025A Bonds is excluded from gross income for federal income tax purposes provided that the Authority continues to comply with certain requirements of the Code, the ownership of the Series 2025A Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2025A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of Series 2025A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2025A Bonds.

Should interest (and original issue discount) on the Series 2025A Bonds become includable in gross income for federal income tax purposes, the Series 2025A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2025A Bonds and certain other legal matters are subject to the approving opinions of Stradling Yocca Carlson & Rauth LLP, as Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2025A Bonds.

Certain legal matters will be passed upon for the City and the Authority by Best Best & Krieger LLP, Riverside, California, as City Attorney and by Jones Hall LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California ("**Underwriter's Counsel**"), and for the Trustee by its counsel. The fees payable to Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Series 2025A Bonds.

Furthermore, from time to time Bond Counsel and Disclosure Counsel serve as counsel to the Underwriter with respect to transactions other than the issuance of the Series 2025A Bonds.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement, the Ground Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City.

Neither the City nor the Authority is in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease Agreement, the Ground Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease Agreement.

RATING

S&P Global Ratings ("**S&P**") has assigned a rating of "[AA-]" to the Series 2025A Bonds. A rating is not a recommendation to buy, sell or hold securities. Future events could have an adverse impact on the rating of the Series 2025A Bonds, and there is no assurance that any credit rating that is given to the Series 2025A Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Series 2025A Bonds will not change during the period that the Series 2025A Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Series 2025A Bonds may have an adverse effect on the market price of the Series 2025A Bonds. Such rating reflects only the current view of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Series 2025A Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Series 2025A Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Series 2025A Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Series 2025A Bonds after the initial issuance of the Series 2025A Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the Series 2025A Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**"), by not later than February 1 of each year and commencing February 1, 2026 with the report for the fiscal year ending June 30, 2025, and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through Electronic Municipal Access System ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City, as well as the Authority, the Financing Authority, the Successor Agency to the Fontana Redevelopment Agency (the "Successor Agency") and various community facilities districts within the City (each, a "**CFD**"), all of which are entities with the City Council as the legislative body, have entered into numerous continuing disclosure undertakings.

Within the last five years, the City complied in all material respects with its undertakings under the Rule, except that the City failed to file its financial statements for Fiscal Year 2019-20 on or before the deadline therefor in its undertakings for the 2014 Bonds and the 2014 Bonds.

The Authority and the Financing Authority have timely filed all regular annual reports pursuant to such undertakings. However, the Successor Agency, as successor to the undertakings of the former Fontana Redevelopment Agency (the "**Former Agency**"), failed to file one annual report for one issue of the Former Agency's bonds and failed to link one annual report to the relevant CUSIPs for one issue of the Former Agency's bonds.

In addition, within the last five years, a CFD failed to file one annual report for one issue of bonds for which the official statement relating to such bonds contained all of the information required to be contained in such report.

Further, the City and the Authority are aware that not all of the required information was included with respect to a number of annual report filings by the Financing Authority, the Successor Agency and several CFDs, including required tabular information.

Additionally, the Financing Authority and two CFDs failed to timely file certain notices of ratings changes. The City has since made filings on behalf of its related entities to correct material omissions with respect to the filings that were required to have been made within the past five years, and has adopted written procedures to ensure future compliance with the City's disclosure undertakings and those of its related entities.

Finally, although the CFDs do not prepare audited financial statements, the City has voluntarily filed the audited financial statements of the City for the last five years for the respective bonds of the CFDs. For one fiscal year, the City's audited financial statements were not available when the CFDs timely filed operating data for their respective bonds. For such fiscal year, the City caused its unaudited financial statements to be filed where undertakings required the City's financial statements to be included in annual reports. However, the City did not file its unaudited financial statements on behalf of the CFDs for such fiscal year.

Except as disclosed in this Official Statement, within the last five years, the City, the Authority, the Successor Agency, the Financing Authority and the CFDs have not failed to timely comply with their respective prior continuing disclosure obligations under the Rule in all material respects.

UNDERWRITING

The Series 2025A Bonds are being purchased pursuant a bond purchase agreement by and among the Authority, the City, and the Underwriter. The Underwriter has agreed to purchase the Series 2025A Bonds at a purchase price of $_____ (which is equal to the par amount of the Series 2025A Bonds, less an underwriter's discount of $_____).

The Underwriter may offer the Series 2025A Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The Authority and the City have retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2025A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor's compensation is contingent upon the delivery of the Series 2025A Bonds.

EXECUTION

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

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

By: _____
Executive Director

CITY OF FONTANA

By: _____
City Manager

APPENDIX A

DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF FONTANA AND COUNTY OF SAN BERNARDINO

*The following information concerning the County of San Bernardino (the "**County**") and the City of Fontana (the "**City**") is presented as general background data. The Series 2025A Bonds are payable solely from moneys of the City as described in the Official Statement. The taxing power of the City, the County, the State of California (the "**State**") or any political subdivision thereof is not pledged to the payment of the Series 2025A Bonds.*

General

Founded in 1913, the City is the second largest city in the County by population and encompasses approximately 42.4 square miles of land. The City has experienced significant growth in population. The City is located 50 miles east of Los Angeles, and approximately 10 miles west of the cities of Riverside and San Bernardino.

The County is located in Southern California and was established by an act of the State Legislature on May 23, 1853, separating the County from the eastern part of the County of Los Angeles. The County encompasses an area of over 22,000 square miles, making it geographically the largest county in the nation, and includes twenty-four incorporated communities. The County is bordered on the west by the Counties of Los Angeles and Kern, on the north by the County of Inyo, and on the south by the County of Riverside.

City Government

The City was incorporated as a general law city in 1952 and is governed by a Mayor and four council members elected at large to serve four-year terms. The City operates under the Council - Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City.

The City provides police protection, street sweeping, park maintenance, building inspection, library, sewer, storm drain and sanitation services. The City contracts with the County for fire protection services. Numerous hospitals and health care facilities are located in or near the City.

Population

Fontana has been one of the most rapidly growing cities in Southern California. The adopted 1990 General Plan calls for a careful balance of residential, commercial and industrial development to ensure a quality urban environment with a broad range of employment and housing opportunities.

The population in Fontana increased approximately 6.8% from 2016 to 2025. The population growth in the City, County and State is shown on the following table.

POPULATION ESTIMATES
City of Fontana, County of San Bernardino and State of California
Calendar Years 2016-2025

Year[(1)]	City of Fontana	County of San Bernardino	State of California
2016	205,180	2,122,579	39,103,587
2017	208,003	2,139,520	39,352,398
2018	209,113	2,150,017	39,519,535
2019	211,123	2,165,876	39,605,361
2020	211,519	2,175,424	39,648,938
2021	210,507	2,179,941	39,369,530
2022	213,147	2,183,077	39,179,680
2023	214,671	2,182,351	39,228,444
2024	217,084	2,200,351	39,420,683
2025	219,172	2,207,424	39,529,101

(1) January 1 estimate.

Source: California State Department of Finance, Demographic Research Unit.

Transportation

The City of Fontana is strategically located in the hub of surface, rail and air transportation facilities. Union Pacific and Burlington Northern/Santa Fe rail lines provide rail service to Fontana. Switch yards and multi-modal terminals are located nearby.

Major interstate freeways and state highways provide direct access to the City, making shipping and transportation to and from sea ports, North American Free Trade Agreement ports of entry, and the rest of the nation highly dependable. Interstate 10 traverses the southern section of the City, Interstate 15 borders the western portion of the City, and Interstate 210, which is the extension of Route 30, opened in November 2002, links the San Bernardino Valley with the San Fernando Valley and traverses the northern portion of the City. State freeways 57, 60 and 91 are minutes from Fontana.

The Ontario International Airport is a medium-hub, full-service airport, which offers more than 70 daily flights to cities in the U.S., Mexico and Taiwan and is served by nine commercial carriers. The airport is owned and operated by Ontario International Airport Authority, a joint powers agency, and is served by Alaska Airlines, American Airlines, Avianca El Salvador, China Airlines, Delta Air Lines, Frontier Airlines, JetBlue Airways, Southwest Airlines, STARLUX Airlines, United Airlines, and Volaris. Various airlines provide freight services at Ontario International Airport.

With the completion of its twin terminals, it is able to handle approximately 10 million passengers annually. When passenger traffic reaches 10 million in two consecutive years, a third terminal will be constructed. Ontario International Airport is the Western States Regional Terminal for United Parcel Service. It is a member of the Los Angeles World Airports system and is ideally situated as an airfreight center for Pacific Rim and European cargo. Over 7.0 million passengers used the airport in 2024, 10.2% more than the same period in 2023, and over 793,000 tons of air freight were shipped, an increase of 5.5% over the same period last year.

Transit services are provided by Metrolink commuter rail service to Los Angeles with connections to the numerous surrounding cities provided by Omnitrans bus service, Dial-a-Ride, Yellow Cab Company and Bell Cab Company.

Education

Five school district serve students in the City of Fontana. There are thirty public elementary schools, seven middle schools, five high schools, three alternative high schools, seven private elementary/middle schools, one School of Language Development and one adult school. Local colleges and universities include: Universal Technical Institute of California Inc., Chaffey College, San Bernardino Valley College, California State University-San Bernardino, Riverside Community College, Westech College and the University of California-Riverside.

Employment and Industry

The City is located in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area ("**MSA**"), which includes the County and San Bernardino County. The unemployment rate in the MSA was 4.9% in April 2025, down from a revised 5.0% in March 2025, and above the year-ago estimate of 4.6%. This compares with an unadjusted unemployment rate of 5.0% for the State and 3.9 % for the nation during the same period. The unemployment rate was 4.9% in Riverside County, and 4.8% in the County.

The City's unemployment rate was 4.50% in April 2025, down from 4.60% in March 2025.

The following table summarizes the civilian labor force, employment and unemployment in the MSA for the calendar years 2020 through 2024. These figures are MSA-wide statistics and may not necessarily accurately reflect employment trends in the City.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA
(Riverside and San Bernardino Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
March 2024 Benchmark

	2020	2021	2022	2023	2024
Civilian Labor Force [1]	2,073,400	2,108,400	2,140,500	2,180,300	2,209,100
Employment	1,868,300	1,951,600	2,049,900	2,078,100	2,093,800
Unemployment	205,100	156,700	90,700	102,300	115,300
Unemployment Rate	9.9%	7.4%	4.2%	4.7%	5.2%
Wage and Salary Employment: [2]					
Agriculture	14,100	13,700	13,800	13,200	13,700
Mining and Logging	1,300	1,400	1,500	1,500	1,600
Construction	104,900	110,100	114,700	115,400	116,200
Manufacturing	96,000	96,100	100,000	98,500	95,200
Wholesale Trade	65,600	67,400	69,500	68,900	68,600
Retail Trade	168,800	177,000	181,000	183,000	182,600
Transportation, Warehousing and Utilities	172,500	198,800	214,400	206,000	205,200
Information	12,400	12,500	13,000	13,300	13,000
Finance and Insurance	24,600	24,400	23,800	22,300	21,700
Real Estate and Rental and Leasing	19,500	20,700	22,200	22,700	22,400
Professional and Business Services	152,100	166,600	173,900	164,400	161,800
Educational and Health Services	248,800	254,300	267,900	287,800	306,000
Leisure and Hospitality	141,300	160,200	180,900	187,600	185,300
Other Services	40,200	43,600	47,400	49,400	50,700
Federal Government	22,100	21,100	20,900	21,200	21,500
State Government	31,300	30,400	28,400	28,600	28,000
Local Government	194,600	190,500	200,700	210,400	220,700
Total All Industries[3]	1,509,900	1,588,800	1,674,000	1,694,100	1,714,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, listed from greatest to fewest number of employees, as shown in the City's Annual Comprehensive Financial Report for Fiscal Year ending June 30, 2024.

CITY OF FONTANA
Principal Employers
As June 30, 2024

Employer	Number of Employees	Percent of Total Employment
Kaiser Permanente	10,550	10.13%
Fontana Unified School District	4,067	3.90
Amazon.Com Services LLC	3,637	3.49
St Bernardine Medical Center	1,775	1.70
Target Stores T 553	1,323	1.27
City of Fontana (includes part-time employees)	1,183	1.14
Walmart #6060 DC Drop Yard	1,125	1.08
Walmart D C #6060	1,125	1.08
Reyes Coca-Cola Bottling, LLC	425	0.41
Saia Motor Freight Line LLC	421	0.40
Total Employment Listed[(1)]	25,631	24.61%

(1) "Total Employment" as used above represents the total employment of all employers located within the City limits.
Source: City of Fontana, as shown in the Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024.

The following table lists, in alphabetical order, the largest manufacturing and non-manufacturing employers within the County as of June 2025.

COUNTY OF SAN BERNARDINO
Major Employers
As of June 2025
(In Alphabetical Order)

Employer Name	Location	Industry
Amazon Fulfillment Ctr	Redlands	Mail Order Fulfillment Service
Amazon Fulfillment Ctr	San Bernardino	Mail Order Fulfillment Service
Arrowhead Regional Medical Ctr	Colton	Hospitals
Bear Mountain	Big Bear Lake	Skiing Centers & Resorts
Burlington Distribution Ctr	San Bernardino	Distribution Centers (whls)
California State Univ Sn	San Bernardino	Schools-Universities & Colleges Academic
Dignity Health Cmnty Hosp-Sn	San Bernardino	Hospitals
Dignity Health-St Bernardine	San Bernardino	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Inland Empire Health Plan	Rancho Cucamonga	Health Plans
Kaiser Permanente Fontana Med	Fontana	Hospitals
Loma Linda Univ Health Board	Loma Linda	Univ/Clg-Governing Body/Regent/Trustee
Loma Linda University Med Ctr	Loma Linda	Hospitals
Mountain High Ski Resort	Wrightwood	Skiing Centers & Resorts
Ontario International Airport	Ontario	Airports
Ontario-Montclair School Dist	Ontario	School Districts
Patton State Hospital	Patton	Hospitals
Primary Care Assoc Med Group	Ontario	Physicians & Surgeons
Radial	Rialto	Mail Order Fulfillment Service
Redlands Community Hospital	Redlands	Hospitals
San Antonio Regional Hospital	Upland	Hospitals
San Bernardino County Sch Supt	San Bernardino	Schools & Educational Services NEC
San Bernardino County Sheriff	San Bernardino	General Justice Public Order & Safety Activit
Snowline Joint Unified Sch Dst	Phelan	Schools

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

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 total effective buying income and median household effective buying income for the City, the County, the State and the United States for the period 2021 through 2025.

CITY OF FONTANA, COUNTY OF SAN BERNARDINO
STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
2021 through 2025

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2021	City of Fontana	$4,372,087	$68,404
	County of San Bernardino	48,859,973	59,285
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Fontana	$4,935,901	$75,776
	County of San Bernardino	54,797,008	66,785
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Fontana	$5,186,857	$76,415
	County of San Bernardino	57,619,256	67,680
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Fontana	$5,569,728	$83,116
	County of San Bernardino	61,583,897	72,724
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Fontana	$5,768,154	$85,648
	County of San Bernardino	61,385,031	72,440
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687

Source: Claritas, LLC.

Home Sales Value History

The following table summarizes sale information for detached single family homes in the City of Fontana for calendar years 2016 through 2025.

CITY OF FONTANA
Sales Value History
2016 through 2025

Year	Full Value Sales	Average Price	Median Price	Median % Change
2016	2,084	$361,836	$360,000	-
2017	2,058	$403,732	$375,000	4.17%
2018	1,869	$423,364	$411,000	9.60%
2019	1,938	$439,801	$436,500	6.20%
2020	1,713	$484,656	$470,000	7.67%
2021	1,823	$567,315	$545,000	15.96%
2022	1,389	$627,167	$620,000	13.76%
2023	1,035	$617,927	$620,000	0.00%
2024	989	$673,076	$650,000	4.84%
2025	526	$671,842	$657,500	1.15%

Source: HDL, Coren & Cone

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2024 in the City were reported to be $4,459,287,283, a 4.78% decrease from the total taxable sales of $4,683,090,015 reported during calendar year 2023.

CITY OF FONTANA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	4,467	$2,768,279	6,543	$3,637,135
2021	3,997	3,393,088	5,969	3,374,359
2022	4,209	3,569,600	6,197	4,804,618
2023	4,170	3,459,027	6,183	4,683,090
2024	4,393	3,280,945	6,559	4,459,287

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2024 in the County were reported to be $58,382,923,442, a 0.78% increase over the total taxable sales of $57,933,854,583 reported during calendar year 2023.

COUNTY OF SAN BERNARDINO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	44,330	$28,745,277	71,145	$43,265,512
2021	40,801	38,345,912	66,585	55,378,097
2022	41,690	40,048,059	68,480	59,992,846
2023	40,632	38,293,705	67,336	57,933,855
2024	41,239	38,460,625	68,447	58,382,923

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF FONTANA
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2020	2021	2022	2023	2024
Permit Valuation					
Residential	$311,547	$216,978	$211,710	$349,920	$310,571
Non-Residential	149,761	126,814	363,353	111,182	64,364
Total Valuation	$461,308	$343,792	$575,063	$461,102	$374,935
New Dwelling Units					
Single Family	848	670	509	1,068	449
Multiple Family	234	382	562	678	498
TOTAL	1,082	1,052	1,071	1,746	947

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN BERNARDINO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2020	2021	2022	2023	2024
Permit Valuation					
Residential	1,139,459	$2,610,755	$1,373,908	$1,304,363	$1,248,442
Non-Residential	1,064,695	1,165,646	2,083,951	1,395,790	1,379,223
Total Valuation	$2,204,154	$3,776,401	$3,457,859	$2,700,153	$2,627,665
New Dwelling Units					
Single Family	3,631	4,376	3,701	3,937	2,875
Multiple Family	910	2,636	2,852	2,239	997
TOTAL	4,541	7,012	6,553	6,176	3,872

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Fontana (the "City") in connection with the issuance by the Fontana Public Facilities Financing Authority (the "Authority") of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture dated as of October 1, 2025 (the "Indenture"), by and among the Authority, the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

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

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

"*Annual Report*" 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 [February 1] after the end of the City's fiscal year.

"*Dissemination Agent*" means, initially, U.S. Bank Trust Company, National Association, and any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

"*Official Statement*" means the final official statement dated _____, 2025, executed by the City and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Samuel A. Ramirez & Co., Inc, the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing [February 1, 2026], with the report for fiscal year [2024-25], provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written statement with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

(a) *Financial Statements*. Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information*. To the extent not included in the audited financial statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement, as follows:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, including information showing tax revenue collections by source;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year, showing the valuation for secured, public utility and unsecured property;

(iv) information regarding the ten largest property taxpayers in the City for the Fiscal Year;

(v) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year; and

(vi) information showing the balance sheet of the General Fund of the City as of the close of the most recent completed Fiscal Year, including categorized assets, liabilities and reserved and unreserved fund balances.

(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 through the MSRB. The City shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Listed Events.

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

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).

(12) Bankruptcy, insolvency, receivership or similar event of the City.

(13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

(15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

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 such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be the City. 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 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual 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.

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

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

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

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

(a) The Dissemination Agent shall 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 it 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 hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

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

Date: _____, 2025

CITY OF FONTANA

By: _____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2025A Bonds, payment of principal, interest and other payments on the Series 2025A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2025A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the Fontana Public Facilities Financing Authority (the "Issuer") nor U.S. Bank National Association (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2025A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2025A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2025A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

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

11. Issuer 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.

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