

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2021

NEW ISSUE - FULL BOOK-ENTRY

S&P: "AA-"

See "RATING" herein.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 on the Series 2021A 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 on the Series 2021A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS."

\$23,280,000*

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

Dated: Date of Delivery

Due: November 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "Series 2021A Bonds") are being issued by the Fontana Public Facilities Financing Authority (the "Authority") pursuant to the Mark-Roos Local Bond Pooling Act of 1985 and an Indenture dated as of November 1, 2021 (the "Indenture"), by and among the Authority, the City of Fontana (the "City"), and U.S. Bank National Association, as trustee (the "Trustee").

Purpose. The proceeds of the Series 2021A Bonds will be used to (i) refinance all of the outstanding Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds), (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, and (iii) pay the costs of issuing the Series 2021A Bonds. See "FINANCING PLAN."

Security. Under the Indenture, the Series 2021A 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 November 1, 2021, 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 2021A 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 2021A Bonds. The Series 2021A Bonds are not subject to acceleration in the event of a payment default. See "SECURITY FOR THE SERIES 2021A BONDS" and "BOND OWNERS' RISKS – Abatement."

Bond Terms; Book-Entry Only. The Series 2021A 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, 2022, and will be issued in fully-registered form without coupons in integral multiples of \$5,000. The Series 2021A 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 2021A Bonds will not receive certificates representing their interests in the Series 2021A Bonds. Payments of the principal of, premium, if any, and interest on the Series 2021A 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 2021A Bonds. See "THE SERIES 2021A BONDS – General Provisions."

Redemption. The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See "THE SERIES 2021A 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 2021A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2021A Bonds.

The Series 2021A 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 2021A 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 2021A BONDS. PROSPECTIVE INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2021A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, 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, Irvine, California. It is anticipated that the Series 2021A Bonds will be delivered in book-entry form through the facilities of DTC on or about November 10, 2021.

STIFEL

The date of this Official Statement is: _____, 2021

* Preliminary; subject to change.

\$23,280,000*
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A

MATURITY SCHEDULE
(Base CUSIP:† _____)

\$ _____ **Serial Bonds**

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ _____ – _____% Term Bonds due November 1, 20____; Yield _____%;
Price _____; CUSIP†: _____

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

* Preliminary; subject to change.

° Priced to first optional redemption date of November 1, 20____, at par

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[Insert location map from 2014 OS]

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

BOARD OF DIRECTORS

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

Mark Denny, Executive Director¹
Tonia Lewis, City Clerk/Authority Secretary
Janet Koehler-Brooks, City Treasurer

CITY OF FONTANA

CITY COUNCIL

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

STAFF

Mark Denny, City Manager¹
Janet Koehler-Brooks, City Treasurer
Tonia Lewis, City Clerk
Best Best & Krieger LLP, City Attorney

PROFESSIONAL SERVICES

BOND COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation,
Newport Beach, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

TRUSTEE AND ESCROW BANK

U.S. Bank National Association
Los Angeles, California

¹ Mark Denny will serve as City Manager through October 14, 2021. The City expects that Shannon Yauchzee will serve as interim City Manager on and after October 15, 2021 while the City undertakes a recruitment to fill the City Manager position.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series 2021A 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 2021A 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 overallocate or effect transactions which stabilize or maintain the market price of the Series 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds.

TABLE OF CONTENTS

INTRODUCTION.....	1	Overlapping Debt Statement	44
General.....	1	Employee Retirement System	46
Security for the Series 2021A Bonds; Base		Other Post-Employment Benefits	51
Rental Payments.....	2	Employee Relations	52
No Reserve Fund	2	Capital Improvement Program.....	52
Application for Bond Insurance	3	Risk Management	53
Additional Bonds; Other Obligations	3	Investment Policies and Procedures	53
The Authority	3	State Budget	54
The City; The Fire Protection District	3	THE AUTHORITY	54
Professionals Involved in the Offering	4	CONSTITUTIONAL AND STATUTORY	
Forward-Looking Statements	4	LIMITATIONS ON TAXES AND	
Risk Factors	5	APPROPRIATIONS	55
Summaries Not Definitive.....	5	Limitations on Revenues.....	55
FINANCING PLAN	5	Statutory Revenue Limitations -	
Refinancing of 2010 Bonds	5	Proposition 62.....	58
The 2021 Project.....	5	Proposition 1A.....	58
Estimated Sources and Uses of Funds.....	6	Proposition 22	59
Base rental Payment schedule	7	Unitary Property	59
THE PROPERTY	7	Possible Future Initiatives	59
Description and Location.....	7	BOND OWNERS' RISKS.....	60
Modification of Property	8	Limited Obligations	60
Substitution or Release of the Property	9	Abatement of Lease	60
Release of the Police Facility	10	Limitation on Remedies	61
THE SERIES 2021A BONDS.....	11	Limitation on Trustee's Obligations under	
General.....	11	the Indentures	61
Registration, Transfers and Exchanges	12	Release of Property; Additional Bonds	61
Redemption	12	Insurance on the Property.....	62
Book-Entry Only System	14	Condemnation of the Property	62
SECURITY FOR THE SERIES 2021A		Value of Property	62
BONDS.....	14	No Acceleration Upon Default	63
Pledge of Base Rental Payments	14	Early Prepayment Risk	63
Additional Bonds	15	Bankruptcy Risks	63
Base Rental Payments.....	16	State Law Limitations on Appropriations	64
Additional Rental Payments	17	Limitations on Taxes and Fees.....	64
Abatement.....	18	Additional Obligations of the City	65
Action on Default.....	18	Property Taxes.....	65
No Reserve Fund	19	Public Health Emergencies.....	66
Insurance.....	19	Certain Risks Associated with Sales Tax	
THE CITY	20	and Other Local Tax Revenues	67
General.....	20	Increasing Retirement Related Costs	68
City Government and Administration	21	Hazardous Substances	68
Public Health Emergency – COVID-19	22	Natural Hazards	68
CITY FINANCIAL INFORMATION	24	Climate Change	70
Accounting Policies and Financial		Cyber Security	70
Reporting.....	24	Litigation.....	70
Reserve Policy	25	Secondary Market for Bonds	71
Budget Procedure, Current Budget and		TAX MATTERS.....	71
Historical Budget Information	27	CERTAIN LEGAL MATTERS	73
City Financial Statements	32	LITIGATION	73
General Fund Major Revenues By Source	35	RATING	73
Sales and Use Taxes	35	CONTINUING DISCLOSURE.....	74
Property Taxes	38	UNDERWRITING.....	75
Charges for Services.....	43	MUNICIPAL ADVISOR	75
Franchise Taxes.....	43	EXECUTION	75
Business License Taxes	44		
Long-Term General Fund Obligations.....	44		

TABLE OF CONTENTS

(continued)

APPENDIX A -	DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF FONTANA AND COUNTY OF SAN BERNARDINO
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, 2020
APPENDIX D -	PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX E -	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F -	DTC AND THE BOOK-ENTRY ONLY SYSTEM

OFFICIAL STATEMENT

\$23,280,000*
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A

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 2021A 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 2021A Bonds to potential investors is made only by means of the entire Official Statement.

General

The Authority will issue the Series 2021A 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 of November 1, 2021, by and among the Authority, the City of Fontana (the “**City**”) and U.S. Bank 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 2021A 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 2021A Bonds. Individual purchases will be in integral multiples of \$5,000. Principal of and interest on the Series 2021A 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 2021A Bonds. See the caption “THE SERIES 2021A BONDS – Book-Entry Only System.”

The Series 2021A 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 2021A BONDS – Redemption.”

* Preliminary; subject to change.

The Series 2021A Bonds are being issued to provide funds to: (i) refinance all of the outstanding Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “**2010 Bonds**”), which are outstanding in the aggregate principal amount of \$4,995,000; (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Training Facility located on the site of future Fire Station No. 80 (the “**2021 Project**”); and (iii) to pay the costs of issuing the Series 2021A Bonds. See “FINANCING PLAN.”

Security for the Series 2021A Bonds; Base Rental Payments

Under the Indenture, the Series 2021A 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 November 1, 2021 (the “**Lease Agreement**”), between the City, as lessee, and the Authority, as lessor.

Pursuant to a Ground Lease, dated as of November 1, 2021 (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 November 1, 2021 (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 2021A 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 2021A 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 2021A 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 2021A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2021A 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 2021A 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 2021A 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 2021A Bonds. The Series 2021A Bonds and any Additional Bonds are collectively referred to in this Official Statement as the “**Bonds**.” See the caption “SECURITY FOR THE SERIES 2021A 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 214,000 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 District is served by seven fire stations. Emergency response, administrative and support services are provided through a contract under the umbrella of the San Bernardino County Fire Department. 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 2021A 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 2021A 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 National Association, Los Angeles, California, will act as Trustee with respect to the Series 2021A Bonds and as Escrow Bank with respect to the 2010 Bonds. Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), is underwriting the Series 2021A Bonds.

All proceedings in connection with the issuance of the Series 2021A Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California, 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 2021A 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 2021A 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 Management Services Director, City of Fontana, 8353 Sierra Avenue, Fontana, California 92335.

FINANCING PLAN

Refinancing of 2010 Bonds

The Fontana Public Financing Authority (the “**Financing Authority**”) issued the 2010 Bonds, which are currently outstanding in the aggregate principal amount of \$4,995,000, pursuant to an Indenture of Trust, dated as of November 1, 2010 (the “**2010 Indenture**”), by and between the Financing Authority and U.S. Bank National Association, as trustee (the “**2010 Trustee**”). The 2010 Bonds are payable from lease payments made under a Lease Agreement, dated as of November 1, 2010 (the “**2010 Lease**”), by and between the City and the Fontana Public Financing Authority. The City plans to apply a portion of the proceeds of the Series 2021A Bonds to refund all of the outstanding 2010 Bonds on or about November 22, 2021 (the “**Redemption Date**”) at a redemption price equal to the outstanding principal amount of the 2010 Bonds, plus accrued interest to such date, without premium.

Under an Escrow Agreement (2010 Bonds), dated as of November 1, 2021 (the “**2010 Escrow Agreement**”), by and among the City, the Financing Authority and the U.S. Bank National Association, as escrow bank (the “**Escrow Bank**”) and as 2010 Trustee, the City will deliver a portion of the proceeds of the Series 2021A Bonds to the Escrow Bank for deposit in the escrow fund established under the 2010 Escrow Agreement (the “**2010 Escrow Fund**”). The Escrow Bank will hold the amounts so deposited in the 2010 Escrow Fund uninvested. From the moneys on deposit in the 2010 Escrow Fund, the Escrow Bank will pay on the Redemption Date the principal of the outstanding 2010 Bonds, plus interest accrued to such date, without premium. The moneys delivered to the Escrow Bank to redeem the 2010 Bonds are pledged solely to the redemption of such 2010 Bonds. Neither such moneys nor any related interest will be available for the payments of principal of and interest on the Series 2021A Bonds.

The 2021 Project

The 2021 Project consists of a new Fire Station No. 81 and a Training Facility (the “**Fire Protection District Training Facility**”) located on the site of future Fire Station No. 80.

Fire Station No. 81. Fire Station No. 81 is anticipated to be located at the intersection of Sierra Avenue and Casa Grande in the northern end of the City limits. When completed, Fire Station No. 81 is anticipated to consist of approximately 13,247 square feet. Fire Station No. 81

will be constructed in an effort to meet a goal of providing fire response times in the Fire Protection District of less than five minute response time 90% of the time. Construction of Fire Station No. 81 is anticipated to begin in January 2022 and to be completed in December 2022. Total construction costs of Fire Station No. 81 are estimated at approximately \$12 million all of which will be financed with proceeds of the Series 2021A Bonds.

Fire Protection District Training Facility. The Fire Protection District Training Facility is anticipated to be located on the site of future Fire Station No. 80, on Cherry Avenue between State Route 210 and South Highland Avenue in the northwest end of the City limits. The Fire Protection District Training Facility and Fire Station No. 80 will be constructed in two phases. The first phase will consist of the design, environmental review and construction of the Fire Protection District Training Facility. The second phase will consist of construction of Fire Station No. 81. When completed, the Fire Protection District Training Facility is anticipated to consists of approximately 3,500 square feet, including a 50 seat training classroom, a training tower, office space and storage. Construction of the Fire Protection District Training Facility is anticipated to begin in April 2022 and to be completed in March 2023. Total construction costs of the Fire Protection District Training Facility are estimated at approximately \$10 million all of which will be financed with proceeds of the Series 2021A Bonds.

Covenant Regarding Time of Completion. In the Lease Agreement, the City has covenanted to complete the construction and equipping of the 2021 Project on or prior to November 1, 2024, subject to excused delays pursuant to standard City procedures. It is agreed that, if the City does not cause the completion of the acquisition, construction, equipping and installation of the 2021 Project by its completion date specified above by construction contractors or a construction manager, whichever the City deems appropriate, liquidated damages will be assessed against the construction contractor for each day of unexcused delay in completion (in accordance with standard City procedure).

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2021A Bonds are as follows:

<u>Sources:</u>	<u>Amount</u>
Principal	\$
<i>Plus:</i> Available Funds Relating to 2010 Bonds	
<i>Less:</i> Underwriter's Discount	
<i>TOTAL SOURCES</i>	\$
<u>Uses:</u>	
Deposit to 2010 Escrow Fund ⁽¹⁾	\$
Project Fund ⁽²⁾	
Costs of Issuance ⁽³⁾	
<i>TOTAL USES</i>	\$

(1) To be used to refinance the outstanding 2010 Bonds pursuant to the terms of the 2010 Escrow Agreement. See "FINANCING PLAN – Refinancing of 2010 Bonds."

(2) To be used to finance the 2021 Project. See "FINANCING PLAN – The 2021 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.

BASE RENTAL PAYMENT SCHEDULE

Set forth below is a schedule of Base Rental Payments, which secure the Series 2021A Bonds, assuming no optional or extraordinary prepayments.

Base Rental Payment Date ⁽¹⁾	Principal	Interest	Total Base Rental Payments
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Total: _____

-
- (1) The Base Rental Payment Date is the third Business Day of the month prior to the corresponding Interest Payment Date for the Series 2021A Bonds.

THE PROPERTY

Description and Location

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 the (i) Ben L. Abernathy Police Facility (the “**Police Facility**”); (ii) Fire Station No. 71; (iii) the future site of Fire Station No. 81; and (iv) the future site of the Fire Protection District Training Facility.

The Police Facility is located at 17005 Upland Avenue in the City. It is a 70,000 square foot two-story public safety facility with one floor underground and one floor above ground located

on a 1.65 acre site adjacent to the existing City Hall and Civic Center Complex. The facility includes a helipad on the roof, a radio and telephone communication system, a color photographic lab and a basic crime lab. In addition, the facility includes a public meeting room for approximately 100 people and an emergency operations command center. The insured value of the Police Facility as of the date hereof is approximately \$20.7 million. Under the Lease Agreement, the Authority will have the right to release the Police Facility from the Lease Agreement subject to the satisfaction of certain conditions. See “THE PROPERTY – Release of Police Facility.”

Fire Station No. 71 is located on a 1.37 acres in the downtown area of the City and consists of approximately 16,000 square feet. It was built in 2012 with proceeds of the 2010 Bonds. Fire Station No. 71 houses medical and firefighting trucks. The insured value of Fire Station No. 71 as of the date hereof is approximately \$7 million.

See “FINANCING PLAN – The 2021 Project” for a description of Fire Station No. 81 and the Fire Protection District Training Facility. Fire Station No. 71, Fire Station No. 81 and the Fire Protection District Training Facility are sometimes referred to herein collectively as the “**Fire Facilities.**”

Under the Lease Agreement, the leasehold interest in Fire Station No. 71 is scheduled to terminate automatically on November 1, 2042. After such date, the leased property under the Lease Agreement will consist solely of the Police Facility, Fire Station No. 81 and the Fire Protection District Training Facility unless the City substitutes alternate real property for any portion of the Property or releases a portion of the Property from the Lease Agreement, as described below. 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 2021A 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 this Section, 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 with respect to 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 is subject to the satisfaction of the conditions precedent set forth in the Lease Agreement, which include (among others) the following:

- the City shall have found 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 herein and in the Ground Lease;
- no Event of Default (within the meaning of the Lease Agreement) has occurred and is continuing; and
- 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.

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

Release of the Police Facility

Release Prior to Completion of 2021 Project. Without satisfying the requirements in the Lease Agreement for the release of the Property that are summarized under the caption “– Substitution or Release of Property” above and without regard to the requirements in the Lease Agreement for the release of the Police Facility that are summarized under the subcaption “– Release After Completion of 2021 Project” below, the Authority may provide for release and deletion of the Police Facility portion of the Property (the “**Released Portion**”) prior to completion of the 2021 Project from the Property such that the Fire Facilities constitute the Remaining Portion (the “**Remaining Portion**”), provided that the City shall satisfy the following conditions precedent:

- the City shall certify in writing to the Trustee and to the Authority that the construction contract and other arrangements for the construction of the 2021 Project comply with the requirements of the Lease Agreement, and that the City has deposited such amount, if any, to the Project Fund to cause the amount on deposit therein to equal the remaining estimated cost of the 2021 Project, including the City’s planned contingency amount, and has deposited sufficient moneys into the Principal Fund and Interest Fund maintained under the Indenture to pay all principal and interest payments scheduled to come due on the Bonds through the date that is six months following the completion date for the 2021 Project; and

- the City and the Authority shall file with the Trustee a copy of an amended Exhibit A and B to the Lease Agreement which deletes the Police Facility from the Lease Agreement (the “**Lease Supplement**”); and
- the City shall provide to S&P at least 21 days prior written notice of the City’s intention to cause the release of the Police Facility from the Lease Agreement, together with a copy of the Lease Supplement described above.

Release After Completion of 2021 Project. Without satisfying the requirements in the Lease Agreement for the release of the Property that are summarized under the caption “– Substitution or Release of Property” above and without regard to the requirements in the Lease Agreement for the release of the Police Facility that are summarized under the subcaption “– Release Prior to Completion of 2021 Project” above, the Authority may provide for release and deletion of the Police Facility portion of the Property from the Property after the completion of the 2021 Project such that the Fire Facilities constitutes the Remaining Portion, provided that the City shall satisfy the following conditions precedent:

- the City shall file with the Authority and the Trustee a copy of a Lease Supplement which deletes the Police Facility from the Lease Agreement; and
- the City shall have delivered the Completion Certificate to the Trustee described in the Lease Agreement.

Effect of Release. Upon the satisfaction of all the conditions in the Lease Agreement for the release of the Police Facility, the Lease Agreement shall thereupon end as to the Released Portion and shall thereupon continue as to the Remaining Portion, and the Police Facility shall be released from the Lease Agreement and no longer form part of the Property thereunder without further act or deed of the City, the Authority, or the Trustee. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such deletion.

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

THE SERIES 2021A BONDS

General

The Series 2021A Bonds will be issued in fully registered form without coupons in denominations of integral multiples of \$5,000. The Series 2021A 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 2021A Bonds will be paid semiannually on May 1, 2022 and each December 1 and May 1 thereafter (each, an “**Interest Payment Date**”).

Interest on the Series 2021A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds. See “– Book-Entry Only System” below.

Redemption*

Optional Redemption. The Series 2021A 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 pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2021A 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 2021A 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 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Sinking Fund Redemption. The Series 2021A 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:

* Preliminary; subject to change.

***Sinking Fund Redemption Date
(November 1)***

***Principal Amount
To Be Redeemed***
\$_____

(maturity)

The Series 2021A 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 2021A Bonds are registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2021A Bonds. Ownership interests in the Series 2021A 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 2021A Bonds, all payments on the Series 2021A 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 2021A Bonds, references herein to the Owners of the Series 2021A 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 2021A Bonds nor notices concerning the Series 2021A 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 2021A BONDS

Pledge of Base Rental Payments

The Series 2021A 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 2021A 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 2021A 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 2021A 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, 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 2021A 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 2021 Insurer under the Indenture; and
- (f) all other payments required to be paid by the City under the provisions of this 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 and accounts. 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 2021A 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 2021A 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 2021A Bonds.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained, throughout the term of the Lease Agreement:

(1) 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 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 that 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 have been paid.

(2) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State 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 that such self-insurance complies with the provisions of the Lease Agreement.

(3) The City will maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All of the foregoing insurance may

be subject to a deductible in an amount not to exceed \$500,000. The foregoing obligations may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement. The City does not currently maintain earthquake insurance on the Property.

(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 the Base Rental Payments scheduled to be paid during any Rental Period. *The City is not permitted to self-insure its obligation to maintain rental interruption insurance.*

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 2021 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.

THE CITY

General

The City encompasses approximately 42.2 square mile and has an estimated population of 213,944 as of January 1, 2021. 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 4.4 million people.

The earliest recorded landowner in the Fontana area was Don Antonio Maria Lugo, who received a land grant in 1813. A second grant, in 1842, secured the land known as Rancho de San Bernardino for his sons. The Lugo sons sold a portion of their land, which included part of what is now Fontana, to a group of Mormon settlers in 1851. The Mormon settlers eventually returned to Salt Lake City, and the Semi-Tropical Land & Water Company gained control of the Rancho. Active development of the area, however, did not begin until the early 1900's when the Fontana Development Company acquired the acreage and began a community called Rosena - a name that was changed to Fontana in 1913.

Fontana quickly became a diversified agricultural area, with citrus, grain, grapes, poultry, and swine being the leading agricultural commodities. The community faced a transition beginning in 1942 when the Fontana area was selected as the site for a steel mill. Fontana incorporated in 1952 and the area became Southern California's leading producer of steel and steel related products.

The steel industry dominated the City's economy from the time the mill was built until the mid 1980's. In the late 1970's, however, Kaiser Steel began to cut down on production and manpower, and the steel mill closed in 1984. The mill site, located outside of City limits, is in the process of being developed into an integrated community of transportation-related industrial, commercial and business park uses to take advantage of the sites excellent highway and rail access. The plate steel and rolling mill plant was acquired by California Steel Industries, which continues to produce steel products. In addition, railroad and trucking operations and a number of industrial facilities and warehousing/distribution centers are located in Fontana because of its convenient geographical location and excellent transportation network.

Auto Club Speedway (formerly California Speedway) is a two-mile (3 km), low-banked, D shaped oval superspeedway in Fontana, California which has hosted NASCAR racing annually since 1997. The track was also used for open wheel racing events until 2005. The racetrack is located near the former locations of Ontario Motor Speedway and Riverside International Raceway. The track is currently owned and operated by International Speedway Corporation and is the only track owned by ISC to have naming rights sold. The speedway is served by the nearby Interstate 10 and Interstate 15 freeways as well as a Metrolink station located behind the backstretch.

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:

<u>Name and Office</u>	<u>Term Expires</u>
Acquanetta Warren, <i>Mayor</i>	November, 2022
Phillip Cothran, <i>Mayor Pro Tem</i>	November, 2022
Peter Garcia, <i>Council Member</i>	November, 2024
John Roberts, <i>Council Member</i>	November, 2022
Jesus "Jesse" Sandoval, <i>Council Member</i>	November, 2024

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.

Public Health Emergency – COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 (“**COVID-19**”) and local, state and federal actions in response to COVID-19, is having a significant impact on the economy and on the City’s operations and finances. On February 11, 2020, the World Health Organization (“**WHO**”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to a stark increase in unemployment across the County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be very significant for the City and the region’s economy. On June 8, 2020, the National Bureau of Economic Research announced that the United States of America officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

Since mid-March 2020, based on guidance and directives from the State and public health agencies, including the County have implemented and revised Shelter-in-Place (“**Shelter-in-Place**”) emergency orders or directives, which directed individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place orders or directives.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. According to the County, approximately 115,000 residents in the City, or 66% of residents ages 12 and older, were fully vaccinated as of September 13, 2021.

On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the “**CDC**”). Masks are still required on public transportation, in hospitals and jails, in schools and in other child care centers pending updated guidance from the CDC. Public health measures currently remain for events with 5,000 or more people indoors or 10,000 attendees or more outdoors, with vaccine verification recommended. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, remain in certain business settings and for certain industries.

The City initially closed certain non-essential functions of the City, while City Hall, Community Services Administration Office and public safety functions remained opened to service City residents and businesses. The City’s Building & Safety Department remained opened and continued to issue building permits and inspect unoccupied dwellings for the lots within the City. Other City Departments that serve businesses and residents within the City telecommuted and/or continued in-person work schedules to meet the needs of the community. City offices have begun to reopen in accordance with County Public Health Guidelines. Other public agencies serving the property and residents within the City may have taken similar actions in response to the COVID-19 pandemic, though the City can provide no assurance regarding the actions of any other public agencies.

While significant portions of the population of the State have been vaccinated, COVID-19 variants have resulted increased infection rates (the cumulative case count in the City according to the County is 44,025 as of September 1, 2021) and the imposition of certain restrictions on commercial and other activities.

Financial Impact on City. The COVID-19 pandemic has adversely impacted the financial condition of the City. Previous, existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment, with corresponding decreases in City revenues, as described below.

For Fiscal Year 2019-20, the City's General Fund revenues totaled approximately \$115 million, a decrease of \$2.1 million (or 1.8%) from Fiscal Year 2018-19. This decrease was primarily due to a decrease in the City's sales tax revenues of \$1.6 million and other revenues (consisting of charges for services, fines and forfeitures, interest revenue, and other revenue) of \$3.2 million due to Shelter-in-Place orders or directives that imposed operating restrictions on local businesses. The decreases in sales tax revenues and other revenues were partially offset by an increase in property tax revenues of \$2.5 million. The City's other tax revenues experienced mixed results with some (e.g. Franchise Taxes) not showing any harm from the Shelter-in-Place orders while others (e.g. Transient Occupancy Tax) being negatively impacted.

For Fiscal Year 2020-21, the City's General Fund revenues are estimated to total approximately \$141 million, an increase of approximately \$27 million (or 23%) from Fiscal Year 2019-20. This increase was primarily due to an increase of approximately \$8.5 million in sales taxes, an increase of approximately \$1 million in property taxes, an increase of approximately \$10.5 million in intergovernmental revenues, and an increase of approximately \$2.1 million in license and permit fees. The increase in intergovernmental revenues of \$10.5 million was due to one-time funding received from the State from its share of funding under the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**") in the amount of \$5.25 million, and funding under the federal Emergency Rental Assistance Program ("**ERAP**") established under the Consolidated Appropriations Act, 2021 in the amount of \$6.4 million, as described below.

On March 27, 2020, the \$2.2 trillion CARES Act was enacted which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by the COVID-19 pandemic. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic. As described above, the City received approximately \$5.25 million in CARES Act funds in fiscal year 2020-21 for direct and unbudgeted COVID-19 related expenses. Funds received by the City under the CARES Act are not available for payment of debt service on the Series 2021A Bonds and cannot be used to backfill City revenue losses related to the COVID-19 pandemic.

On December 27, 2020, the federal Consolidated Appropriations Act 2021 (the "**Appropriations Act**"), a \$900 billion COVID-19 relief bill, was signed into law and \$25 billion was allocated to the United States Treasury for the ERAP to assist households that are unable to pay rent or utilities due to the COVID-19 pandemic. Approximately \$1.4 billion was given directly to the State while the remaining balance was provided directly to local jurisdictions with populations above 200,000, including the City. To implement its funds from the Appropriations Act, the State passed Senate Bill 91, which was signed by the Governor on January 29, 2021 ("**SB 91**"). Under SB 91, local jurisdictions with populations above 200,000 were given the option to have their funds administered through the State-administered program with the California

Department of Housing and Community Development. In Fiscal Year 2020-21, the City received approximately \$6.4 million in Emergency Rental Assistance funds directly from the federal government, and a share of the State's Emergency Rental Assistance funds. The City subsequently remitted all such funds to the California Department of Housing and Community Development for administration in accordance with the State and federal law.

On March 11, 2021, the President of the United States signed the American Rescue Plan, a \$1.9 trillion economic stimulus package designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. The American Rescue Plan includes \$350 billion in unrestricted economic relief to states, counties, and local governments. On May 10, 2021, the U.S. Treasury Department released interim guidance for use of the American Rescue Plan funds, and specifically authorized, among other things, the use of funds to help offset revenue shortfalls caused by the pandemic. As of the date of this Official Statement, the City estimates it will receive a total of approximately \$50 million in funding under the American Rescue Plan. To date, the City has received approximately \$25 million of such funds and anticipates receiving a second installment in 2022. The City has not yet allocated such funding for specific purposes pending the release of final guidance from the United States government. See "CITY FINANCIAL INFORMATION – Budget Procedure, Current Budget and Historical Budget Information – 2021-2022 Adopted Budget"

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments' relief programs and the timing for the containment and treatment of COVID-19. Certain of the information in this Official Statement is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in unemployment levels. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City and the region. The ultimate impact of COVID-19 on the City's operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. See "BOND OWNERS' RISKS – Public Health Emergencies."

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, 2020 – 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 2019-20.

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 2021A Bonds will be paid from amounts in the General Fund. Information on the remaining governmental funds of the City as of June 30, 2020, 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 Management Services Director may, from time to time, make recommendations as to the level of reserve funds necessary for prudent fiscal management. Reserve levels are reviewed at least annually during the budget process to ensure that they are consistent with the conditions faced by the City.

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

Contingency Reserve. The City will maintain a contingency reserve of at least 15% 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 two 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 \$15.3 million as of June 30, 2020, or 15% of operating expenditures (excluding transfers out) adopted at the beginning of Fiscal Year 2019-20. The City estimates that the balance in the Contingency Reserve was approximately \$18.9 million as of June 30, 2021, or 15% of operating expenditures (excluding transfers out) adopted at the beginning of Fiscal Year 2020-21.

Economic Uncertainty Reserve. The City will strive to maintain an economic uncertainty reserve of at least 10% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of the fiscal year (the “**Economic Uncertainty Reserve**”). The primary purpose of this reserve is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget. The Economic Uncertainty Reserve may be increased from time to time in order to address specific anticipated revenue shortfalls (state actions, etc.). The balance in the Economic Uncertainty Reserve was approximately \$8.5 million as of June 30, 2020, or 7.4% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of Fiscal Year 2019-20. The City

estimates that the balance in the Economic Uncertainty Reserve was approximately \$8.5 million as of June 30, 2021, or 7.7% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of Fiscal Year 2020-21.

PERS Reserve. The City will maintain a reserve in order to smooth out fluctuations in contribution rates to the City's pension plans (the "**PERS Reserve**"). The PERS Reserve is funded by funding the PERS employer contributions at the average normal rate over the prior nine years (16% for miscellaneous employees and 34% for safety employees). Budgeted contributions that exceed actual contributions will increase the reserve amount; actual contributions that exceed the budgeted contributions will decrease the reserve amount. The balance in the PERS Reserve was approximately \$5.7 million as of June 30, 2020. The City estimates that the balance in the PERS Reserve was approximately \$5.9 million as of June 30, 2021.

Expenditure Control Budget Reserve. Expenditure control budgeting provides an incentive for departments to achieve efficiencies in providing funded service levels. At the end of each year, costs savings are calculated on a department-by-department basis and 50% of that amount is reserved on a departmental basis for one-time expenditures in future years ("**ECB Reserve**"). The use of ECB funds is subject to City Council approval. In connection with the City's Third Quarter Budget Review for Fiscal Year 2019-20, the City applied the entire balance in the ECB Reserve at such time (in the amount of approximately \$1.8 million) to partially offset projected losses to revenue due to the COVID-19 pandemic for such Fiscal Year. As a result, the balance in the ECB Reserve totaled zero dollars as of June 30, 2020. The City estimates that the balance in the ECB Reserve totaled zero dollars as of June 30, 2021.

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 2017 through 2020 based on the City's audited financial statements, and the estimated balances of such reserves and funds as of June 30, 2021.

**CITY OF FONTANA
GENERAL FUND RESERVES AND OTHER GENERAL FUNDS**

	<i>Fiscal Year Ended June 30</i>				
	2017	2018	2019	2020	2021*
General Fund Reserves					
Contingency Reserve ⁽¹⁾	\$12,931,000	\$13,557,000	\$14,670,000	\$15,297,000	\$15,884,000
Economic Uncertainty Reserve ⁽¹⁾	6,795,437	6,919,867	6,919,867	8,500,057	8,514,643
PERS Reserve ⁽²⁾	3,446,363	3,446,364	4,588,085	5,700,690	5,869,393
ECB Reserve ⁽²⁾	1,968,353	1,760,877	1,578,985	--	--
Total General Fund Reserves	\$25,141,153	\$25,684,108	\$27,756,937	\$29,835,142	\$30,268,036
Other General Funds ⁽³⁾					
City Technology ⁽⁴⁾	\$1,247,377	\$1,267,999	\$1,713,840	\$1,012,470	\$6,023,053
Facility Maintenance	1,076,270	577,476	571,076	795,745	824,685
Office of Emergency Services ⁽⁴⁾	44,791	33,797	13,817	(186,256)	460,260
Government Access/KFON	1,071,523	1,151,682	1,236,229	1,341,403	1,427,732
Self Insurance	578,183	2,280,791	1,677,263	5,317,375	8,198,625
Retiree Medical Benefits	23,075,417	23,788,029	24,671,256	25,330,509	25,588,232
Supplemental Retirement Plan	19,888	2,601	4,646	2,791	1,608
General Fund Operating Projects	103,991	66,398	65,536	104,210	291,795
Storm Water Compliance	192,435	195,366	169,300	139,642	209,680
Total Other General Funds ⁽⁴⁾	\$27,409,875	\$29,364,139	\$30,122,963	\$33,857,889	\$43,025,670
Total General Fund Reserves and Other General Funds	\$52,551,028	\$55,048,247	\$57,879,900	\$63,693,031	\$73,293,706

(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.

(4) The balance as of June 30, 2021, includes approximately \$3.7 million programmed to be spent in Fiscal Year 2021-22.

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 policy making. The budget is prepared according to fund, function (e.g., public safety), and department (e.g., police). Starting in Fiscal Year 2021-22, the City transitioned to 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 Management Services department is responsible for preparing the budget documents. The process begins in January with the budget "kick-off" meeting and 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 Management Services 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 Management Services.

Before requests are submitted to the City Manager, the Management Services Department reviews and analyzes all supporting documentation. Then, in April of each year, the City Manager and Management Services staff holds 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 Management Services Director 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, Management Services Director, 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.

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 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 Year 2020-21. The City Council adopted the City's operating budget for Fiscal Year 2020-21 (the "**2020-21 Adopted Budget**") on June 23, 2020. The 2020-21 Adopted Budget reflects a balanced General Fund budget. The 2020-21 Adopted Budget included revenue reductions related to COVID-19 and was balanced through operational savings, the deferral of projects, the one-time deferral of retiree medical contributions, and the judicious use of reserves. The 2020-21 Adopted Budget closed an estimated \$8.64 million deficit by implementing the following solutions: (i) a one-time deferral of the annual transfer to the Retiree Medical Fund of \$2.5 million for OPEB costs; (ii) a reduction in recurring capital reinvestment transfers including a \$1.5 million reduction in the pavement rehabilitation program; (iii) a reduction in the PERS Reserve of \$1.3 million; (iv) reductions in operating cost totaling \$2.55 million; and (v) a deferral of fleet costs of \$810,000. In connection with its First Quarter Budget Review for Fiscal Year 2020-21, the City determined that the revenue shortfall for Fiscal Year 2019-20 was not as significant as initially projected in the 2020-21 Adopted Budget when initially adopted. As a result, the City subsequently reversed the deferral of the annual transfer to the Retiree Medical Fund, the reduction in the PERS Reserve, and deferral of fleet costs described above. No reductions were made to full-time staff compensation or hours in connection with the 2020-21 Adopted Budget.

Adopted Budget for Fiscal Years 2021-23. The City Council adopted the City's operating budget for Fiscal Years 2021-22 and 2022-23 (the "**2021-23 Adopted Budget**") on June 8, 2021. The 2021-23 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 2021-23 Adopted Budget, General Fund revenues for Fiscal Year 2021-22 are projected to decrease by approximately \$18.8 million, or 13%, when compared to estimated General Fund revenues for Fiscal Year 2020-21. This \$18.8 million decrease is due primarily to decreases when compared to estimated General Fund revenues for Fiscal Year 2020-21 in intergovernmental revenues of approximately \$10.6 million, sales tax revenues of approximately \$4.3 million, and other revenues (including code enforcement fines, animal licenses, passport fees and other miscellaneous revenues) of approximately \$4.5 million. In particular, intergovernmental revenues for Fiscal Year 2020-21 were buoyed by federal and State funding totaling approximately \$11.65 million under the CARES Act and ERAP. Intergovernmental revenues for Fiscal Year 2021-22 are

budgeted to total approximately \$1.8 million, reflecting a lack of such one-time federal and State funding. Such decreases are projected to be offset by an increase in property tax revenue of approximately \$1.2 million reflecting an anticipated growth of 4% in assessed values, and an increase of approximately \$1.6 million in charges for services assuming City facilities and programs will be open for three quarters of Fiscal Year 2021-22.

With respect to expenditures, in the 2021-23 Adopted Budget, total General Fund expenditures are projected to increase approximately \$1.5 million, or 1%. In particular, City administration expenses are budgeted to decrease approximately \$6.8 million, reflecting the absence of one-time ERAP funding in Fiscal Year 2020-21 which was recognized as an expense when remitted to the California Department of Housing and Community Development for administration. Such decrease is projected to be offset by an increase in expenditures for police of approximately \$2.7 million, or 4%, reflecting increases in accordance with the City's contractual obligations, and an increase in community services expenditures of approximately \$5.3 million, or 40%, which assumes facilities and program will be open for three quarters of Fiscal Year 2021-22.

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 budget for such Fiscal Years and Fiscal Year 2021-22, and (iii) estimated results for General Fund revenues and expenditures for Fiscal Year 2020-21. 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 2018-19 through 2021-22

	Adopted Budget 2018-19	Audited 2018-19	Adopted Budget 2019-20	Audited 2019-20	Adopted Budget 2020-21	Estimated Actuals 2020-21 ⁽¹⁾	Adopted Budget 2021-22
Revenues:							
Taxes	\$80,916,569	\$86,352,956	\$82,454,700	\$87,885,403	\$92,571,500	\$98,045,049	\$93,331,550
Licenses and permits	5,045,610	5,636,425	5,514,100	5,719,326	6,267,080	7,829,003	6,692,600
Intergovernmental ⁽²⁾	2,663,620	1,909,338	1,654,440	1,392,634	12,367,803	11,915,314	1,790,800
Charges for services	12,596,240	13,696,836	12,227,513	11,933,119	11,446,500	11,412,991	13,062,370
Fines and forfeitures	793,000	959,977	788,450	730,726	824,600	683,508	737,300
Investment earnings	4,506,700	5,544,493	4,618,800	5,137,597	4,963,730	4,102,258	4,153,540
Other revenue ⁽³⁾	5,641,186	2,926,519	3,676,206	2,094,444	6,615,406	7,690,339	3,151,030
Total Revenues	\$112,162,925	\$117,026,544	\$110,934,209	\$114,893,249	\$135,056,619	\$141,678,462	\$122,919,190
Expenditures:							
Current:							
General government:							
City council and commissions	\$362,989	\$376,127	\$380,480	\$384,960	\$409,500	\$399,208	\$433,530
City administration	5,791,247	5,401,902	6,815,390	7,328,145	11,313,162	12,400,323	5,603,930
Management services	3,059,581	3,052,580	3,419,930	3,605,035	8,652,634	4,641,894	3,184,230
Information technology	9,109,022	7,104,651	9,843,112	8,333,508	12,996,002	7,741,927	8,736,410
Human resources	11,049,102	10,802,311	10,124,320	10,361,954	11,601,635	10,962,094	10,630,580
Public safety:							
Police	60,615,934	58,443,677	63,061,554	62,242,899	67,888,729	65,996,280	68,739,230
Public works	12,755,764	11,725,091	13,095,257	12,644,001	13,591,224	12,489,377	13,779,500
Community Development	4,720,912	4,270,709	4,471,298	4,260,620	4,799,098	4,605,468	4,553,400
Community services	12,777,199	12,123,507	11,684,495	10,827,166	10,194,695	7,880,062	13,223,370
Engineering	3,399,625	3,417,797	3,374,555	3,538,753	3,853,262	3,619,625	3,837,470
Capital Outlay	1,674,490	1,360,338	--	--	1,430,021	828,384	327,670
Total Expenditures	\$125,315,865	\$118,078,690	\$126,270,391	\$123,527,040	\$146,729,962	\$131,564,642	\$133,049,320
Revenues over (under expenditures)	(13,152,940)	(1,052,146)	(15,336,182)	(8,633,791)	(11,673,343)	10,113,820	(10,130,130)
Other Financing Sources (uses)							
Transfers in	\$30,521,755	\$15,780,326	\$31,183,546	\$16,100,667	\$14,833,810	\$15,078,405	\$15,367,770
Transfers out	(22,139,945)	(7,301,551)	(24,466,881)	(4,383,641)	(7,942,040)	(7,772,502)	(5,180,190)
Sale of capital assets	231,066	245,183	451,200	674,505	1,500	153,669	1,500
Total other sources (uses)	\$8,612,876	\$8,723,958	\$7,167,865	\$12,391,531	\$6,893,270	\$7,459,572	\$10,189,080
Net Change in Fund Balance	(4,540,064)	7,671,812	(8,168,317)	3,757,740	(4,780,073)	17,573,392	58,950
Fund Balance-beginning of year	87,046,294	87,046,294	94,718,106	94,718,106	98,475,846	98,475,846	116,049,238
Fund Balance-end of year	\$82,506,230	\$94,718,106	\$86,549,789	\$98,475,846	\$93,695,773	\$116,049,238	\$116,108,188

(1) Estimated; subject to change.

(2) Increase in Fiscal Year 2020-21 of approximately \$10.5 million is primarily due to the City's receipt of \$5.25 million in CARES Act funding and approximately \$6.4 million in ERAP funds. See "– Public Health Emergency – COVID-19 – Financial Impact on City."

(3) Includes code enforcement fines, animal licenses, passport fees and other miscellaneous revenues.

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Years 2018-19 and 2019-20; City of Fontana Adopted Budgets for Fiscal Years 2018-19, 2019-20, and 2020-21; and City of Fontana for estimated actuals for Fiscal Year 2020-21.

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, 2020, prepared by DavisFarr LLP, Irvine, California (the “**Auditor**”), is included as Appendix C to this Official Statement. The Auditor’s letter dated March 31, 2021 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 2015-16 through 2019-20.

Table 2
CITY OF FONTANA
General Fund Balance Sheets
Fiscal Years 22015-16 through 2019-20

	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
Assets:					
Cash and investments	\$48,470,510	\$52,222,070	\$50,395,831	\$60,783,731	\$64,089,478
Receivables:					
Accounts	2,164,635	2,161,379	3,467,019	2,381,914	2,297,648
Interest	126,693	139,212	201,296	282,043	178,668
Loans to Successor Agency	30,645,664	29,947,288	29,165,108	28,289,067	27,307,900
Allowance for doubtful accounts	(197,776)	(189,651)	(249,352)	(195,651)	(200,484)
Due from other funds	1,543,031	419,387	2,823,652	1,893,899	3,143,191
Due from other governments	11,477,345	7,831,411	6,702,265	8,195,823	8,873,464
Inventories	357,181	321,580	349,801	330,543	327,065
Deposits	71,842	74,327	115,038	63,175	69,025
Restricted assets:					
Cash with fiscal agent	376,900	376,900	376,900	376,900	376,900
Total Assets	\$95,036,025	\$93,303,903	\$93,347,558	\$102,410,444	\$106,462,755
Liabilities, Deferred Inflow of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$6,439,735	\$6,350,732	\$4,856,010	\$6,095,396	\$6,413,800
Deposits payable	302,783	308,938	302,741	484,830	526,500
Due to other governments	9,769	9,768	9,769	9,769	967
Total Liabilities	\$6,752,287	\$6,669,438	\$5,168,520	\$6,589,995	\$6,941,317
Deferred Inflows of Resources					
Unavailable Revenue	\$966,992	\$1,184,281	\$1,132,744	\$1,093,343	\$1,045,592
Total Deferred Inflows of Resources	\$966,992	\$1,184,281	\$1,132,744	\$1,093,343	\$1,045,592
Fund Balances					
Nonspendable	\$429,023	\$395,907	\$464,839	\$393,718	\$396,090
Restricted	1,087,820	1,071,523	1,151,682	1,236,229	1,341,403
Committed	4,726,998	5,414,716	5,207,240	6,167,070	5,700,690
Assigned	34,514,464	24,446,674	25,141,842	26,455,278	27,473,651
Unassigned	46,558,441	54,121,364	55,080,691	60,465,811	63,564,012
Total Fund Balances	\$87,316,746	\$85,450,184	\$87,046,294	\$94,718,106	\$98,475,846
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$95,036,025	\$93,303,903	\$93,347,558	\$102,401,444	\$106,462,755

Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2015-16 through 2019-20.

The following table shows the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2016-17 through 2020-21.

Table 3
CITY OF FONTANA
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2016-17 through 2020-21

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Estimated Actuals 2020-21⁽¹⁾
Revenues:					
Taxes	\$72,723,920	\$76,088,845	\$86,352,956	\$87,885,403	\$98,045,049
Licenses and permits	4,007,440	4,010,138	5,636,425	5,719,326	7,829,003
Intergovernmental	1,969,909	1,885,070	1,909,338	1,392,634	11,915,314
Charges for services	6,923,786	11,881,758	13,696,836	11,933,119	11,412,991
Fines and forfeitures	772,580	909,058	959,977	730,726	683,508
Investment earnings (Loss)	4,287,795	4,154,182	5,544,493	5,137,597	4,102,258
Other revenue	7,417,977	10,041,783	2,926,519	2,094,444	7,690,339
Total Revenues	\$98,103,407	\$108,970,832	\$117,026,544	\$114,893,249	\$141,678,462
Expenditures:					
Current:					
General government:					
City council and commissions	\$313,962	\$308,043	\$376,127	\$384,960	\$399,208
City administration ⁽²⁾	4,486,366	4,401,270	5,401,902	7,328,145	12,400,323
Management services	2,816,58	3,007,511	3,052,580	3,605,035	4,641,894
Information technology	5,664,826	6,637,647	7,104,651	8,333,508	7,741,927
Human resources	11,777,980	12,574,255	10,802,311	10,361,954	10,962,094
Public safety:					
Police	51,733,654	55,522,413	58,443,677	62,242,899	65,996,280
Public works	11,000,397	11,693,206	11,725,091	12,644,001	12,489,377
Community development	3,454,273	4,033,337	4,270,709	4,260,620	4,605,468
Community services ⁽³⁾	11,252,294	11,629,283	12,123,507	10,827,166	7,880,062
Engineering	2,662,868	2,938,713	3,417,797	3,538,752	3,619,625
Capital Outlay	678,838	267,635	1,360,338	--	828,384
Total Expenditures	\$105,841,916	\$113,013,313	\$118,078,690	\$123,527,040	\$131,564,642
Other Financing Sources (uses)					
Transfers In	\$12,942,747	\$12,956,086	\$15,780,326	\$16,100,667	\$15,078,405
Transfers out	(7,084,035)	(7,321,350)	(7,301,551)	(4,383,641)	(7,772,502)
Sale of capital assets	13,235	3,855	245,183	674,505	153,669
Total other sources (uses)	\$5,871,947	\$5,638,591	\$8,723,958	\$12,391,531	\$7,459,572
Net Change in Fund Balance	(1,866,562)	1,596,110	7,671,812	3,757,740	17,573,392
Fund Balance-beginning of year	87,316,746	85,450,184	87,046,294	94,718,106	98,475,846
Fund Balance-end of year	\$85,450,184	\$87,046,294	\$94,718,106	\$98,475,846	\$116,049,238

(1) Estimated; subject to change.

(2) Increase in Fiscal Year 2020-21 City administration expenses is due primarily to the recognition of the disbursement of approximately \$6.4 million in ERAP funds to the California Department of Housing and Community Development for administration. See "– Public Health Emergency – COVID-19 – Financial Impact on City."

(3) Decrease in Fiscal Year 2020-21 community services expenses is due primarily to the closure of recreation facilities as a result of Shelter-in-Place orders that were implemented in response to the COVID-19 pandemic.

Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2015-16 through 2019-20.

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 2021-22, 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 XIIC and Article XIID.”

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

Revenue Source	Audited FY 2016-17	Audited FY 2017-18	Audited FY 2018-19	Audited FY 2019-20	% of Total ⁽¹⁾	Estimated FY 2020-21 ⁽²⁾	Adopted Budget 2021-22
Sales Taxes	\$37,844	\$38,664	\$44,561	\$42,959	37.39%	\$51,408	\$47,130
Property Taxes	21,854	23,802	27,251	29,741	25.89	30,753	31,982
Business license taxes	5,714	5,898	6,420	6,280	5.47	6,753	6,070
Transient occupancy taxes	961	1,010	1,085	960	0.84	800	900
Franchise Taxes	6,135	6,715	7,034	7,946	6.92	8,330	7,250
Charges for Services	6,924	11,882	13,697	11,933	10.39	11,413	13,062
Investment earnings	4,288	4,154	5,544	5,138	4.47	4,102	4,154
Other Revenue Sources ⁽³⁾⁽⁴⁾	14,383	16,846	11,432	9,936	8.65	28,119	12,371
Total	\$98,103	\$108,971	\$117,027	\$114,893	100.00%	\$141,678	\$122,919

(1) Reflects percentage of total Fiscal Year 2019-20 General Fund revenues.

(2) Estimated; subject to change.

(3) “Other Revenues Sources” consist of license and permit fees, intergovernmental revenues, fines and forfeitures, and other revenues. See Table 1.

(4) Increase in estimated “Other Revenue Sources” for Fiscal Year 2020-21 of approximately \$18 in million is due primarily to increases in (i) intergovernmental revenues of approximately \$10.5 million, (ii) licenses and permits fees of \$2.1 million, and (iii) other revenues (including code enforcement fines, animal licenses, passport fees and other miscellaneous revenues) of approximately \$5.6 million. See Table 1.

Source: City of Fontana.

Sales and Use Taxes

General. A sales and use tax is imposed on retail sales or consumption of personal property. 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 2015-16 through 2019-20, comprising approximately 37% of the City’s total General Fund revenues for Fiscal Year 2019-20. In Fiscal Year 2019-20, the City’s sales tax revenues totaled approximately \$43 million, a decrease of approximately 4% compared to sales tax revenues of approximately \$44.5 in Fiscal Year 2018-19. The City estimates sales tax revenues will total approximately \$51 million in Fiscal Year 2020-21.

Based on the 2021-23 Adopted Budget, the City’s sales tax revenues are projected at \$47.1 million for Fiscal Year 2021-22. The phased re-opening under the Blueprint for a Safer Economy ended with a full reopening of the economy on June 15, 2021. Such budgeted revenues assume a full reopening of the economy. See “PUBLIC HEALTH EMERGENCY – COVID-19.”

The City’s sales 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. The local sales tax rate in the City is 7.75%, of which the City is allocated 1%. 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	0.25
Special Tax	1.50
Total	7.75%

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.

Effective April 2, 2020, pursuant to Executive Order N-40-20, the State is allowing small business taxpayers (i.e., those with less than \$5 million in taxable annual sales), to participate in a 12-month, interest-free, payment plan for up to \$50,000 of sales and use tax liability. See "BOND OWNERS' RISKS – Public Health Emergencies– Collection of Taxes" for a discussion of Executive Order N-40-20. However, to date, the City has not experienced any significant delays in the receipt of sales tax revenues resulting from this order.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2016 through 2020 is shown in the following table.

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

Business	2016	2017	2018	2019	2020
Motor Vehicle and Parts Dealers	\$861,239	\$924,978	\$893,419	\$907,548	\$952,097
Home Furnishings and Appliance Stores	25,691	25,602	39,858	36,394	56,200
Building Material, Garden Equip & Supplies	186,038	208,056	239,924	242,132	300,895
Food and Beverage Stores	121,793	129,012	134,221	137,556	159,406
Gasoline Stations	273,560	303,795	364,962	362,083	293,760
Clothing and Clothing Accessories Stores	86,412	87,858	108,442	113,897	103,093
General Merchandise Stores	262,012	269,230	342,570	355,548	338,935
Food Services and Drinking Places	280,690	302,987	313,274	324,856	318,157
Other Retail Group	238,217	217,612	213,335	208,584	245,737
Total Retail and Food Services	2,335,650	2,469,130	2,650,006	2,688,599	2,768,279
All Other Outlets	799,141	872,771	946,715	1,024,887	868,856
Total All Outlets	\$3,134,792	\$3,341,901	\$3,596,722	\$3,713,487	\$3,637,135

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 2015-16 through 2019-20, comprising approximately 26% of the City's total General Fund revenues for Fiscal Year 2019-20. 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 \$30.5 million for Fiscal Year 2020-21. Based on the 2021-23 Adopted Budget, the City's property tax revenues are projected at \$32 million for Fiscal Year 2021-22.

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. In addition, if unemployment and reduced economic activity generally is a sustained consequence of the COVID-19 pandemic through multiple fiscal years, a combination of property tax payment delinquencies 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 2019-20, the City received VLF revenues and property tax revenues in lieu of VLF totaling approximately \$167,850, representing approximately 0.07% percent of the City's General Fund revenues for Fiscal Year 2019-20. Based on the 2020-21 Adopted Budget, the City's VLF revenues are estimated at \$1.0 million, representing approximately 0.9% of the City's total budgeted General Fund revenues for Fiscal Year 2020-21.

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.

In response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-61-20 on May 6, 2020. Executive Order N-61-20 waives penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions. The waiver of late payment penalties and resulting property tax delinquencies could have an adverse impact on the timely payment of property taxes with respect to property in the City. The City cannot predict whether the COVID-19 pandemic will have an effect on the remittance by the County of the City's property tax revenues. However, to date, the City has not experienced any significant declines in property tax revenues resulting from the County's potential waiver of late payment penalties. See “BOND OWNERS' RISKS – Public Health Emergencies” for a discussion of Executive Order N-61-20.

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 XIII A 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 XIII A (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 2011-12 through 2021-22.

Table 7
CITY OF FONTANA
Assessed Value of Taxable Property
Fiscal Years 2010-11 through 2021-22

Fiscal Year	Secured Property	Secured Utility	Unsecured Property	Total Taxable Assessed Value	% Change
2011-12	\$12,705,094,184	\$15,464	\$722,983,826	\$13,428,093,474	--
2012-13	12,874,223,021	15,464	722,039,162	13,596,277,647	1.25%
2013-14	13,272,989,616	15,464	715,586,780	13,988,591,860	2.89
2014-15	14,494,680,306	15,464	729,784,787	15,224,480,557	8.83
2015-16	15,230,715,550	--	751,391,092	15,982,106,642	4.98
2016-17	16,070,278,526	--	748,882,833	16,819,161,359	5.24
2017-18	16,955,778,326	--	765,457,641	17,721,235,967	5.36
2018-19	18,862,249,407	--	804,180,873	19,666,430,280	10.98
2019-20	20,266,174,605	--	893,910,309	21,160,085,508	7.59
2020-21	21,549,068,307	--	954,475,194	22,503,543,501	6.30
2021-22	23,070,587,354	--	955,113,724	24,025,701,078	6.76

(1) “Other Property” includes recreational, institutional, vacant, and miscellaneous property.
Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Year 2019-20.

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 2021A Bonds.

Property Tax Levies and Collections. The following table shows secured property tax levies and tax collections for Fiscal Years 2015-16 through 2019-20. 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	Tax Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2015-16	\$113,506,111	\$111,597,786	98.32%	\$3,831,683	\$115,429,469	101.69%
2016-17	119,654,563	119,603,224	99.96%	4,854,405	124,457,629	104.01%
2017-18	127,184,740	125,598,821	98.75%	9,181,081	134,779,902	105.97%
2018-19	142,694,316	143,337,907	100.45%	9,872,337	153,210,244	107.37%
2019-20	154,229,189	150,597,488	97.65%	8,429,212	159,026,700	103.11%

(1) Includes property taxes collected in the former project areas of the City’s former redevelopment agency.
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 2021-22 tax roll, are set forth in the following table.

Table 9
CITY OF FONTANA
Top Ten Taxpayers Based on Assessed Value
Fiscal Year 2021-22

Property Owner	Taxable Assessed Value	% of Total
1. Duke Realty LP	\$188,679,125	0.79%
2. GLC Fontana LLC	168,685,357	0.70
3. San Gabriel Valley Water Company	144,589,954	0.60
4. Vintage Park East LLC	135,437,610	0.56
5. Target Corporation	129,474,525	0.54
6. Northwestern Mutual Life Insurance Co	110,338,280	0.46
7. Fairfield Potomac Club LLC	109,687,838	0.46
8. 10825 Production Owner LLC	105,633,138	0.44
9. Citrus Avenue LLC	99,271,641	0.41
10. DCT Jurupa Ranch LLC	99,192,276	0.41
TOTAL	\$1,290,989,744	5.37

Source: San Bernardino County Assessor.

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 2015-16 through 2019-20, comprising approximately 11% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's charges for services are estimated to total \$11.4 million for Fiscal Year 2020-21, a decrease of approximately \$520,000 (or less than 1%) when compared to Fiscal Year 2019-20. The decrease for charges for services experienced in Fiscal Year 2020-21 is primarily due to the closure of recreation facilities as a result of Shelter-in-Place orders that were implemented in response to the COVID-19 pandemic. Based on the 2021-23 Adopted Budget, the City's property tax revenues are projected at \$13 million for Fiscal Year 2021-22.

Franchise Taxes

The City levies a franchise fee on its cable television, trash collection, utility franchises, taxi cabs, natural gas piping and ambulance service. As shown in Table 4, franchise taxes represented the fourth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 7% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's franchise taxes are estimated to total \$8.3 million for Fiscal Year 2020-21. Based on the 2021-23 Adopted Budget, the City's franchise taxes are projected to remain at \$7 million for Fiscal Year 2021-22.

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 fifth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 5.5% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's business license taxes are estimated to total \$6.7 million for Fiscal Year 2020-21.

Long-Term General Fund Obligations

In addition to the Series 2021A 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 2019-20 audited financial statements included in Appendix C.

2010 Bonds. The 2010 Bonds are outstanding in the aggregate principal amount of \$4,995,000. A portion of the proceeds of the Series 2021A Bonds will be used to refinance all of the outstanding 2010 Bonds. See "FINANCING PLAN – Refinancing of 2010 Bonds."

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 \$28,980,000. The 2014 Bonds pay interest semi-annually at rates ranging from 3.875% to 5.000% and finally mature on September 1, 2037.

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 \$3.2 million as of June 30, 2021.

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 1, 2021. 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

2020-21 Assessed Valuation: \$24,025,701,078

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/21</u>
Metropolitan Water District	0.56%	\$151,321
Chaffey Community College District	15.404	48,598,080
San Bernardino Community College District	3.597	25,114,330
Chaffey Joint Union High School District	7.590	39,127,720
Colton Joint Unified School District	18.461	34,917,627
Fontana Unified School District	77.817	209,529,930
Rialto Unified School District	7.000	6,574,828
Etiwanda School District	29.431	25,633,447
Colton Joint Unified School District Community Facilities District No. 3	100.000	5,205,000
Etiwanda School District Community Facilities District No. 4	100.000	1,640,000
Etiwanda School District Community Facilities District No. 7	74.583	5,668,308
Etiwanda School District Community Facilities District No. 8	35.493	1,483,607
Etiwanda School District Community Facilities District No. 9	30.332	2,130,823
Etiwanda School District Community Facilities District No. 2001-1	100.000	2,665,000
Etiwanda School District Community Facilities District No. 2004-1 I.A. No. 1 & 2	100.000	18,275,000
City of Fontana Community Facilities Districts	100.000	<u>154,275,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$580,990,021
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	8.990%	\$19,247,141
San Bernardino County Pension Obligation Bonds	8.990	10,773,167
San Bernardino County Flood Control District General Fund Obligations	8.990	4,025,722
Chaffey Community College District General Fund Obligations	15.404	4,457,147
Fontana Unified School District Certificates of Participation	77.817	17,205,339
Rialto Unified School District Certificates of Participation	7.000	760,800
Cucamonga School District Certificates of Participation	5.237	220,321
City of Fontana General Fund Obligations	100.000	<u>36,185,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$92,874,637
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	3.789 - 100.00%	\$200,491,762
COMBINED TOTAL DEBT		\$874,356,420 ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.42%
Total Direct Debt (\$36,185,000)	0.15%
Combined Total Debt	3.64%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$16,841,940,620):

Total Overlapping Tax Increment Debt	1.19%
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(1) Excludes the Series 2021A 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 at June 30, 2020, 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% @ 55
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%	7%
To be paid by employee	3%	8%
To be paid by the city	5%	--
Required employer contribution rates	9.032%	9.032%

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

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%	9%	--
To be paid by employee	--	9%	50% of Normal Costs
To be paid by the city	9%	--	--
Required employer contribution rates	19.221%	19.221%	19.221%

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

Employees Covered. As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms of each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	452	171
Inactive employees entitled to but not yet receiving benefits	877	66
Active employees	560	185
Total	1,889	422

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

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 2021 (Classic and PEPRA members)**

	<i>Classic</i>	<i>PEPRA</i>
Maximum Pensionable Income	\$290,000	\$153,671 ⁽¹⁾

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$128,059.

Source: CalPERS Payroll Circular Letter dated January 6, 2021.

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 liability 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 2020-21, 2021-22 and 2022-23 are as follows:

	<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>		<u>Fiscal Year 2022-23</u>	
	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	9.377%	\$4,533,202	9.32%	\$5,259,122	9.21%	\$5,888,855
Safety	20.212	7,560,381	19.78	9,161,493	19.40	10,112,558

Source: CalPERS Actuarial Reports dated July 2019, July 2020 and July 2021.

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 2020-21, 2021-22, and 2022-23 are as follows:

	<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>		<u>Fiscal Year 2022-23</u>	
	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll
Miscellaneous Plan	\$7,625,280	23.124%	\$8,379,489	25.03%	\$8,911,893	27.15%
Safety	12,327,158	52.269	13,997,699	57.25	14,894,025	60.43

Source: CalPERS Actuarial Reports dated, July 2019, July 2020 and July 2021.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2022-23 and projected employer contributions (before cost sharing) for Fiscal Years 2023-24 through 2027-28 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 7.00% annual rate of return for Fiscal Year 2020-21 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 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	9.21%	9.1%	8.9%	8.8%	8.6%	8.5%
UAL Payment	\$5,888,855	\$6,385,000	\$6,891,000	\$6,651,000	\$6,529,000	\$6,693,000

Safety Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	19.41%	19.0%	18.7%	18.3%	18.0%	17.6%
UAL Payment	\$10,112,558	\$10,860,000	\$10,371,000	\$10,873,000	\$11,282,000	\$11,553,000

Source: CalPERS Actuarial Reports dated July 2021.

As previously described, the City maintains the PERS Reserve to smooth out fluctuations in contribution rates to the Plans. The City estimates that the balance in the PERS Reserve was approximately \$5.9 million as of June 30, 2021. See "CITY FINANCIAL INFORMATION – Reserve Policy" for additional information regarding the PERS 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 2017 through 2020.

Valuation Date Ended June 30	Accrued Liability	Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2017	\$191,680,403	\$141,378,443	\$50,301,960	73.8%	\$28,422,636
2018	213,651,602	152,866,595	60,785,007	71.5	30,397,711
2019	226,342,282	162,956,072	63,386,210	72.0	30,863,432
2020	237,405,409	170,257,751	67,147,658	71.7	30,257,878
Safety Plan					
2017	\$245,301,981	\$153,671,261	\$91,630,720	62.6%	\$21,199,743
2018	272,946,997	167,117,927	105,829,070	61.2	21,740,521
2019	293,427,471	178,353,600	115,073,871	60.8	22,538,914
2020	308,930,382	187,000,928	121,929,454	60.5	22,720,292

(1) Based on the market value of assets.

Source: CalPERS Actuarial Reports Dated July 2021.

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, 2020 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2022-23. 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 \$58 million and \$103 million, respectively, measured as of June 30, 2019, using an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. For the year ended June 30, 2020, the City recognized pension expense of \$11,682,701 for the Miscellaneous Plan and \$14,882,930 for the Safety Plan.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability at June 30, 2019 with respect to the Plans was 7.15%. 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

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net Pension Liability	\$90,598,614	\$58,412,371	\$32,095,569

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

Safety Plan

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase 8.15%)</u>
Net Pension Liability	\$144,671,169	\$102,988,735	\$69,069,747

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

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. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00%. While CalPERS has not officially announced plans to reduce the discount rate further at this time, a reduction to 6.8% is anticipated in Fall 2021.

Investment Performance. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% 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 21.3% investment return for Fiscal Year 2020-21.

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, 2020 – 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, 2019 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, 2019, there were 242 inactive employees or beneficiaries currently receiving benefits and 557 active employees.

Contributions. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2020, the City's cash contributions were \$2,370,000 in the form of current premiums, which is funded through the General Fund, and the estimated implied subsidy was \$755,988 resulting in total payments of \$3,125,988.

Total OPEB Liability. As of the June 30, 2019 measurement date, the City's total OPEB liability (and its net OPEB liability) was approximately \$66.3 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, 2019:

	Discount Rate – 1% 2.51%	Current Discount Rate 3.51%	Discount Rate + 1% 4.51%
Net OPEB Liability	\$76,262,603	\$66,321,967	\$58,299,697

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

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, 2020, the City recognized OPEB expense of \$1,355,578. As of fiscal year ended June 30, 2020, 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	\$2,912,729	\$ --
Total	\$2,912,729	\$ --

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

The \$2,912,729 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2020.

See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 – 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, 2019 measurement date.

Employee Relations

The City had 605 authorized positions at the beginning of Fiscal Year 2021-22. 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

<u>Labor Group</u>	<u>Number of Budgeted Employees</u>	<u>Contract Expiration Date</u>
Management Confidential	101	06/30/21 ⁽¹⁾
Police Management	33	06/30/23
Police Officers	173	06/30/22
City Hall	132	06/30/21 ⁽¹⁾
City Yard	67	06/30/20 ⁽¹⁾
Police Benefit	80	06/30/21

(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 bi-annual operating budget. The CIP is used as a planning tool and identifies the City’s capital improvement needs. The 2021-23 Adopted Budget includes a CIP budget for Fiscal Years 2021-22 through 2027-28 (as so adopted, the “**2021-2028 CIP Budget**”). The 2021-28 CIP Budget is

\$806.8 million and includes more than 140 projects. Of such total, the 2021-28 CIP Budget includes \$26.7 million in capital projects for Fiscal Year 2021-22 and \$10.1 million for Fiscal Year 2022-23. The greatest funding needs in the 2021-28 CIP Budget relate to street improvements, representing approximately 45% of the total funding needs. Nearly all such street improvement projects are slated as future projects.

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.

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 May 25, 2021. 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 Management Services Director or designee. At least quarterly, the Investment Review Committee, consisting of the City Treasurer, Management Services Director/Deputy City Treasurer, Budget Manager and Accounting Manager, 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. At least twice a year, these meetings shall include a representative at the partner or manager level from the City's external auditing firm.

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, 2021, are set forth in the following table:

Table 11
CITY OF FONTANA
Investment Portfolio as of June 30, 2021

Investment Type	Cost Basis	Market Value	% of Total Market Value
Sweep Account MM	\$ 10,260,788.62	\$ 10,260,788.62	2.29%
U.S. Treasuries	202,672,218.15	202,628,856.24	45.16%
Agency Securities	56,955,300.00	56,607,020.00	12.62%
Corporates	24,291,056.95	25,275,074.58	5.63%
Asset Backed Securities	1,129,778.79	1,129,778.79	0.25%
CDs and BAs	4,349,910.00	4,348,593.00	0.97%
Local Agency Investment Fund	148,442,629.49	148,454,945.77	33.09%
Total	\$448,101,682.00	\$448,705,057.00	100.00%

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. At the time the State's Fiscal Year 2020-21 budget was adopted, the State projected a \$54.3 billion deficit, primarily due to the COVID-19 pandemic. Due primarily to higher than expected personal income tax receipts, the Legislative Analyst's Office has indicated that the State may receive approximately \$26 billion more revenue than projected for Fiscal Year 2020-21. However, the ultimate impact of the COVID-19 pandemic on the State's finances is uncertain and State budget deficits may continue in future years. 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 XIII A of the California Constitution. Article XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A 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 XIII A.

Articles XIII C and XIII D 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 XIII C and XIII D 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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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 XIII C 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 XIII C 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 XIII D 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 XIII D, 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 XIII C 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 XIII C 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 XIID 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 XIID.

Impact on City's General Fund. The approval requirements of Articles XIIC and XIID 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 XIIC and XIID 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 XIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, 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 XIIB 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 XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the 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 XIII A, XIII B, XIII C and XIII D 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 2021A Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Series 2021A Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Series 2021A Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Series 2021A Bonds. There can be no assurance that other considerations will not materialize in the future.

Limited Obligations

The Series 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds during the period of such abatement. See “SECURITY FOR THE SERIES 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds. If the award is less than the amounts remaining on such Outstanding Series 2021A Bonds, then the Owners will be paid less than the amounts remaining on such Outstanding Series 2021A 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 2021A 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 2021A 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 2021A 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 its 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 2021A Bonds and the enforceability of the Authority's obligation to make payments on the Series 2021A 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 2021A Bonds. In a bankruptcy of the City, the Authority or the Trustee as its assignee and the owners of the Series 2021A 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 2021A Bonds. As a result, Owners may experience temporary or permanent delays in the payment of the Series 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds could be substantially limited. An allowable claim could be substantially less than the amount of the Series 2021A Bonds outstanding, resulting in the owners of the Series 2021A Bonds suffering a substantial loss.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Series 2021A 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 2021A 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 XIII B 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 XIII C and Article XIII D 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 XIII C and Article XIII D 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 XIII C and Article XIII D 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 XIII C and Article XIII D 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 XIII C and Article XIII D 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 2021A 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 2021A Bonds may decline. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations" and "SECURITY FOR THE SERIES 2021A 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 2021A Bonds when due.

Reduction in Inflationary Rate. Article XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A.

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

General. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City’s operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described in this Official Statement. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City’s operations and finances.

Collection of Taxes. On March 30, 2020, the Governor issued Executive Order N-40-20, which delayed the deadline for the filing and payment of sales and use taxes by 90 days for all but the largest taxpayers. Under Executive Order N-40-20 and a subsequent notice from the California Department of Tax and Fee Administration, businesses with less than \$5 million in taxable annual sales are authorized to defer up to \$50,000 in sales tax and enter into a 12-month,

zero interest payment plan. The Governor has also issued an Executive Order for waivers of late penalties on property taxes. Such efforts to relieve the financial impact of the COVID-19 pandemic on taxpayers have not resulted in significant delays in revenue collection by the City.

On May 6, 2020 in response to the COVID-19 pandemic, the Governor issued Executive Order N-61-20 to allow qualified taxpayers to request relief of penalties on property taxes for owner occupied residential real property and real property owned and operated by a taxpayer that qualifies as a small business under the Small Business Administration's Regulations, Code of Federal Regulations Title 13, section 121.201. To be eligible for penalty relief taxpayers must fall into one of two categories: (i) owner occupied residential real property; or (ii) real property owned and operated by a taxpayer qualified as a small business. For homeowners requesting penalty relief on property taxes for a residential real property that the homeowner occupies, the homeowner may qualify for penalty relief if all of the following are true: (i) taxes on real property were current as of March 4, 2020; (ii) the homeowner was unable to pay on time and that inability was due to a COVID-19 pandemic related impact; (iii) the homeowner was able to submit payment of the original tax amount due with the request for relief; and (iv) the homeowner's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the homeowner satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and must provide documentation to support the request.

To be eligible for penalty relief for real property owned and operated by a taxpayer as a qualified small business, the taxpayer may qualify for penalty relief if all of the following are true: (i) taxes on the real property were current as of March 4, 2020; (ii) the business was unable to pay on time and that inability was due to a COVID-19 related impact; (iii) the taxpayer is able to submit payment of the original tax amount due with the request for relief; and (iv) the taxpayer's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the taxpayer satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and will need to provide documentation to support their request.

The negative impacts from the COVID-19 pandemic on the City's revenues in Fiscal Year 2019-2020 and 2020-2021 are anticipated to continue into Fiscal Year 2021-2022 and potentially several Fiscal Years beyond depending on the pace of recovery of the local economy to the levels which existed prior to the outbreak of the COVID-19 pandemic. See "CITY FINANCIAL INFORMATION" herein.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2019-20, 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. Most recently, the City's collection of sales tax revenues has been impacted by the COVID-19 pandemic. 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 XIIC and Article XIID.”

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 2008 High Fire Hazard Severity Zones as being very susceptible to wildfires. 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.

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.

In May 2021, a public facing web server of the City that was responsible for building permit and inspection scheduling was compromised. The system contained vendor and database account credentials that were promptly changed. An investigation revealed that the credentials had not been used since the compromise and that changing the credentials prevented any further unauthorized access. All traces of the compromise were removed. Mitigation measures, including a web application firewall and Secure Sockets Layer decryption, were put into place to prevent future compromises and additional prevention measures have been implemented. No data was lost and no damage to any systems, financial or otherwise, occurred. There were no costs associated with remediation.

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 2021A 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 2021A 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2021A 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 on the Series 2021A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds is based upon certain representations of fact and certifications made by the City, the Authority and others and is subject to the condition that the City and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021A Bonds to assure that interest on the Series 2021A 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 on the Series 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021A Bonds. The City and the Authority have covenanted to comply with all such requirements.

The amount by which a Series 2021A Bond Owner's original basis for determining loss on sale or exchange in the Series 2021A Bonds (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 2021A Bond Owner's basis in the Series 2021A Bond (and the amount of tax-exempt interest received with respect to the Series 2021A 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 2021A Bond Owner realizing a taxable gain when a Series 2021A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2021A Bond to the Owner. Purchasers of the Series 2021A 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 2021A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2021A Bonds might be affected as a result of such an audit of the Series 2021A 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 2021A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2021A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2021A 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 2021A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2021A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2021A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2021A 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 2021A 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 2021A 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 2021A 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 for federal income tax purposes with respect to any Series 2021A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the Series 2021A Bonds and the accrual or receipt of interest on the Series 2021A 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 the Series 2021A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2021A Bonds.

Should interest on the Series 2021A Bonds become includable in gross income for federal income tax purposes, the Series 2021A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

The form of Bond Counsel's proposed opinion with respect to the Series 2021A Bonds is set forth in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2021A Bonds and certain other legal matters are subject to the approving opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 2021A 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, A Professional Law Corporation, 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 2021A 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 2021A 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 2021A Bonds. A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic on the City, could have an adverse impact on the rating of the Series 2021A Bonds, and there is no assurance that any credit rating that is given to the Series 2021A 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 2021A Bonds will not change during the period that the Series 2021A Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Series 2021A Bonds may have an adverse effect on the market price of the Series 2021A 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 2021A 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 2021A 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 2021A Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Series 2021A Bonds after the initial issuance of the Series 2021A Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the Series 2021A 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, 2022 with the report for the fiscal year ending June 30, 2021, 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, 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. Additionally, 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 2021A 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 2021A Bonds at a purchase price of \$_____ (which is equal to the par amount of the Series 2021A Bonds, less an underwriter's discount of \$_____).

The Underwriter may offer the Series 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds.

The City also notes that the below information is the latest available but does not in any instance reflect the impact of the COVID-19 pandemic. See the Official Statement under the caption “THE CITY – Public Health Emergency – COVID-19.” Accordingly, the historical information below does not necessarily reflect present economic conditions and future information could be significantly different from the historical information below.

General

Founded in 1913, the City is the second largest city in the County 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 6.69% from 2013 to 2021. The population growth in the City, County and State is shown on the following chart.

POPULATION ESTIMATES City of Fontana, County of San Bernardino and State of California 2013-2021

Year⁽¹⁾	City of Fontana	County of San Bernardino	State of California
2013	200,522	2,084,443	38,269,864
2014	201,790	2,094,951	38,556,731
2015	203,790	2,112,187	38,865,532
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	213,944	2,175,909	39,466,855

⁽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 LA/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 AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport.

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. LA/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 5.5 million passengers used the airport in 2019, 9.1 % more than the same period in 2018, and over 781,000 tons of air freight were shipped, an increase of 4.1% 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”). The unemployment rate in the MSA was 7.9% in June 2021, up from a revised 7.2% in May 2021, and below the year-ago estimate of 13.3%. This compares with an unadjusted unemployment rate of 8.0% for California and 6.1% for the nation during the same period. The unemployment rate was 8.0% in the County.

The table below list employment by industry group for calendar years 2016 through 2020. Annual figures are not yet available for calendar year 2021.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA Annual Average Civilian Labor Force, Employment and Unemployment by Industry (March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	1,981,900	2,014,300	2,045,200	2,070,700	2,073,900
Employment	1,863,600	1,910,800	1,957,200	1,986,100	1,872,600
Unemployment	118,300	103,500	88,000	84,600	201,300
Unemployment Rate	6.0%	5.1%	4.3%	4.1%	9.7%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,600	14,500	14,500	15,400	13,900
Mining, Logging and Construction	92,900	98,400	106,400	108,400	106,200
Manufacturing	97,500	98,000	99,800	100,600	94,300
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Finance and Insurance	27,100	26,300	25,300	24,800	24,500
Real Estate and Rental and Leasing	17,900	18,400	19,300	20,200	19,100
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Educational and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Federal Government	20,400	20,600	20,700	21,100	22,200
State Government	29,700	30,400	30,600	31,100	31,100
Local Government	192,200	200,100	205,900	209,000	195,900
Total, All Industries ⁽³⁾	1,416,000	1,467,300	1,520,500	1,567,500	1,501,800

(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: Labor Division of the California State 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, 2020.

CITY OF FONTANA Principal Employers As June 30, 2020

Employer	Number of Employees	Percent of Total Employment
Kaiser Hospital & Med. Group	6,248	6.37%
Fontana Unified School District	5,898	6.01
Amazon.com Services LLC	3,008	3.07
City of Fontana (includes part time employees)	995	1.01
Estes West	352	0.36
Water of Life Community Church	300	0.31
Saia Motor Freight Line LLC	289	0.29
Schlosser Forge Company	287	0.29
Walmart Store #1756	286	0.29
Costco Wholesale #627	275	0.28
Crown Technical Systems	275	0.28
Total Employment Listed ⁽¹⁾	18,213	18.57%

(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, 2020.

The following table lists, in alphabetical order, the largest manufacturing and non-manufacturing employers within the County as of August 2021.

COUNTY OF SAN BERNARDINO
Major Employers
As of August 2021
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
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
Big Bear Mountain Resorts	Big Bear Lake	Resorts
Burlington Distribution Ctr	San Bernardino	Distribution Services
California State Univ Sn	San Bernardino	Schools-Universities & Colleges Academic
Community Hospital-Sn Brnrdn	San Bernardino	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Inland Empire Health Plan	Rancho Cucamonga	Health Plans
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
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	County Government-General Offices
St Bernardine Medical Ctr	San Bernardino	Hospitals
St Mary's Medical Ctr	Apple Valley	Hospitals
Transportation Department	San Bernardino	State Government-Transportation Programs
YRC Freight	Bloomington	Trucking-Motor Freight

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2021 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 for the City, the County, the State and the United States for the period 2017 through 2021:

CITY OF FONTANA, COUNTY OF SAN BERNARDINO STATE OF CALIFORNIA AND THE UNITED STATES Effective Buying Income 2017 through 2021

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Fontana	\$3,554,839	\$59,974
	County of San Bernardino	40,600,305	50,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	City of Fontana	\$3,554,839	\$59,974
	County of San Bernardino	40,600,305	50,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fontana	\$3,757,992	\$62,184
	County of San Bernardino	42,984,313	52,631
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Fontana	\$4,061,271	\$65,368
	County of San Bernardino	46,025,841	56,502
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
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

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

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 2020 in the City were reported to be \$3,615,020,725, a 2.27% decrease from the total taxable sales of \$3,698,999,720 reported during calendar year 2019.

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
2016	3,964	\$2,335,650	5,455	\$3,134,792
2017	3,955	2,469,130	5,495	3,341,901
2018	3,944	2,650,007	5,597	3,596,722
2019	4,101	2,688,721	5,870	3,698,100
2020	4,467	2,752,323	6,543	3,615,021

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were reported to be \$42,884,766,804, a 2.67% increase from the total taxable sales of \$41,770,308,843 reported during calendar year 2019.

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
2016	38,366	\$24,242,145	57,542	\$36,981,694
2017	39,067	25,341,773	58,956	38,137,915
2018	39,837	26,905,784	61,838	40,554,024
2019	40,964	27,564,216	64,771	41,770,309
2020	44,330	28,518,285	71,145	42,884,767

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)

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$121,073.7	\$146,025.8	\$14,147.5	\$203,499.7	\$261,847.9
New Multi-family	3,963.3	6,018.8	0.0	24,065.8	44,974.6
Res. Alterations/Additions	<u>4,705.4</u>	<u>5,383.8</u>	<u>1,412.9</u>	<u>13,917.2</u>	<u>4,724.1</u>
Total Residential	129,742.4	157,428.4	15,560.4	241,482.7	311,546.6
New Commercial	6,880.8	3,505.1	17,436.8	5,729.1	10,578.2
New Industrial	174,571.8	84,005.2	141,486.8	120,984.3	116,420.5
New Other	7,815.1	3,802.4	5,115.6	3,885.5	1,510.0
Com. Alterations/Additions	<u>39,096.5</u>	<u>40,257.5</u>	<u>33,340.7</u>	<u>14,784.7</u>	<u>21,252.6</u>
Total Nonresidential	228,364.2	131,570.2	197,379.9	145,383.6	149,761.3
<u>New Dwelling Units</u>					
Single Family	439	600	70	642	848
Multiple Family	<u>33</u>	<u>69</u>	<u>0</u>	<u>210</u>	<u>234</u>
TOTAL	472	669	70	852	1,082

Source: Construction Industry Research Board, Building Permit Summary.

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

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$706,601.8	\$1,009,450.8	\$1,114,777.8	\$1,078,797.7	\$934,304.4
New Multi-family	119,497.6	287,760.5	268,564.9	232,079.3	143,366.2
Res. Alterations/Additions	<u>62,042.4</u>	<u>77,811.9</u>	<u>71,937.8</u>	<u>139,761.1</u>	<u>61,788.5</u>
Total Residential	888,141.8	1,375,023.2	1,455,280.6	1,450,638.1	1,139,459.1
New Commercial	189,230.5	324,540.4	230,518.8	449,998.5	274,080.5
New Industrial	426,747.9	543,462.7	387,108.6	476,322.3	330,960.1
New Other	96,402.8	86,981.8	74,356.9	85,651.8	123,121.9
Com. Alterations/Additions	<u>308,269.9</u>	<u>330,612.1</u>	<u>388,145.5</u>	<u>365,127.0</u>	<u>336,533.1</u>
Total Nonresidential	1,020,651.1	1,285,597.0	1,080,129.8	1,377,099.6	1,064,695.6
<u>New Dwelling Units</u>					
Single Family	2,896	4,253	3,311	4,096	3,631
Multiple Family	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>	<u>910</u>
TOTAL	3,872	6,831	5,086	5,980	4,541

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, 2020

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 2021A**

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 November 1, 2021 (the “Indenture”), by and among the Authority, the City and U.S. Bank 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 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 _____, 2021, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, 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, 2022, with the report for fiscal year 2020-21, 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 general fund with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

(a) *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 final 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: _____, 2021

CITY OF FONTANA

By: _____

U.S. BANK 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 2021A Bonds, payment of principal, interest and other payments on the Series 2021A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2021A 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 2021A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2021A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2021A 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.