



MAYOR/CHAIR SYLVIA BALLIN
VICE MAYOR/VICE CHAIR MARY MENDOZA
COUNCILMEMBER/BOARDMEMBER CINDY MONTAÑEZ
COUNCILMEMBER/BOARDMEMBER HECTOR A. PACHECO
COUNCILMEMBER/BOARDMEMBER CELESTE T. RODRIGUEZ

CITY OF SAN FERNANDO
CITY COUNCIL
AND SUCCESSOR AGENCY TO THE
SAN FERNANDO REDEVELOPMENT AGENCY
SPECIAL MEETING AGENDA SUMMARY
TUESDAY, JULY 27, 2021 – 5:45 PM

CITY HALL COUNCIL CHAMBERS
117 MACNEIL STREET
SAN FERNANDO, CALIFORNIA 91340

SPECIAL NOTICE REGARDING COVID-19

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On March 17, 2020, Governor Newsom issued Executive Order N-29-20 (superseding the Brown Act-related provisions of Executive Order N-25-20 issued on March 12, 2020), which allows a local legislative body to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. Pursuant to Executive Order N-29-20, please be advised that the San Fernando City Council will participate in meetings telephonically.

PUBLIC PARTICIPATION: Pursuant to the Executive Order and given the current health concerns, members of the public can access meetings live on-line, with audio and video, via YouTube Live, at <https://www.youtube.com/c/CityOfSanFernando>. Comments submitted via YouTube will not be read into the record. Members of the public may submit comments by email to cityclerk@sfcity.org no later than **4:00 p.m. the day of the meeting**, to ensure distribution to the City Council prior to consideration of the agenda. Those comments will be distributed to the City Council, will be limited to three minutes, and made part of the official public record of the meeting. Callers interested in providing a live public comment, may call **Telephone Number: (669) 900-6833; Meeting ID: 837 7527 4909; and Passcode: 741428, between 5:45 p.m. and 6:00 p.m.** in the order received, and limited to three minutes. The call-in period may be extended by the Mayor.

THE REGULAR MEETINGS OF THE CITY OF SAN FERNANDO CITY COUNCIL ALSO SERVES AS CONCURRENT REGULAR MEETINGS OF THE SUCCESSOR AGENCY TO THE SAN FERNANDO REDEVELOPMENT AGENCY, AND, FROM TIME TO TIME, SUCH OTHER BODIES OF THE CITY WHOSE MEMBERS ARE COMPOSED EXCLUSIVE OF THE MEMBERS OF THE CITY COUNCIL.

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Special Meeting Notice and Agenda – July 27, 2021

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**PUBLIC PARTICIPATION OPTIONS TO HELP REDUCE
THE SPREAD OF COVID-19**

WATCH THE MEETING:

Live stream with audio and video, via YouTube Live, at:

<https://www.youtube.com/c/CityOfSanFernando>

Note: Comments submitted via YouTube will not be read into the record.

SUBMIT PUBLIC COMMENT VIA EMAIL:

Members of the public may submit comments **by email** to cityclerk@sfcity.org no later than **4:00 p.m. the day of the meeting**, to ensure distribution to the City Council prior to consideration of the agenda. Comments received via email will be distributed to the City Council, read into the record, limited to three minutes, and made part of the official public record of the meeting.

CALL-IN TO PROVIDE PUBLIC COMMENT LIVE AT THE MEETING:

Members of the public may **call-in between 5:45 p.m. and 6:00 p.m.** Comments will be heard in the order received, and limited to three minutes. If necessary, the call-in period may be extended by the Mayor.

Call-in Telephone Number: (669) 900-6833
Meeting ID: 837 7527 4909
Passcode: 741428

When connecting to the Zoom meeting to speak, you will be placed in a virtual “waiting area,” with your audio disabled, until it is your turn to speak and limited to three minutes.
Note: This is audio only and no video.

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CALL TO ORDER/ROLL CALL

Mayor Sylvia Ballin
Vice Mayor Mary Mendoza
Councilmember Cindy Montañez
Councilmember Hector A. Pacheco
Councilmember Celeste T. Rodriguez

PLEDGE OF ALLEGIANCE

Led by City Clerk Julia Fritz

APPROVAL OF AGENDA

Recommend that the City Council approve the agenda as presented and move that all ordinances presented tonight be read in title only as authorized under Government Code Section 36934.

PRESENTATIONS None

DECORUM AND ORDER

The City Council, elected by the public, must be free to discuss issues confronting the city in an orderly environment. Public members attending City Council meetings shall observe the same rules of order and decorum applicable to the City Council ([SF Procedural Manual](#)). Any person making impertinent derogatory or slanderous remarks or who becomes boisterous while addressing the City Council or while attending the City Council meeting, may be removed from the room if the Presiding Officer so directs the Sergeant-At-Arms and such person may be barred from further audience before the City Council.

PUBLIC STATEMENTS

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CONSENT CALENDAR

1) CONSIDERATION TO APPROVE UPDATES TO THE CITY COUNCIL AD HOC COMMITTEE ASSIGNMENTS INCLUDING SCOPE OF SERVICES AND DISSOLUTION OF INACTIVE COMMITTEES

Recommend that the City Council approve the Ad Hoc Committee Assignments as follows:

- a. Dissolve the City General Plan Update Ad Hoc committee, Social Media Policy Ad Hoc committee, and the Financial Advisor Services for Pension and Retiree Health Ad Hoc committee;
- b. Rename the Visionary and Resilience Ad Hoc committee to Strategic Goals Ad Hoc committee;
- c. Appoint Councilmember Rodriguez and Councilmember Montañez to serve on the Strategic Goals Ad Hoc committee; and
- d. Approve the Scope of Services for the San Fernando Beautification Program Ad Hoc committee.

ADMINISTRATIVE REPORTS

2) CONSIDERATION TO APPROVE THE SALE OF PENSION OBLIGATION BONDS AND ADOPTION OF A RESOLUTION APPROVING THE INDENTURE OF TRUST, PRELIMINARY OFFICIAL STATEMENT AND THE BOND PURCHASE AGREEMENT

Recommend that the City Council:

- a. Approve the Sale of Pension Obligation Bonds to refund the City's CalPERS Unfunded Accrued Liability in an amount not to exceed \$45,592,101; and
- b. Adopt Resolution No. 8083 confirming the issuance of its Pension Obligation Bonds pursuant to an Indenture of Trust to Refinance certain outstanding obligations of the City to the California Public Employees' Retirement System, confirming approving the final form of the Indenture of Trust (Contract No. 1988) and approving a Preliminary Official Statement (Contract No. 1989) and Bond Purchase Agreement (Contract No. 1990); and
- c. Authorize the City Manager to execute a Bond Purchase Agreement (Contract No. 1990) with Samuel A. Ramirez & Co., Inc. to purchase the proposed Pension Obligation Bonds, which will be paid a not-to-exceed underwriter's discount or fee equal to \$3.79 per bond or 0.379% of the par value of the bonds to sell the City's POBs to the capital markets.
- d. Authorize the City Manager to execute all related documents, as applicable.

3) CONSIDERATION TO DEFER THE PLACEMENT OF LIENS ON REAL PROPERTY FOR NON-PAYMENT OF RESIDENTIAL AND COMMERCIAL SOLID WASTE COLLECTION SERVICES BILLINGS UNTIL FISCAL YEAR 2022-2023

(THIS ITEM CONTINUED TO THE AUGUST 2, 2021 CITY COUNCIL MEETING)

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4) CONSIDERATION TO APPROVE THE COMMUNITY CLEAN-UP PROJECT WITHIN THE MISSION CITY BIKE TRAIL AND DOWNTOWN MALL AREA IN AUGUST 2021 AND AUTHORIZE THE SAN FERNANDO BEAUTIFICATION PROGRAM AD HOC COMMITTEE TO DEVELOP A LIST OF ADDITIONAL BEAUTIFICATION PROJECTS

Recommend that the City Council:

- a. Approve a Community Clean-up Project within the Mission City Bike Trail and in the Downtown mall area in August 2021; and
- b. Authorize the San Fernando Beautification Program Ad Hoc Committee to explore additional Community Clean-up efforts, identify a list of potential projects, including in residential neighborhoods, and develop public education materials to the City Council by September 2021.

5) DISCUSSION REGARDING CLEAN CALIFORNIA CAMPAIGN

This item was placed on the agenda by Councilmember Cindy Montañez.

6) DISCUSSION REGARDING THE CITY OF SAN FERNANDO'S 110TH YEAR BIRTHDAY CELEBRATION

This item was placed on the agenda by Councilmember Cindy Montañez.

STAFF COMMUNICATION INCLUDING COMMISSION UPDATES

GENERAL CITY COUNCIL/BOARD MEMBER COMMENTS AND LIAISON UPDATES

ADJOURNMENT

The meeting will adjourn to its next regular meeting.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing special meeting agenda was posted on the City Hall bulletin board not less than 24 hours prior to the meeting.

Julia Fritz, CMC

City Clerk

Signed and Posted: July 26, 2021 (2:30 p.m.)

Agendas and complete Agenda Packets (including staff reports and exhibits related to each item) are posted on the City's Internet website (www.sfcity.org). These are also available for public reviewing prior to a meeting in the City Clerk Department. Any public writings distributed by the City Council to at least a majority of the Councilmembers regarding any item on this regular meeting agenda will also be made available at the City Clerk Department at City Hall located at 117 Macneil Street, San Fernando, CA, 91340 during normal business hours. In addition, the City may also post such documents on the City's website at www.sfcity.org. In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification/accommodation to attend or participate in this meeting, including auxiliary aids or services please call the City Clerk Department at (818) 898-1204 at least 48 hours prior to the meeting.

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Special Meeting

San Fernando City Council

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AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Nick Kimball, City Manager
By: Julia Fritz, City Clerk

Date: July 27, 2021

Subject: Discussion and Consideration to Approve Updates to the City Council Ad Hoc Committee Assignments Including Scope of Services and Dissolution of Inactive Committees

RECOMMENDATION:

It is recommended that the City Council approve the Ad Hoc Committee Assignments (Attachment "A" redline version) as follows:

- a. Dissolve the City General Plan Update Ad Hoc committee, Social Media Policy Ad Hoc committee, and the Financial Advisor Services for Pension and Retiree Health Ad Hoc committee;
- b. Rename the Visionary and Resilience Ad Hoc committee to Strategic Goals Ad Hoc committee;
- c. Appoint Councilmember Rodriguez and Councilmember Montañez to serve on the Strategic Goals Ad Hoc committee; and
- d. Approve the Scope of Services for the San Fernando Beautification Program Ad Hoc committee as follows:

Develop recommendations to City Council related to establishing a community beautification program, including, but not limited to, engaging residents, community groups, local schools, funding sources, and any available resources to provide the community with cleaner streets, parks, trails, public parking facilities, etc. within the City. Identify program costs, staff resources needed, and program guidelines for at minimum quarterly cleanup events. Work with staff to provide education to the community, identify high-need areas to address through community clean-up events, and identify policy and program recommendations to address blight and maintain neighborhoods, public spaces and commercial corridors clean and free of trash and debris.
(Ongoing)

Discussion and Consideration to Approve Updates to the City Council Ad Hoc Committee Assignments Including Scope of Services and Dissolution of Inactive Committees

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BACKGROUND:

1. On January 4, 2021, the City Council approved and formed the Visionary and Resilience Ad Hoc committee, with Vice Mayor Mendoza and Councilmember Montañez appointed to serve on the committee.
2. On January 19, 2021, the City Council approved and reinstated the Financial Advisor Services for Pension and Retiree Health Ad Hoc committee with Vice Mayor Mendoza and Councilmember Montañez appointed to serve on the committee.
3. On February 16, 2021, the City Council approved forming the Homeless Ad Hoc committee and appointed Councilmember Montañez and Councilmember Rodriguez to serve on the committee.
4. On March 1, 2021, the City Council approved the Accessory Dwelling Unit (ADU) Ad Hoc committee with Vice Mayor Mendoza and Councilmember Montañez appointed to serve on the committee.
5. On April 19, 2021, the City Council approved and renamed the CDBG Ad Hoc committee to COVID-19 Relief Program Ad Hoc committee with Councilmember Pacheco and Councilmember Rodriguez appointed to serve on the committee.
6. On June 21, 2021, the City Council approved forming the San Fernando Beautification Program Ad Hoc committee with Councilmember Montañez and Councilmember Rodriguez appointed to serve on the committee.
7. On July 19, 2021, the City Council continued this item to a special meeting date uncertain.

ANALYSIS:

Ad Hoc Committees ("Committee"), consist of either one or two Councilmembers, have a clear and definite scope, and dissolve upon completion of the scope, unless otherwise extended by the City Council with a new scope. Ad Hoc committees are less formal than standing committees and are therefore not subject to the requirements of the Ralph M. Brown Act.

Since January 2021, the City Council has approved the formation of six Ad Hoc committees (Attachment "A" redline version). Most recently, at the June 21, 2021 City Council meeting, the City Council approved the formation of the San Fernando Beautification Program Ad Hoc committee with Councilmember Montañez and Councilmember Rodriguez appointed to serve on the committee.

Discussion and Consideration to Approve Updates to the City Council Ad Hoc Committee Assignments Including Scope of Services and Dissolution of Inactive Committees

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Staff reviewed the existing Ad Hoc Committee assignments with the City Manager, and as a result, staff is recommending that the City Council review and consider approving the following changes to the committees (Attachment “A” redline version) list:

1. Dissolve the City General Plan Update Ad Hoc committee, Social Media Policy Ad Hoc committee, and the Financial Advisor Services for Pension and Retiree Health Ad Hoc committee;
2. Rename the Visionary and Resilience Ad Hoc committee to Strategic Goals Ad Hoc committee;
3. Appoint Councilmember Rodriguez (in lieu of Vice Mayor Mendoza) and Councilmember Montañez to serve on the Strategic Goals Ad Hoc committee; and
4. Approve the Scope of the San Fernando Beautification Program Ad Hoc committee as follows:

Develop recommendations to City Council related to establishing a community beautification program, including, but not limited to, engaging residents, community groups, local schools, funding sources, and any available resources to provide the community with cleaner streets, parks, trails, public parking facilities, etc. within the City. Identify program costs, staff resources needed, and program guidelines for quarterly cleanup events. Work with staff to provide education to the community, identify high-need areas to address through community clean-up events, and identify policy and program recommendations to address blight. *(Ongoing)*

BUDGET IMPACT:

There is no direct impact to the FY 2021-2022 budget with approving an updated Ad Hoc committees, assignments’ and edits listing. Dissolving obsolete committees will save staff time to provide support to those committees.

CONCLUSION:

Staff recommends that the City Council approve the updated City Council Ad Hoc Committee List and Assignments as reflected in (Attachment “A” redline version).

ATTACHMENTS:

- A. City Council Ad Hoc Committee Assignments (redline version)

CITY COUNCIL AD HOC & STANDING COMMITTEES

Proposed Revisions – Special City Council Meeting 7/27/21

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AD HOC COMMITTEES

DATE CREATED		NAME	CITY COUNCIL MEMBERS	SCOPE
1	4/2/13	East San Fernando Valley Transit Corridor (Include Metrolink Dual Track) <u>Responsible Staff:</u> Administration <u>Meeting Frequency:</u> Quarterly until dissolved	Pacheco Rodriguez	Review information and develop policy recommendations to City Council related to the planned light rail project through San Fernando, including reviewing options related to the City's local match, public outreach efforts with Metro, providing feedback regarding potential improvements along the rail ROW by Metro and/or the City, and other ESFVTC policy related items that require additional study. <i>(Recommend dissolving upon completion of ESFVTC construction through San Fernando)</i>
2	1/7/19 Dissolve	City General Plan Update (renamed 8/5/2019) <u>Responsible Staff:</u> Community Development <u>Meeting Frequency:</u> Quarterly until dissolved	Mendoza Pacheco	Review information and develop policy recommendations to City Council related to updating the City's General Plan, including evaluating potential funding sources, reviewing draft plan amendments with staff, provide feedback related to public outreach efforts, and other General Plan items that require additional study. <i>(Recommend dissolving upon adoption of an updated General Plan)</i>
3	2/4/19 Dissolve	Social Media Policy <u>Responsible Staff:</u> Administration <u>Meeting Frequency:</u> 1–2 meetings	Ballin Pacheco	Review information and develop policy recommendations to City Council related to the City's Social Media program, including reviewing the draft social media policy and other social media items that require additional study. <i>(Recommend dissolving upon adoption of Social Media Policy)</i>
4	2/19/19	Green City/Street and Parkway Tree (combined/renamed 9/8/20)) <u>Responsible Staff:</u> Administration <u>Meeting Frequency:</u> Quarterly until dissolved	Pacheco Montañez	Review information and develop policy recommendations to City Council related to the City's environmental related programs, including environmental programs available to City residents, public outreach efforts, City Hall programs to decrease carbon footprint, and other Green City items that require additional study. <i>(Recommend review during City Council re-org each year to determine necessity to extend)</i>

CITY COUNCIL AD HOC & STANDING COMMITTEES

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AD HOC COMMITTEES				
DATE CREATED		NAME	CITY COUNCIL MEMBERS	SCOPE
5	2/18/20	100-Year Anniversary of Women's Right to Vote <u>Responsible Staff:</u> Recreation & Community Services <u>Meeting Frequency:</u> As necessary until dissolved	Ballin Mendoza	Research and Develop a Request for Proposal "RFP" for the Woman's Right to Vote Mural <i>(Recommend dissolving upon completion of a proper recognition event)</i>
6	2/18/20	Mural Program <u>Responsible Staff:</u> Recreation & Community Services <u>Meeting Frequency:</u> As necessary until dissolved	Rodriguez Ballin	On 12/07/2020, Ordinance No. 1700 adopted regarding guidelines for Murals on private property. Review and develop policy recommendations for Mural guidelines on public property. <i>(Recommend dissolving upon adoption of Mural Program Policy)</i>
7	6/15/20	Public Safety <u>Responsible Staff:</u> Police Department <u>Meeting Frequency:</u> As necessary until dissolved	Mendoza Pacheco	Review information and develop policy recommendations to a Public Safety Commission/Committee, including reviewing the Public Safety structures and other public safety commission/committee related items that require additional study. <i>(Recommend review during City Council re-org each year to determine necessity to extend)</i>
8	1/4/21	Safe and Active Streets <u>Responsible Staff:</u> Public Works <u>Meeting Frequency:</u> To be Determined	Rodriguez Montañez	Review information and develop policy recommendations related to the safe and active streets plan, including serving on the technical advisory committee and other related items that require additional study. <i>(Recommend dissolving upon adoption of a Safe and Active Streets Implementation Plan)</i>

CITY COUNCIL AD HOC & STANDING COMMITTEES

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AD HOC COMMITTEES				
DATE CREATED		NAME	CITY COUNCIL MEMBERS	SCOPE
9	1/4/21	<p>Visionary and Resilience Rename to: Strategic Goals</p> <p><u>Responsible Staff:</u> Administration</p> <p><u>Meeting Frequency:</u> To be Determined</p>	<p>Replace: Mendoza Montañez Add: Rodriguez</p>	<p>Review information and develop recommendations to City Council for an outreach process to develop a vision and economic resiliency plan for the San Fernando Downtown, including review of prior economic development studies, Specific Plans, and other planning/visioning documents and their related public outreach/engagement process. <i>(Recommend review during City Council re-org each year to determine necessity to extend)</i></p>
10	Reinstated 1/19/21	<p>Financial Advisor Services for Pension and Retiree Health</p> <p><u>Responsible Staff:</u> Finance</p> <p><u>Meeting Frequency:</u> To be Determined</p>	Mendoza Montañez	<p>Review information and develop recommendations to City Council related to the Request for Proposals (RFP) for underwriting services for the City's Pension Obligation Bond Program, including working with City staff and the Pension Financial Advisor to review RFP responses, interview prospective firms and provide a recommendation to City Council to award a professional service agreement (PSA) to a qualified underwriting firm. <i>(Recommend dissolution once a PSA for underwriting services is awarded)</i></p>
11	02/16/21	<p>Homeless Committee</p> <p><u>Responsible Staff:</u> Administration</p> <p><u>Meeting Frequency:</u> To be Determined</p>	Montañez Rodriguez	<p>Review information and develop recommendations to City Council related to addressing homelessness in San Fernando, including, but not limited to: Review of consultants to prepare a Homeless Plan; Provide guidance regarding community outreach as part of a Homeless Plan; Review proposed ordinances, resolutions, and policies that impact the homeless population in San Fernando; Review the City's annual Point in Time (PIT) homeless count, and other homeless policy related items that require additional study. <i>(Recommend dissolving upon adoption of a Homeless Plan)</i></p>

CITY COUNCIL AD HOC & STANDING COMMITTEES

Proposed Revisions – Special City Council Meeting 7/27/21

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AD HOC COMMITTEES				
DATE CREATED		NAME	CITY COUNCIL MEMBERS	SCOPE
12	03/01/21	Accessory Dwelling Unit (ADU) Committee <u>Responsible Staff:</u> Community Development <u>Meeting Frequency:</u> To be Determined	Mendoza Montañez	Review information and develop recommendations to City Council related to addressing updates to the Municipal Code to address ADU's; review proposed ordinances, resolutions and planning and development impacts in San Fernando. <i>(Recommend dissolving upon adoption of a ADU ordinance or policy)</i>
13	4/19/21	COVID-19 Relief Program Effective 4/19/21 renamed from former "CDBG" <u>Responsible Staff:</u> Administration <u>Meeting Frequency:</u> To be Determined	Pacheco Rodriguez	Review information and develop recommendations to City Council for local COVID-19 economic relief programs and related funding, including, but not limited to, funding made available through the American Rescue Plan Act, additional CDBG-CV allocations, and any other funding sources available to provide local economic relief to businesses, residents, and the City. <i>(Recommend dissolving once City Council has established local COVID-19 Relief Programs funded through available funding source)</i>
14	6/21/21	San Fernando Beautification Program <u>Responsible Staff:</u> Public Works <u>Meeting Frequency:</u> To Be Determined	Montañez Rodriguez	Develop recommendations to City Council related to establishing a community beautification program, including, but not limited to, engaging residents, community groups, local schools, funding sources, and any available resources to provide the community with cleaner streets, parks, trails, public parking facilities, etc. within the City. Identify program costs, staff resources needed, and program guidelines for at minimum quarterly cleanup events. Work with staff to provide education to the community, identify high-need areas to address through community clean-up events, and identify policy and program recommendations to address blight and maintain neighborhoods, public spaces and commercial corridors clean and free of trash and debris. <i>(Ongoing)</i>

STANDING COMMITTEES: None, as of this update.

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AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Nick Kimball, City Manager
By: J. Diego Ibañez, Director of Finance/City Treasurer

Date: July 27, 2021

Subject: Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

RECOMMENDATION:

It is recommended that the City Council:

- a. Approve the Sale of Pension Obligation Bonds (POBs) to refund the City's CalPERS Unfunded Accrued Liability (UAL) in an amount not to exceed \$45,592,101; and
- b. Adopt Resolution No. 8083 (Attachment "A") confirming the issuance of its Pension Obligation Bonds pursuant to an Indenture of Trust to Refinance certain outstanding obligations of the City to the California Public Employees' Retirement System, confirming approving the final form of the Indenture of Trust (Contract No. 1988, Exhibit "1" of the resolution) and approving a Preliminary Official Statement (Contract No. 1989, Exhibit "2" of the resolution) and Bond Purchase Agreement (Contract No. 1990, Exhibit "3" of the resolution); and
- c. Authorize the City Manager to execute a Bond Purchase Agreement (BPA) (Exhibit "3" of the resolution) Contract No. 1990 with Samuel A. Ramirez & Co., Inc. to purchase the proposed Pension Obligation Bonds, which will be paid a not-to-exceed underwriter's discount or fee equal to \$3.79 per bond or 0.379% of the par value of the bonds to sell the City's POBs to the capital markets.
- d. Authorize the City Manager to execute all related documents, as applicable.

BACKGROUND:

1. On August 20, 2018, staff provided the City Council with an analysis and projection of the City's long-term pension and retiree health (i.e., Other Postemployment Benefits, or OPEB) costs as well as various funding strategies to address those liabilities.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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2. On March 4, 2019, the City Council awarded a Professional Service Agreement to Urban Futures, Inc. (UFI) to develop cost projections and recommendations to address the City's Pension and Other Post Employment Benefit ("OPEB" or "Retiree Health Benefit") liabilities.
3. On February 3, 2020, the City received a presentation by Urban Futures on the City's Unfunded Pension and Retiree Health Benefit Liabilities and directed staff to move forward with the process to issue Pension Obligation Bonds (POBs).
4. On March 3, 2020, the City Council approved the selection of Jones Hall to serve as Bond and Disclosure counsel with respect to the proposed POBs, and as special counsel with respect to related judicial validation proceedings.
5. On June 15, 2020, the City Council approved a resolution authorizing the issuance of POBs and the filing of the Judicial Validation Proceedings to determine the validity of such bonds.
6. On November 11, 2020, the City successfully completed the validation process, allowing the City to move forward with considering issuing POBs.
7. On March 15, 2021, the City Council awarded a Professional Services Agreement to Samuel A. Ramirez & Co., Inc., to serve as underwriter for the proposed Pension Obligation Bonds.
8. On June 29, 2021, the City received an A+ investment-grade rating from Standard & Poor's.
9. On July 19, 2021, the City Council discussed this item and continued it to a special meeting, date uncertain.

ANALYSIS:

On July 19, 2021, City Council held a robust discussion of this item (original Agenda Report included as Attachment "B" for reference) and provided feedback. At the conclusion of the discussion, City Council adjourned the item to a special meeting on a date to be determined to allow all City Councilmembers the opportunity to provide feedback and participate in the vote. The bullet points below are provided to clarify a number of questions that arose during City Council's discussion of the item:

- The Unfunded CalPERS Liability is considered a legal debt of the City and is currently reported in the City's annual audited financials as a debt/long-term liability in the Statement of Net Position. This debt/long-term liability is also currently reported as a debt of the Enterprise Funds (i.e. Water and Sewer Funds). Issuing a Pension Obligation Bond would not constitute establishing a new debt that is not already in the City's Financial Statements. It simply shifts the receiver of payment for that debt from CalPERS to a bond trustee.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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- The City's current Unfunded CalPERS liability as of the last measurement date (i.e. June 30, 2019) is \$45,592,101. CalPERS applies a 7.0% annual interest rate to the Unfunded Liability each year and makes a variable adjustment to the rate based on CalPERS annual investment return.
- The proceeds from proposed Pension Obligation Bond will be used to pay CalPERS to reduce the Unfunded Liability from \$45.6 million to \$0 and replace the variable CalPERS annual rate with a fixed debt service payment to the bond trustee, which is anticipated to be less than or equal to 3.0% per year. Once sold, the City's annual rate is locked and fixed for the entire term of the Bond. The immediate savings to taxpayers through reduced pension costs is estimated to be approximately \$1 million in FY 2021-2022 and approximately \$15 million over the life of the Bond issue.
- If the City takes no action, the interest accruing on the \$45.6 million Unfunded Liability will most likely require City Council to raise property taxes over the next 10 years to cover the annual cost of the debt with CalPERS. If the City pays off the Unfunded Liability and replaces it with level debt service payments, City Council can most likely keep property taxes stable, and possibly even lower taxes, over the next 10 years.
- It is currently an ideal time to issue POBs. Interest rates are near all-time lows due to continued support from the Federal Reserve Bank ("Fed") and POB credit spreads have fallen due to strong investor demand and limited supply. If the City's POBs enter the market in the next two weeks, prior to several expected larger California POBs, the City will benefit from limited supply and maximum investor interest. Importantly, interest rates are projected to increase in the following months due to robust economic growth driven by large fiscal stimulus and a re-opening of the global economy.

Documents to be Approved.

The Resolution, if adopted, would authorize the execution and delivery by the City of the following documents:

- ***Indenture of Trust.*** The Indenture of Trust provides for the issuance of the POBs and assigns certain fiduciary duties to the Trustee and to establish the way in which the Owners will be paid on their investment.
- ***Preliminary Official Statement.*** The Preliminary Official Statement summarizes the key financial and legal provisions of the bonds and include all facts that would be material to an investor.
- ***Bond Purchase Agreement.*** The Bond Purchase Agreement specifies the price at which Samuel A. Ramirez & Co., LLC will purchase the POBs and the fees they will receive for selling the bonds to investors.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

Page 4 of 4

BUDGET IMPACT:

The estimated annual debt service payment on the bonds is \$2.6 million. If the City does not issue the Pension Obligation Bond, the required payment to CalPERS for FY 2021-2022 is \$3.6 million. Therefore, the annual savings to San Fernando property taxpayers in FY 2021-2022 is approximately \$1.0 million. A portion (15%) of these savings will be realized by the Water and Sewer funds. Since CalPERS makes changes to the Unfunded Liability every year based on investment returns and other actuarially determined factors (such as age, CPI, etc.), these are estimated savings levels that will change over time.

If the City does not take action to address these rising costs, the City Council will be required to increase the property tax rate (Pension Tax Override) in FY 2021-2022.

CONCLUSION:

Staff recommends that the City Council approve the sale of 25-year Pension Obligation Bonds Samuel A. Ramirez & Co., LLC to serve as the underwriter for the proposed POB issue, to be paid an Underwriter's Discount not-to-exceed \$3.79 per bond or 0.379% of the par value of the bonds, including expenses.

ATTACHMENTS:

- A. Resolution No. 8083
 - Exhibit "1" - Indenture of Trust (Contract No. 1988)
 - Exhibit "2" - Preliminary Official Statement (Contract No. 1989)
 - Exhibit "3" - Bond Purchase Agreement (Contract No. 1990)
- B. July 19, 2021 Agenda Report

RESOLUTION NO. 8083

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN FERNANDO, CALIFORNIA, CONFIRMING THE ISSUANCE OF ITS PENSION OBLIGATION BONDS PURSUANT TO AN INDENTURE OF TRUST TO REFINANCE CERTAIN OUTSTANDING OBLIGATIONS OF THE CITY TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONFIRMING APPROVING THE FINAL FORM OF THE INDENTURE OF TRUST AND APPROVING AN OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, AND APPROVING AND DIRECTING RELATED MATTERS

WHEREAS, the City of San Fernando (the "City") is a contracting member of the California Public Employees' Retirement System ("PERS"), and as such the City is obligated to make certain payments to PERS (the "PERS Obligations"); and

WHEREAS, the City is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), to issue its bonds for the purpose of refunding certain outstanding obligations of the City, including the PERS Obligations; and

WHEREAS, pursuant to Resolution No. 7994, adopted by the City Council on June 15, 2020, the City Council authorized the issuance of pension obligation bonds (the "Bonds") pursuant to the Bond Law and an Indenture of Trust between the City and a national banking association as trustee (the "Indenture"), for the purpose of refinancing the PERS Obligations, and authorized a judicial validation action with respect to such issuance; and

WHEREAS, the judicial validation action has been successfully completed and City staff, with the aid of outside consultants, has prepared drafts of the Indenture, the Preliminary Official Statement and the Bond Purchase Agreement related to the Bonds for approval by the City Council; and

WHEREAS, the City Council wishes at this time to confirm the issuance of two initial series of Bonds designated "City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured)" (the "2021A Bonds") and "City of San Fernando Taxable Pension Obligation Bonds, Series 2021B" (the "2021B Bonds" and together with the 2021A Bonds, the "2021 Bonds") pursuant to the Indenture and approve the forms of the Indenture, the Preliminary Official Statement and Bond Purchase Agreement; and

WHEREAS, on April 9, 1946, the voters of the City approved an ad valorem property tax to pay for the retirement benefits of City employees (the "Tax Override"), which Tax Override may not be used by the City for any other purpose; and

WHEREAS, the 2021A Bonds will be secured by a pledge of, security interest in and first lien on all Tax Override Revenues (as defined in the hereinafter defined Indenture) and certain other funds and accounts as provided in the Indenture; and

WHEREAS, pursuant to Government Code Section 5852.1 which became effective on January 1, 2018, by the enactment of Senate Bill 450, the City disclosed certain financial information relating to the Bonds in the staff report for Resolution No. 7994; and

WHEREAS, the City Council has previously approved a Debt Issuance and Management Policy which complies with Government Code Section 8855, and the issuance of the 2021 Bonds will be in compliance with said policy;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN FERNANDO DOES HEREBY, RESOLVE, FIND, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Confirmation of Issuance of 2021 Bonds Pursuant to the Indenture. The City Council hereby confirms its actions in Resolution No. 7994 approving the issuance of one or more series of Bonds from time to time, and hereby approves the sale of the 2021 Bonds under the Authorizing Resolution and the Bond Law. The aggregate principal amount of the 2021 Bonds shall not exceed the unfunded accrued actuarial liability represented by the PERS Obligations, as reported to the City by PERS and determined by the City Manager or the Finance Director, plus an amount required to pay all costs of issuing the Bonds (including, but not limited to, underwriter's discount), which total amount is currently estimated not to exceed \$47,000,000.

The City Council hereby confirms and approves the Indenture between the City and U.S. Bank National Association, as trustee, prescribing the terms and provisions of the 2021 Bonds, in substantially the form on file with the City Clerk together with any additions thereto, deletions therefrom or changes therein deemed necessary or advisable by the City Manager or the Finance Director (each, an "Authorized Officer"). An Authorized Officer is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Indenture of Trust (Exhibit "1") for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Indenture of Trust.

Section 2. Approval of Official Statement. The City Council hereby approves the preliminary Official Statement in substantially the form on file with the City Clerk. Distribution of the preliminary Official Statement (Exhibit "2") by the City and Samuel A. Ramirez & Co., Inc., as underwriter (the "Underwriter"), is hereby approved, and, prior to the distribution of the preliminary Official Statement, each Authorized Officer is hereby authorized and directed, on behalf of the City, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Bonds, and each Authorized Officer, acting alone, is authorized and directed

to execute and deliver the final Official Statement for and on behalf of the City, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a continuing disclosure undertaking substantially in the form appended to the final Official Statement.

Section 3. Approval of Bond Purchase Agreement. The City Council hereby approves the Bond Purchase Agreement (Exhibit "3") prescribing the provisions for sale of the 2021 Bonds by the City to the Underwriter. Each Authorized Officer is hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The City Council hereby authorizes the delivery and performance of the Bond Purchase Agreement by the City.

Section 4. Insurance. The Authorized Officers are hereby authorized to negotiate and execute an insurance policy for the 2021 Bonds (and such other agreements that may be required by the insurer in connection therewith) if it is determined that the policy will result in interest rate savings for the City, and to pay the insurance premium of such policy from the proceeds of the issuance and sale of the 2021 Bonds. The Authorized Officers are hereby authorized to make any and all changes, deletions and additions to the forms of the Indenture, the Official Statement and the Bond Purchase Agreement approved hereby deemed advisable or necessary by the Authorized Officer executing the same in connection with any such policy.

Section 5. Official Actions. The Authorized Officers and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the 2021 Bonds. Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 6. Effective Date. This Resolution shall take effect from and after the date of approval and adoption thereof.

PASSED, APPROVED, AND ADOPTED THIS 27th day of July, 2021.

ATTEST:

Sylvia Ballin, Mayor of the City of San Fernando, California

Julia Fritz, City Clerk

CERTIFICATION

I, City Clerk of the City of San Fernando, California, do hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 8083 which was regularly introduced and adopted by the City Council of the City of San Fernando, California, at a regular meeting thereof held on the 27th day of July, 2021, by the following vote of the City Council:

AYES:

NAYS:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Fernando, California, this _____ day of July 2021.

Julia Fritz, City Clerk

INDENTURE OF TRUST

Dated as of August 1, 2021

between the

CITY OF SAN FERNANDO

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Relating to

\$_____

**City of San Fernando
Taxable Pension Obligation Bonds, Series 2021A
(Pension Tax Override Secured)**

\$_____

**City of San Fernando
Taxable Pension Obligation Bonds, Series 2021B**

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APPENDIX A - DEFINITIONS

APPENDIX B - FORM OF 2021 BONDS

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") dated as of August 1, 2021, is between the CITY OF SAN FERNANDO, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

BACKGROUND:

1. The City is a contracting member of the California Public Employees' Retirement System ("PERS"), and as such the City is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code, to make payments to PERS relating to pension benefits accruing to retired City employees who are PERS members, including retired public safety employees and retired miscellaneous employees (the "PERS Obligations").

2. The City is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), to issue its bonds for the purpose of refunding certain outstanding indebtedness of the City, including the PERS Obligations.

3. In order to refund the PERS Obligations and thereby realize cash flow savings in the current and immediately succeeding fiscal years, and to accomplish a more prudent amortization of its unfunded actuarial accrued liability in respect of the PERS Obligations, the City has determined to issue its (i) \$_____ aggregate principal amount of City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured) (the "2021A Bonds"), and its (ii) \$_____ aggregate principal amount of City of San Fernando Taxable Pension Obligation Bonds, Series 2021B (the "2021B Bonds" and, together with the 2021A Bonds, the "2021 Bonds"), under the Bond Law, this Indenture, and under a resolution adopted by the City Council of the City on June 15, 2020.

4. The 2021A Bonds shall be issued as Secured Bonds hereunder and as such the principal of and interest on the 2021A Bonds shall be (i) secured by a lien and security interest in all right, title and interest of the City in and to Tax Override Revenues and the funds and accounts provided for in this Indenture, and (ii) payable from any other source of legally available funds of the City, including amounts on deposit in the General Fund of the City.

5. The 2021B Bonds shall be issued as Unsecured Bonds hereunder and as such the principal of and interest on the 2021B Bonds shall be payable from any source of legally available funds of the City, including amounts on deposit in the General Fund and, to the extent permitted under Section 4.02 hereof and applicable law, Tax Override Revenues. The 2021B Bonds shall not be secured by a lien or security interest in Tax Override Revenues.

6. The 2021 Bonds and any Additional Bonds issued from time to time hereunder have been determined to be the legal, valid and binding obligations of the City by judgment of the Los Angeles County Superior Court rendered on November 13, 2020, in *City of San Fernando v. All Persons Interested, et. al.*, Case No. 20CHCV00529.

7. The City has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the City, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the City and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II**AUTHORIZATION AND TERMS OF BONDS**

SECTION 2.01. *Authorization and Purpose of Bonds.* (a) The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

(b) The City hereby authorizes the issuance of two initial series of Bonds, being the 2021A Bonds in the aggregate principal amount of \$_____, and 2021B Bonds in the aggregate principal amount of \$_____, under the Authorizing Resolution and the Bond Law for the purpose of providing funds to refinance the PERS Obligations of the City as provided herein. The 2021A Bonds are designated the "City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured)" and shall constitute Secured Bonds. The 2021B Bonds are designated the "City of San Fernando Taxable Pension Obligation Bonds, Series 2021B" and shall constitute Unsecured Bonds.

In addition to the 2021A Bonds, Additional Secured Bonds may be issued under this Indenture only if the provisions set for in Section 3.04(a) hereof are satisfied. In addition to the 2021B Bonds, Additional Unsecured Bonds may be issued under this Indenture only if the provisions set for in Section 3.04(b) hereof are satisfied.

SECTION 2.02. *Terms of the 2021 Bonds.* The 2021 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The 2021A Bonds shall be dated as of the Closing Date and mature on January 1 in the years and in the principal amounts, and shall bear interest at the rates (calculated on the basis of a 360-day year comprised of twelve 30-day months) as set forth in the following table:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
--	-------------------------	----------------------

The 2021B Bonds shall be dated as of the Closing Date and mature on January 1 in the years and in the principal amounts, and shall bear interest at the rates (calculated on the basis of a 360-day year comprised of twelve 30-day months) as set forth in the following table:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
--	-------------------------	----------------------

Interest on the 2021 Bonds is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless:

- (a) a 2021 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 will bear interest from such Interest Payment Date,
- (b) a 2021 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on a 2021 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 is payable on each Interest Payment Date to the persons in whose names the ownership of the 2021 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a 2021 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2021 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

The Trustee will pay interest on the 2021 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2021 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2021 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2021 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the 2021 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

The provisions of this Section are subject in all respects to the provisions contained in Section 2.04 with respect to the payment of the principal of and interest on the 2021 Bonds which are held in the book-entry system of DTC.

SECTION 2.03. *Redemption of 2021 Bonds.*

(a) Optional Redemption. The 2021A Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021A Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021A Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The 2021B Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021B Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021B Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The City shall give the Trustee written notice of its intention to redeem 2021 Bonds under this subsection (a), and the manner of selecting such 2021 Bonds for redemption from among the maturities thereof and the amount of the redemption premium thereon, at least 45 days prior to the date fixed for redemption.

(b) Mandatory Sinking Fund Redemption. The 2021A Bonds maturing on January 1, 20__ and January 1, 20__, and the 2021B Bonds maturing on January 1, 20__ and January 1, 20__ (collectively, the "Term 2021 Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of such Term 2021 Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following tables.

**2021A Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date (January 1)	Principal Amount To Be Redeemed
--	------------------------------------

(Maturity)

**2021A Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date <u>(January 1)</u>	Principal Amount <u>To Be Redeemed</u>
---	---

(Maturity)

**2021B Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date <u>(January 1)</u>	Principal Amount <u>To Be Redeemed</u>
---	---

(Maturity)

**2021B Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date <u>(January 1)</u>	Principal Amount <u>To Be Redeemed</u>
---	---

(Maturity)

If some but not all of a Term 2021 Bond has been redeemed under subsection (a), the total amount of all future sinking fund payments for such Term 2021 Bonds will be reduced by the aggregate principal amount of the Term 2021 Bond so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee) of such Term 2021 Bond.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of 2021 Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2021 Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the 2021 Bond numbers and the maturity or maturities (in the event of redemption of all of the 2021 Bonds of such maturity or maturities in whole) of the 2021 Bonds to be redeemed, and must require that such 2021 Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the

redemption price, giving notice also that further interest on such 2021 Bonds will not accrue from and after the redemption date.

(d) Right to Rescind Notice of Optional Redemption. The City may rescind any notice of the optional redemption of 2021 Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2021 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under subsection (c) of this Section.

(e) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the 2021 Bonds of a maturity, the Trustee shall select the 2021 Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the 2021 Bonds of such maturity. For purpose of such selection, all 2021 Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate 2021 Bonds which may be separately redeemed.

So long as the 2021 Bonds are registered in book-entry-only form and so long as the Depository or a successor securities depository is the sole registered Owner of the 2021 Bonds, partial redemptions will be done in accordance with procedures of the Depository. It is the City's intent that redemption allocations made by the Depository be made in accordance with the proportional provisions described herein. However, neither the City nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the City nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered 2021 Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof.

(f) Partial Redemption of 2021 Bonds. If only a portion of a 2021 Bond is called for redemption, then upon surrender of such 2021 Bond the City will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new 2021 Bond or 2021 Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2021 Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the 2021 Bonds so called for redemption have been duly provided, such 2021 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the City, the Trustee shall cancel and destroy all 2021 Bonds redeemed under this Section 2.03.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial

delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds will be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the City and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the City elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The City and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee will become the Nominee hereunder for all purposes; and upon receipt of such a notice the City will promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the City will execute and deliver to such Depository a letter representing such matters as necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the City determines to terminate the Depository as such, then the City will thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the

Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the City will cooperate with the Depository in taking appropriate action (a) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (b) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as a Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on that Bond and all notices with respect to that Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of 2021 Bonds.* The 2021 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Mayor shall execute, and the City Clerk of the City shall attest each 2021 Bond. Any or all of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on a 2021 Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2021 Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of that Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of that 2021 Bond any such person was not an officer of the City.

Only those 2021 Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such 2021 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee,

duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Bonds under this subsection. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the City. The Trustee will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If a Bond is mutilated, the City, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the City. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the City, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and are equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2021 BONDS

SECTION 3.01. *Issuance of 2021 Bonds.* Upon the execution and delivery of this Indenture, the City shall (i) execute and deliver 2021A Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the 2021A Bonds to the Original Purchaser upon receipt of a Request of the City therefor, and (ii) execute and deliver 2021B Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the 2021B Bonds to the Original Purchaser upon receipt of a Request of the City therefor.

SECTION 3.02. *Deposit and Application of Proceeds.*

(a) Upon receipt of the proceeds of the 2021A Bonds on the Closing Date in the amount of \$_____ (which is equal to the original principal amount of the 2021A Bonds \$_____, less an underwriter's discount of \$_____, and less \$_____ paid by the Original Purchaser directly to the 2021A Insurer), the Trustee shall deposit such proceeds into a special fund to be held by the Trustee and known as the 2021A Subaccount of the Bond Proceeds Account which the Trustee shall establish and hold in trust hereunder, to be applied on the Closing Date as follows:

- (i) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall apply the amount of \$_____ to the satisfaction of the City's obligations under the PERS Contracts by effecting a wire transfer of such proceeds to PERS, in accordance with a Request of the City.

(b) Upon receipt of the proceeds of the 2021B Bonds on the Closing Date in the amount of \$_____ (which is equal to the original principal amount of the 2021B Bonds \$_____, less an underwriter's discount of \$_____), the Trustee shall deposit such proceeds into a special fund to be held by the Trustee and known as the 2021B Subaccount of the Bond Proceeds Account which the Trustee shall establish and hold in trust hereunder, to be applied on the Closing Date as follows:

- (i) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall apply the amount of \$_____ to the satisfaction of the City's obligations under the PERS Contracts by effecting a wire transfer of such proceeds to PERS, in accordance with a Request of the City.

After making the deposits and transfers described in this Section 3.02, the Trustee shall close the 2021 Bond Proceeds Account and the subaccounts therein.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund," to be held by the Trustee. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the City stating (a) the person to whom payment is to be made, (b)

the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the City; in each case together with a statement or invoice for each amount requested thereunder. On September 30, 2021, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Interest Account and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Issuance of Additional Bonds.*

(a) The City may issue Additional Secured Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Secured Bonds:

(i) The City shall be in compliance with all agreement and covenants contained in this Indenture;

(ii) The issuance of such Additional Secured Bonds shall have been authorized pursuant the Bond Law and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Additional Secured Bonds are to be issued; provided that the proceeds of such Additional Secured Bonds shall be applied solely for (A) satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are PERS members, and/or for payment of all costs incidental to or connected with the issuance of Additional Secured Bonds for such purposes, and/or (B) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount and designation of such Additional Secured Bonds;

(4) The Additional Secured Bonds shall be paid on January 1 in any year in which such principal is payable;

(5) For the Fiscal Year preceding the issuance of such Additional Secured Bonds, Tax Override Revenues (assuming the Tax Override is levied at the maximum rate permitted under applicable law) would have been at least equal to the maximum annual debt service on the Outstanding Secured Bonds; and

(6) The City shall deliver to the Trustee a Written Certificate of the City certifying that the conditions precedent to the issuance of such Additional Secured Bonds set forth above have been satisfied.

(b) The City may issue Additional Unsecured Bonds under this Indenture for the purpose (A) satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are PERS members, and/or for payment of all costs incidental to or connected with the issuance of Additional Unsecured Bonds for such purposes, and/or (B) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding, at any time so long as the City shall be in compliance with all agreement and covenants contained in this Indenture. No restriction is

imposed by this Indenture on the maximum principal amount of Additional Unsecured Bonds that may be issued hereunder. No term or provision of this Indenture shall prevent the City from issuing general obligation bonds or other indebtedness or liabilities payable from the general revenues, or any special source of revenues, of the City under any other document.

SECTION 3.05. *Validity of Bonds.* The validity of the authorization and issuance of the Bonds is not dependent upon the expenditure of the proceeds thereof to pay PERS Obligations, or upon the performance by any person of its obligation with respect to the PERS Obligations.

SECTION 3.06. *Policy Payment with Respect to 2021A Insured Bonds.*

[To come]

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* (a) The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required hereunder for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim.

The City agrees to pay from any legally available source of revenues of the City, including amounts on deposit in the General Fund of the City, and, to the extent permitted under Section 4.02 and applicable law, Tax Override Revenues, all amounts due and owing with respect to Bonds issued under this Indenture and all Supplemental Indentures executed pursuant to this Indenture according to the provisions for such agreements, including principal and interest thereon and the redemption price thereof.

(b) Without limiting the generality of Section 4.01(a), the 2021A Bonds and Additional Secured Bonds shall be equally secured by a pledge of, security interest in and first lien on all Tax Override Revenues and all amounts (exclusive of investment earnings thereon) held from time to time to the credit of the Retirement Tax Special Revenue Fund, as and to the extent provided in this Indenture, and the 2021A Bonds and any Additional Secured Bonds shall also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Secured Bonds Debt Service Fund, the Secured Bonds Interest Account, and the Secured Bonds Principal Account. Except for the Tax Override Revenues, and such accounts, no funds or properties of the City shall be pledged to the payment of principal of or interest or redemption premium (if any) on the Secured Bonds.

Except as set forth in Section 5.02 with respect to the levy of the Pension Tax Override, the Secured Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Secured Bonds nor the obligations of the City to make payments on the Secured Bonds 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.

(c) In consideration of the acceptance of the Bonds by those who hold the same from time to time, this Indenture constitutes a contract between the City and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the City are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

SECTION 4.02. *Retirement Tax Special Revenue Fund; Transfer of Tax Override Revenues.* The City has established the Retirement Tax Special Revenue Fund, which is held by the City. The City shall deposit all of the Tax Override Revenues received with respect to any Fiscal Year into the Retirement Tax Special Revenue Fund promptly upon receipt thereof by the City until such time during such Fiscal Year as the amounts on deposit in Retirement Tax Special Revenue Fund, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available to pay principal of and interest on and the redemption price of the Secured Bonds in such Fiscal Year, equal the aggregate amounts required to pay principal of and interest on and the redemption price of the Secured Bonds in such Fiscal Year.

All Tax Override Revenues received by the City during any Fiscal Year in excess of the amounts required to be deposited as described in the preceding paragraph shall be released from the pledge, security interest and lien under this Indenture for security of the Secured Bonds and may be applied by the City for any lawful purpose of the City, including but not limited to the payment of Unsecured Bonds to the extent legally available for such purpose.

SECTION 4.03. *Secured Bonds Debt Service Fund; Transfer of Amounts to Trustee.* There is hereby established a separate fund to be known as the "Secured Bonds Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Secured Bond Owners. The Trustee will hold the Secured Bonds Debt Service Fund for the uses and purposes set forth herein, so long as any of the Secured Bonds remain Outstanding. The City will transfer an aggregate amount of its legally available funds and such amount of the Pension Override Tax Revenues held in the Retirement Tax Special Revenue Fund, to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Secured Bonds Debt Service Fund, which accounts are hereby established with the Trustee with respect to the Secured Bonds, in the following order of priority:

- (a) Secured Bonds Interest Account. On or before the 3rd Business Day preceding each date on which interest on the Secured Bonds is due and payable, the City will transfer to the Trustee for deposit in the Secured Bonds Interest Account an amount which, when added to the amount then on deposit in the Secured Bonds Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Secured Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Secured Bonds when due and payable.
- (b) Secured Bonds Principal Account. On or before the 3rd Business Day preceding each date on which principal of the Secured Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will

transfer to the Trustee for deposit in the Secured Bonds Principal Account an amount which, when added to the amount then on deposit in the Secured Bonds Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Secured Bonds, including the principal amount of the Term Bonds issued as Secured Bonds which are subject to mandatory sinking fund redemption on that date under Section 2.03(b). The Trustee will apply amounts in the Secured Bonds Principal Account solely for the purpose of paying the principal of the Secured Bonds at the maturity thereof and the principal of the Secured Bonds that are Term Bonds upon the mandatory sinking fund redemption thereof.

SECTION 4.04. Unsecured Bonds Debt Service Fund; Transfer of Amounts to Trustee. There is hereby established a separate fund to be known as the "Unsecured Bonds Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Unsecured Bond Owners. The Trustee will hold the Unsecured Bonds Debt Service Fund for the uses and purposes set forth herein, so long as any of the Unsecured Bonds remain Outstanding. The City will transfer an amount of its legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Unsecured Bonds Debt Service Fund, which accounts are hereby established with the Trustee with respect to the Unsecured Bonds, in the following order of priority:

- (a) Unsecured Bonds Interest Account. On or before the 3rd Business Day preceding each date on which interest on the Unsecured Bonds is due and payable, the City will transfer to the Trustee for deposit in the Unsecured Bonds Interest Account an amount which, when added to the amount then on deposit in the Unsecured Bonds Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Unsecured Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Unsecured Bonds when due and payable.
- (b) Unsecured Bonds Principal Account. On or before the 3rd Business Day preceding each date on which principal of the Unsecured Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer to the Trustee for deposit in the Unsecured Bonds Principal Account an amount which, when added to the amount then on deposit in the Unsecured Bonds Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Unsecured Bonds, including the principal amount of the Term Bonds issued as Unsecured Bonds which are subject to mandatory sinking fund redemption on that date under Section 2.03(b). The Trustee will apply amounts in the Unsecured Bonds Principal Account solely for the purpose of paying the principal of the Unsecured Bonds at the maturity thereof and the principal of the Unsecured Bonds that are Term Bonds upon the mandatory sinking fund redemption thereof.

SECTION 4.05. Investment of Moneys in Funds. The Trustee shall invest moneys in the funds and accounts established and held by it hereunder in Permitted Investments specified in the Request of the City (which Request will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in

advance of the making of such investments. In the absence of any direction from the City concerning the investment of amounts held by the Trustee hereunder, the Trustee shall invest any such amounts solely in Permitted Investments described in clause (f) of the definition thereof. The City shall ensure that all Permitted Investments mature not later than the date on which the funds invested therein are required to be expended.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in this Indenture the City is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder will be retained in the respective fund or account from which such investment was made. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

ARTICLE V

OTHER COVENANTS OF THE CITY

SECTION 5.01. *Punctual Payment.* The City shall from any legally available source of revenues of the City, including amounts on deposit in the General Fund of the City, and as to the extent provided in this Indenture with respect to Secured Bonds, Tax Override Revenues, punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of this Indenture. The City shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Tax Override Levy.* The City covenants that, so long as any Secured Bonds are outstanding under this Indenture, the City shall levy the Tax Override (in an amount not to exceed the maximum tax permitted by law) in each Fiscal Year, whether or not the accrued unfunded actuarial liability of the City to PERS is amortized prior to the final maturity of any Secured Bond issued pursuant to this Indenture, in amounts that the City expects will be sufficient, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay principal of and interest on and redemption price, if any, of the Secured Bonds. The Tax Override Revenues may not be applied to pay principal and interest and the redemption price, if any, of Bonds issued to

pay obligations of the City to PERS other than (i) Secured Bonds, (ii) to the extent permitted under Section 4.02 and applicable law, Unsecured Bonds, or (iii) other obligations or liabilities issued or incurred to pay all or a portion of the PERS Obligations.

SECTION 5.03. *Budget and Appropriation of Debt Service; Certification to Trustee.* The City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under Section 4.03, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. The covenants on the part of the City herein contained constitute duties imposed by law and it is 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 this Indenture agreed to be carried out and performed by the City. The City will not assign or pledge Tax Override Revenues or other amounts under this Indenture except as provided under the terms hereof.

SECTION 5.04. *Extension of Payment of Bonds.* The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and if the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest are not entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 5.05. *Books and Accounts; Financial Statements; Additional Information.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, including books and records showing all Tax Override Revenues. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect), the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will cause to be prepared annually, within nine months after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year; provided that if audited financial statements are not available within such nine-month period, the City shall file unaudited financial statements within such nine-month period and shall file audited financial statements when they subsequently become available. The City will furnish a copy of such statements, upon reasonable request, to the Trustee and any Bond Owner. The Trustee has no duty to review any such financial statement.

SECTION 5.06. *Continuing Disclosure.* The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision hereof, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

SECTION 5.07. *Protection of Security and Rights of Owners.* The City shall preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the City shall not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.08. *Limitation on Additional Indebtedness.* The City hereby covenants that, so long as the 2021A Bonds or any other Secured Bonds are Outstanding, the City shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness (collectively, "Indebtedness"), which is in any case payable from all or any part of the Tax Override Revenues except for (i) the 2021A Bonds, (ii) Additional Secured Bonds pursuant to Section 3.04(a), (iii) Indebtedness payable from, but not secured by a pledge of or lien upon, the Tax Override Revenues, including without limitation Unsecured Bonds issued pursuant to Section 3.04(b), and (iv) Indebtedness secured by a pledge of or lien upon the Tax Override Revenues which is expressly subordinate to the pledge of and lien upon the Tax Override Revenues hereunder for the security of the Secured Bonds. Except as otherwise provided herein, the City will not encumber, pledge or place any charge or lien upon any of the Tax Override Revenues or other amounts pledged to the Secured Bonds superior or equal to the pledge and lien herein created for the benefit of the Secured Bonds.

SECTION 5.09. *Further Assurances.* The City shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Bond Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) The City may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time (A) the Trustee ceases to be eligible in accordance with subsection (e) of this Section, (B) becomes incapable of acting, (C) is adjudged a bankrupt or insolvent, (D) a receiver of the Trustee or its property is appointed, or (E) any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The City may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the City will appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the City, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the City, or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City will mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall:

- be a company or bank having trust powers,
- have a corporate trust office in the State of California,
- have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and
- be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company is deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The City shall maintain a Trustee qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in any financial or other transaction with the City.

(b) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the City's payment of principal and interest on the Bonds, the City's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee and may rely conclusively on the Certificate of the City accompanying such financial statements to establish the City's compliance with its financial covenants hereunder (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of

labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

SECTION 6.04. *Right to Rely on Documents.* The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the City.

SECTION 6.05. *Preservation and Inspection of Documents.* The Trustee shall retain in its possession all documents received by it under the provisions of this Indenture, which are subject during normal business hours, and upon reasonable prior written notice, to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the City shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture.

The City further covenants to indemnify the Trustee and its officers, directors, agents and employees, from and against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the City under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the City at reasonable hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the City, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. Except as set forth in Section 7.01(a), this Indenture and the rights and obligations of the City and of the Owners of the Secured Bonds or the Unsecured Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture which shall become binding as follows:

- (i) to the extent the modification or amendment relates solely to rights or obligations of the Owners of the Secured Bonds, upon the filing of the [consent of the 2021A Insurer (so long as the 2021A Policy is in full force and effect) and] consent of the Owners of a majority in aggregate principal amount of the Secured Bonds then Outstanding with the Trustee, exclusive of Secured Bonds disqualified as provided in Section 9.05;
- (ii) to the extent the modification or amendment relates solely to rights or obligations of the Owners of the Unsecured Bonds, upon the filing of [consent of the 2021A Insurer (so long as the 2021A Policy is in full force and effect) and] the consent of the Owners of a majority in aggregate principal amount of the Unsecured Bonds then Outstanding with the Trustee, exclusive of Unsecured Bonds disqualified as provided in Section 9.05; and
- (iii) to the extent the modification or amendment relates to the rights or obligations of the Owners of all Bonds, the consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee, exclusive of Bonds disqualified as provided in Section 9.05.

Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners [and consent of the 2021A Insurer (so long as the 2021A Policy is in full force and effect)]. No such modification or amendment may:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at

the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of that Bond;

- (ii) reduce the percentages of the Owners of the Bonds required to effect any such modification or amendment; or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds and the 2021A Insurer, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to provide additional security for the Bonds;
- (iii) to provide for the issuance of Additional Bonds in accordance with Section 3.04 hereof; or
- (iv) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article, the City may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the City may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the City the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article do not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the City and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise, provided that if such default only relates to the payment of the principal of and interest on the Unsecured Bonds, such Event of Default shall relate only to the Unsecured Bonds.
- (b) Failure to pay any installment of interest on the Bonds when due, provided that if such default only relates to the payment of the principal of and interest on the Unsecured Bonds, such Event of Default shall relate only to the Unsecured Bonds.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the City within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

SECTION 8.02. *Remedies on Default.* If an Event of Default with respect to the Secured Bonds occurs under Section 8.01 and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Secured Bonds then Outstanding the Trustee shall, (a) declare the principal of the Secured Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Sections 8.07 and 8.09, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Secured Bond Owners under this Indenture. Without limiting the generality of the foregoing, the Trustee shall have the right by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision

and covenant contained in this Indenture and in the Secured Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it.

If an Event of Default with respect to the Unsecured Bonds occurs under Section 8.01 and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Unsecured Bonds then Outstanding the Trustee shall, (a) declare the principal of the Unsecured Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Sections 8.07 and 8.09, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Unsecured Bond Owners under this Indenture. Without limiting the generality of the foregoing, the Trustee shall have the right by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Unsecured Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it.

This provision, however, is subject to the condition that if, at any time after the principal of the Secured Bonds or Unsecured Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City deposits with the Trustee a sum sufficient to pay all principal on the Secured Bonds or Unsecured Bonds, as applicable, matured prior to such declaration and all matured installments of interest (if any) upon all such Secured Bonds or Unsecured Bonds, applicable, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate borne by the Outstanding Secured Bonds or Unsecured Bonds, as applicable, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Secured Bonds or Unsecured Bonds, as applicable, then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Secured Bonds or Unsecured Bonds, applicable, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.03. *Notice of Event of Default.* Immediately upon obtaining actual knowledge of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the City by telephone confirmed in writing. Such notice must also state whether the principal of the Secured Bonds or the Unsecured Bonds, as applicable, has been declared to be or have immediately become due and payable as provided in Section 8.02(a). With respect to any Event of Default described in Section 8.01(a) or (b), the Trustee shall, and with respect to any Event of Default described in Section 8.01(c) the Trustee in its sole discretion may, also give such notice to the Bond Owners at their respective addresses appearing on the Bond Registration Books, which must include the statement that interest on the Secured Bonds or Unsecured Bonds, as applicable, will cease to accrue from and after the date, if any, on which the Trustee declares the Secured Bonds or Unsecured Bonds, as applicable, to become due and payable under Section

8.02 (but only to the extent that principal and any accrued, but unpaid, interest on the Secured Bonds or Unsecured Bonds is actually paid on such date).

SECTION 8.04. *Application of Funds Upon Event of Default.* (a) All of the sums in the Secured Bonds Debt Service Fund, the accounts therein, and any other funds and accounts established and held by the Trustee hereunder for the benefit of the Secured Bonds upon the occurrence of an Event of Default relating to the Secured Bonds, and all sums thereafter received by the Trustee hereunder for the benefit of the Secured Bonds, shall be applied by the Trustee as follows and in the following order:

- (i) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Secured Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (ii) *Second*, to the payment of the whole amount then owing and unpaid upon the Secured Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Secured Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Secured Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

(a) All of the sums in the Unsecured Bonds Debt Service Fund, the accounts therein, and any other funds and accounts established and held by the Trustee hereunder for the benefit of the Unsecured Bonds upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee hereunder for the benefit of the Unsecured Bonds, shall be applied by the Trustee as follows and in the following order:

- (i) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Unsecured Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (ii) *Second*, to the payment of the whole amount then owing and unpaid upon the Unsecured Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Unsecured Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Unsecured Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or

priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.05. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, with the consent or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.06. *Limitation on Owners' Right to Sue.* No Owner of a Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.07. *Non-waiver.* Nothing in this Article or in any other provision of this Indenture or in the Secured Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from any source of legally available funds of the City, Tax Override Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Secured Bonds to the Secured Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Secured Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Secured Bonds.

Nothing in this Article or in any other provision of this Indenture or in the Unsecured Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from any source of legally available funds of the City, including, to the extent permitted under Section 4.02 hereof and applicable law, Tax Override Revenues, the principal of and interest and redemption premium (if any) on the Unsecured Bonds to the Unsecured Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Unsecured Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Unsecured Bonds.

A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bond Owners, the City, the Bond Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.08. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.09. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

SECTION 8.10. *Consent of the 2021A Insurer Upon Default.* Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the 2021A Insurer shall be deemed to be the sole holder of the 2021A Insured Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or Trustee for the benefit of such holders under the Trust Agreement. The Trustee may not waive any default or event of default or accelerate the 2021A Insured Bonds without the 2021A Insurer's written consent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, gives any person other than the City, the Trustee and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the City are for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Tax Override Revenues, to the extent provided for such Bonds in this Indenture, and other funds provided for in this Indenture, and all other obligations of the Trustee and the City under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the City to compensate and indemnify the Trustee under Section 6.06.

The City must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City.

To accomplish defeasance, the City shall cause to be delivered (i) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full at maturity ("Verification"), (ii) an escrow deposit agreement or similar agreement, (iii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding, and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each such verification report and defeasance opinion shall be acceptable in form and substance to the City, and addressed, to the City and the Trustee.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the City.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the City unless the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the City is individually or personally liable for the payment of the principal of or interest or any premium on the Bonds. However, nothing contained herein relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the City is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The City will pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Notices.* All written notices under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the City: City of San Fernando
117 Macneil Street
San Fernando, California 91340
Attention: City Manager

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust

If to the 2021A Insurer: [To come]
Attention:

SECTION 9.09. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Indenture. The City and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. *Execution in Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 9.13. *2021A Insurer as Third Party Beneficiary.* The 2021A Insurer is explicitly recognized as and shall be deemed to be a third party beneficiary of this Indenture and may enforce any right, remedy or claim conferred, given or granted hereunder.

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EXHIBIT "1"

CONTRACT NO. 1988

IN WITNESS WHEREOF, the CITY OF SAN FERNANDO has caused this Indenture to be signed in its name by its City Manager and attested to by its City Clerk, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CITY OF SAN FERNANDO

By _____
Nick Kimball
City Manager

Attest:

Julia Fritz
City Clerk

**U.S. BANK NATIONAL ASSOCIATION,
*as Trustee***

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

"Additional Bonds" means, collectively, Additional Secured Bonds and Additional Unsecured Bonds.

"Additional Secured Bonds" means all bonds issued by the City that are secured by a pledge of, security interest in and first lien on Tax Override Revenues on a parity with 2021A Bonds as authorized by the provisions of Section 3.04(a).

"Additional Unsecured Bonds" means all bonds issued by the City that are not secured by a pledge of or lien upon, the Tax Override Revenues, as authorized by the provisions of Section 3.04(b).

"Authorizing Resolution" means Resolution No. 7994 adopted by the City Council of the City on June 15, 2020, authorizing the issuance of the Bonds.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations issued by public agencies.

"Bond Law" means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended.

"Bonds" means the 2021 Bonds and any Additional Bonds.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Certificate of the City" means a certificate in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City for that purpose.

"City" means the City of San Fernando, a general law city and municipal corporation organized and existing under the laws of the State of California.

"Closing Date" means August [10], 2021, being the date on which the Bonds are delivered by the City to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

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

"Indenture" means this Indenture of Trust between the City and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the City, and who, or each of whom: (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Interest Account" means the account by that name established and held by the Trustee under Section 4.03(a).

"Interest Payment Date" means July 1, 2022, and each January 1 and July 1 thereafter so long as any of the Bonds remain unpaid.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.08, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

"Original Purchaser" means Samuel A. Ramirez & Co., Inc., as original purchaser of the Bonds upon the negotiated sale thereof.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the City hereunder.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following:

- (a) Federal Securities.
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated "A-1+" or better by S&P.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (g) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Trustee or its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by S&P, and which mature not more than 365 days after the date of purchase.
- (h) Obligations the interest on which is excludable from gross income under Section 103 of the Tax Code, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"PERS" means the Public Employees' Retirement System.

"PERS Contracts" means the contracts, as amended from time to time, entered into by the City and PERS pursuant to the Retirement Law obligating the City to make contributions to PERS in exchange for PERS providing retirement benefits to certain City employees.

"PERS Obligations" means the obligation of the City under the Retirement Law and the PERS Contracts to make payments to PERS with respect to benefits accruing to retired City employees who are PERS members, including retired public safety employees and retired miscellaneous employees.

"Principal Account" means the account by that name established and held by the Trustee under Section 4.03(b).

"Record Date" means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date occurs, whether or not such 15th calendar day is a Business Day.

"Registration Books" means the records maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

"Request of the City" means a request in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City for that purpose.

"Retirement Law" means the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

"Retirement Tax Special Revenue Fund" means the fund by that name established and held by the City.

"S&P" means S&P Global Ratings, New York, New York, and its successors.

"Secured Bonds" means, collectively, the 2021A Bonds and any Additional Secured Bonds.

"Secured Bonds Debt Service Fund" means the fund by that name established and held by the Trustee under Section 4.03.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

"Supplemental Indenture" means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered into between the City and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Override" and "Tax Override Revenues" means the annual tax levy and the revenues generated and collected the by the City in each Fiscal year, as and when collected and net of collection costs and administrative charges, as proceeds of the annual tax ley authorized by voters in the City on April 9, 1946. "Tax Override Revenues" shall not include investment earnings on such revenues while held by the City in the Retirement Tax Special Revenue Fund.

"Term Bonds" means, collectively, the 2021A Bonds maturing on July 1 in each of the years 20__, and 20__, the 2021B Bonds maturing on July 1 in each of the years 20__, and 20__,and any other Bonds payable from mandatory sinking fund payments.

"Trustee" means U.S. Bank National Association, as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

"Unsecured Bonds" means, collectively, the 2021B Bonds and any Additional Unsecured Bonds.

"Unsecured Bonds Debt Service Fund" means the fund by that name established and held by the Trustee under Section 4.04.

"2021 Bonds" means, collectively, the 2021A Bonds and the 2021B Bonds.

"2021A Bonds" means the City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured) issued by the City in the aggregate principal amount of \$_____.

"2021A Insured Bonds" means the 2021A Bonds maturing on January 1, 20__ and January 1, 20__.

"2021A Insurer" shall mean [Build America Mutual Assurance Company], or any successor thereto.

"2021A Policy" shall mean the Municipal Bond Insurance Policy issued by the 2021A Insurer that guarantees the scheduled payment of principal of and interest on the 2021A Insured Bonds when due.

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"2021B Bonds" means the City of San Fernando Taxable Pension Obligation Bonds, Series 2021B issued by the City in the aggregate principal amount of \$_____.

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APPENDIX B

FORM OF 2021 BONDS

No.

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF SAN FERNANDO

**TAXABLE PENSION OBLIGATION BOND, SERIES 2021[A][B]
[(PENSION TAX OVERRIDE SECURED)]**

<u>RATE OF INTEREST:</u>	<u>MATURITY DATE: DATE:</u>	<u>ORIGINAL ISSUE DATE:</u>	<u>CUSIP</u>
	January 1, 20__	_____, 2021	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

The CITY OF SAN FERNANDO, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month in which such Interest Payment Date occurs (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before June 1, 2022, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on January 1 and July 1 in each year, commencing July 1, 2022 (each, an "Interest Payment Date") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of U.S. Bank National Association, as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the

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Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the City designated as the "City of San Fernando Taxable Pension Obligation Bonds, Series 2021[A][B] [(Pension Tax Override Secured)]" (the "Bonds") of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law") and under an Indenture of Trust, dated as of August 1, 2021, between the City and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the City under a resolution adopted by the City Council of the City on June 15, 2020. Reference is hereby made to the Indenture (copies of which are on file at the office of the City) and all supplements thereto and to the Bond Law for a description of the terms on which the Bonds are issued, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the City thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the City to refinance obligations of the City owing to the Public Employees Retirement System of the State of California. This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are [(i) secured by a lien and security interest in all right, title and interest of the City in and to Tax Override Revenues and the funds and accounts provided for in the Indenture, and (ii)] payable from any source of legally available funds of the City, including amounts on deposit in the General Fund of the City, and, to the extent permitted under the Indenture and applicable law, Tax Override Revenues.

The rights and obligations of the City and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before January 1, 20____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after January 1, 20____, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the City, on any date on or after January 1, 20____, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Bonds maturing on January 1 in each of the years 20__ and 20__ (the "Term Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following tables. If some but not all of the Term Bonds have been redeemed pursuant to optional redemption described in the preceding paragraph, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

**Term Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date (January 1)	Principal Amount To Be Redeemed
--	------------------------------------

(Maturity)

**Term Bonds Maturing
January 1, 20__**

Sinking Fund Redemption Date (January 1)	Principal Amount To Be Redeemed
--	------------------------------------

(Maturity)

As provided in the Indenture, the Trustee is required to mail notice of redemption of any Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before the redemption date, to the registered owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for prepayment or the cessation of accrual of interest thereon. Any notice so given by the Trustee with respect to the optional redemption of Bonds may be rescinded under the circumstances and with the effect set forth in the Indenture. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon will cease to accrue from and after the date fixed for redemption.

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$5,000

denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as DTC (as defined below) or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with procedures of the DTC. It is the City's intent that redemption allocations made by DTC be made in accordance with the proportional provisions described in the Indenture. However, neither the City nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners (as defined in the Indenture) on such a proportional basis, and neither the City nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason.

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

RES. NO. 8083

EXHIBIT "1"

CONTRACT NO. 1988

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the CITY OF SAN FERNANDO has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Mayor and to be attested to by the facsimile signature of its City Clerk, all as of the Original Issue Date specified above.

CITY OF SAN FERNANDO

By _____
Mayor

Attest:

City Clerk

RES. NO. 8083

EXHIBIT "1"

CONTRACT NO. 1988

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably _____ constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

RES. NO. 8083

EXHIBIT "1"

CONTRACT NO. 1988

[FORM OF STATEMENT OF INSURANCE]

[To come]

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2021**NEW ISSUE-BOOK-ENTRY ONLY**

S&P: "AA" (2021A Insured Bonds)
S&P: "A+" (Underlying/Uninsured Series 2021 Bonds)
See "RATINGS."

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Series 2021 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2021 Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds. See "TAX MATTERS."

CITY OF SAN FERNANDO
TAXABLE PENSION OBLIGATION BONDS

\$40,550,000*
SERIES 2021A
(PENSION TAX OVERRIDE SECURED)

\$5,920,000*
SERIES 2021B

Dated: Date of Delivery

Due: January 1, as shown on inside cover

The City of San Fernando (the "City") is issuing its Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured) (the "2021A Bonds") and Taxable Pension Obligation Bonds, Series 2021B (the "2021B Bonds" and, together with the 2021A Bonds, the "Series 2021 Bonds") under an Indenture of Trust, dated as of August 1, 2021 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee. The net proceeds of the Series 2021 Bonds will be used to refund all of the City's obligations to the California Public Employee's Retirement System ("CalPERS") under the CalPERS Contract, evidencing all of the City's obligation to pay the City's unfunded accrued actuarial liability to CalPERS. See "REFINANCING PLAN."

The obligations of the City under the Series 2021 Bonds, including the obligation to make all payments of the principal, premium, if any, and interest on, when due, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The payment of debt service on the 2021A Bonds will be secured by a lien and security interest in all right, title and interest of the City in and to Tax Override Revenues and payable from any other source of legally available funds of the City, including amounts on deposit in the General Fund of the City. The 2021B Bonds will be payable from any source of legally available funds of the City, including amounts on deposit in the General Fund and, subject to the Indenture and applicable law, Tax Override Revenues. The 2021B Bonds will not be secured by a lien or security interest in Tax Override Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

The Series 2021 Bonds accrue interest from the date of delivery thereof and are payable semiannually on January 1 and July 1 of each year, commencing July 1, 2022.

The Series 2021 Bonds are being issued in fully registered form, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") in the United States. DTC will act as Securities Depository for the Series 2021 Bonds. Individual purchases of Series 2021 Bonds will be made in book-entry form only in integral multiples of \$5,000. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2021 Bonds purchased. See "APPENDIX C – BOOK-ENTRY-ONLY SYSTEM."

The Series 2021 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2021 BONDS – Redemption Provisions."

The scheduled payment of principal of and interest on the 2021A Bonds maturing on January 1, 20__ through January 1, 20__, inclusive (collectively, the "2021A Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued by _____ ("____") concurrently with the delivery of the Series 2021 Bonds. See "INTRODUCTION – Bond Insurance," "BOND INSURANCE," and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

[2021A Insurer Logo]

EXCEPT WITH RESPECT TO THE LEVY OF THE TAX OVERRIDE REVENUES IN RELATION TO THE 2021A BONDS, THE SERIES 2021 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2021 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE SERIES 2021 BONDS 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.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

The Series 2021 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by Olivarez Madrugá Lemieux O'Neill, LLP, as City Attorney, and by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Series 2021 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about August [10][17], 2021.

Ramirez & Co., Inc.

Dated: _____, 2021.

* Preliminary; subject to change.

MATURITY SCHEDULES

\$40,550,000*
CITY OF SAN FERNANDO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2021A
(PENSION TAX OVERRIDE SECURED)

Base CUSIP†: _____

\$ _____ Serial Bonds

<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
---------------------------------------	-----------------------------------	--------------------------------	--------------	---------------

\$ _____ % Term 2021A Bonds due 20__ – Yield _____% CUSIP† _____

\$5,920,000*
CITY OF SAN FERNANDO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2021B

Base CUSIP†: _____

\$ _____ Serial Bonds

<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
---------------------------------------	-----------------------------------	--------------------------------	--------------	---------------

\$ _____ % Term 2021B Bonds due 20__ – Yield _____% CUSIP† _____

* Preliminary; subject to change.

+ Indicates a 2021A Insured Bond.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter, or their agents or counsel assume responsibility for the accuracy of such numbers

CITY OF SAN FERNANDO

CITY COUNCIL

Sylvia Ballin, *Mayor*
Mary Mendoza, *Vice Mayor*
Cindy Montañez, *Councilmember*
Hector A. Pacheco, *Councilmember*
Celeste T. Rodriguez, *Councilmember*

CITY OFFICIALS

Nick Kimball, *City Manager*
J. Diego Ibañez, *Director of Finance / City Treasurer*
Julia Fritz, *City Clerk*
Richard E. Padilla, Olivarez, Madrugá Lemieux & O'Neill, LLP, *City Attorney*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Tustin, California

TRUSTEE

U.S. Bank National Association
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Series 2021 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

This Official Statement and the information that is contained herein are subject to completion or amendment without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2021 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements which are included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "THE CITY" and in Appendix A. As described under this Official Statement, the COVID-19 pandemic is expected to materially adversely impact the City's financial condition. Historical information set forth in the Official Statement is not intended to be predictive of future results.

_____ (the "2021A Insurer" or "____") makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, the 2021A Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the 2021A Insurer supplied by the 2021A Insurer and presented under the heading "BOND INSURANCE" and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2021 BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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

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OFFICIAL STATEMENT

CITY OF SAN FERNANDO TAXABLE PENSION OBLIGATION BONDS

\$40,550,000*
SERIES 2021A
(PENSION TAX OVERRIDE SECURED)

\$5,920,000*
SERIES 2021B

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of San Fernando (the "**City**") of its (i) \$40,550,000* aggregate principal amount of Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured) (the "**2021A Bonds**") and (ii) \$5,920,000* aggregate principal amount of Taxable Pension Obligation Bonds, Series 2021B (the "**2021B Bonds**") and, together with the 2021A Bonds, the "**Series 2021 Bonds**").

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2021 Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined will have the respective meanings assigned to them elsewhere in this Official Statement.

Authority for the Series 2021 Bonds

The Series 2021 Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code (the "**Bond Law**") of the State of California (the "**State**") and an Indenture of Trust, dated as of August 1, 2021 (the "**Indenture**"), by and between the City and U.S. Bank National Association, as trustee (the "**Trustee**"), and a resolution adopted by the City Council of the City on June 15, 2020.

The City

The City is located in the northeast section of the San Fernando Valley, at the southern foot of the San Gabriel Mountains, and is completely surrounded by the City of Los Angeles, including the nearby communities of Sylmar, Mission Hills, and Pacoima. The city encompasses an area of approximately 2.4 square miles and serves a residential population of approximately 25,207 as of January 1, 2020.

The City was incorporated on August 31, 1911 under the general laws of the State. The City is operated under a Council-Manager form of government and is governed by a five-member council. The City is managed by a City Manager, who serves as chief executive officer of the

* Preliminary; subject to change.

City. See "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO" and "APPENDIX B – THE CITY OF SAN FERNANDO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

Purpose

Pursuant to its contract (as amended to date, and as may further be amended from time to time, the "**CalPERS Contract**") with the Board of Administration of the California Public Employee's Retirement System ("**CalPERS**") and the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "**Retirement Law**"), the City is obligated to make payments to CalPERS arising as a result of retirement benefits accruing to members of CalPERS. The City's obligations under the Retirement Law include, among others, the requirement to amortize the unfunded accrued actuarial liability (the "**UAL**") with respect to such retirement benefits.

The City is issuing the 2021A Bonds to (i) refund all of the City's obligations to CalPERS under the CalPERS Contract, evidencing the City's UAL to CalPERS, (ii) pay the premium for a municipal bond insurance policy for the 2021A Insured Bonds (as hereinafter defined), and (iii) to pay the costs of issuance related to the 2021A Bonds. See "– Bond Insurance."

The City is issuing the Series 2021B Bonds to (i) refund all of the City's obligations to CalPERS under the CalPERS Contract, evidencing the City's UAL to CalPERS, and (ii) to pay the costs of issuance related to the Series 2021B Bonds.

See "REFINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security and Sources of Payment for the Series 2021 Bonds

The obligations of the City under the Series 2021 Bonds, including the obligation to make all payments of principal of and interest on the Series 2021 Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Series 2021 Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

Without limiting the generality of the foregoing, the 2021A Bonds and Additional Secured Bonds (as hereinafter defined) will be equally secured by a pledge of, security interest in and first lien on all Tax Override Revenues and certain other funds and accounts as provided in the Indenture. Except for the Tax Override Revenues, and such accounts, no funds or properties of the City shall be pledged to the payment of principal of or interest or redemption premium (if any) on the Secured Bonds. The 2021B Bonds will not be secured by a lien or security interest in Tax Override Revenues.

EXCEPT WITH RESPECT TO THE LEVY OF THE TAX OVERRIDE REVENUES IN RELATION TO THE 2021A BONDS, THE SERIES 2021 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2021 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE SERIES 2021 BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS

WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The assets of CalPERS will not secure or be available to pay principal, premium, if any, and interest on, the Series 2021 Bonds.

No Debt Service Reserve Fund

The City has not and will not establish a debt service reserve fund for the Series 2021 Bonds.

Additional Bonds

The City may issue additional bonds secured by a pledge of, security interest in and first lien on Tax Override Revenues on a parity with the 2021A Bonds for the purpose of satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are CalPERS members, but only subject to the satisfaction of certain conditions (such additional bonds hereinafter referred to as "**Additional Secured Bonds**" and together with the 2021A Bonds, the "**Secured Bonds**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Additional Bonds."

The City may also issue additional bonds under the Indenture that are not secured by Tax Override Revenues for the purpose of satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are CalPERS members (such additional bonds hereinafter referred to as "**Additional Unsecured Bonds**" and together with the 2021B Bonds, the "**Unsecured Bonds**"). Additional Secured Bonds and Additional Unsecured Bonds are hereinafter referred to collectively as "**Additional Bonds**." See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Additional Bonds."

Bond Insurance

The scheduled payment of principal and interest on the 2021A Bonds maturing on January 1 of the years 20__ to 20__, inclusive (collectively, the "**2021A Insured Bonds**"), when due will be guaranteed under a municipal bond insurance policy (the "**2021A Bond Insurance Policy**") to be issued concurrently with the delivery of the Bonds by _____ (the "**2021A Insurer**" or "____"). See the caption "BOND INSURANCE" and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Validation

The authorization by the City of the issuance of the Series 2021 Bonds under the Indenture as obligations of the City imposed by law, and as to the validity and conformity of the Series 2021 Bonds with all applicable provisions of law, were validated by a judgment of the Superior Court of the State of California in and for the County of Los Angeles entered on November 13, 2020. The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. See "VALIDATION" herein.

Redemption

The Series 2021 Bonds are subject to redemption as described herein. See "THE SERIES 2021 BONDS – Redemption Provisions" herein.

COVID-19 Pandemic

The spread of the novel strains of coronavirus that cause an upper respiratory tract illness 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.

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. From time to time, all counties in the Southern California (including the County) have implemented and revised shelter-in-place ("**Shelter-in-Place**") emergency orders or directives, which direct individuals to stay home, except for limited travel for the conduct of essential services.

The temporary and permanent business closures caused by the COVID-19 pandemic 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. As more restaurants, retail stores and other non-essential businesses temporarily or permanently close, unemployment figures could continue to remain elevated. According to the State Employment Development Department, for April 2020, the unemployment rate in the Los Angeles-Long Beach-Glendale Metropolitan Division ("**MD**"), which encompasses the City, increased to 11.7% from a revised 11.4% in March 2021 (compared to 18.3% in April 2020). Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the COVID-19 pandemic. Beginning on June 15, 2021, the State has moved beyond the Blueprint for a Safer Economy and indoor and outdoor activities and businesses may return to usual operations with limited exceptions for events characterized by large crowds greater than 5,000 (indoors) and 10,000 (outdoors) attendees. In addition to the general public health recommendations including those relating to face coverings, verification of fully vaccinated status or pre-entry negative test results are strongly recommended for all attendees.

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 historical information set forth in "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO" may not reflect the impacts of the federal, state and local responses to the COVID-19 pandemic. Projected information set forth in this Official Statement may be negatively affected in unpredictable and material ways by the continuing impacts to the governmental responses to the COVID-19 pandemic. See "RISK FACTORS – Public Health Emergencies."

Continuing Disclosure

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board certain annual financial information and operating data and, in a timely manner, notice of certain listed events for purposes of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**") adopted by the Securities and Exchange Commission. These covenants have been made in order to assist the Underwriter (as defined herein) in complying

with the Rule. See "CONTINUING DISCLOSURE" herein and "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Professionals Involved in the Offering

Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Bond Counsel with respect to the Series 2021 Bonds and will receive compensation from the City contingent upon the sale and delivery of the Series 2021 Bonds. Certain legal matters will be passed upon for the City by Olivarez Madrugá Lemieux O'Neill, LLP, as City Attorney, and by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California, as Underwriter's Counsel. Urban Futures, Inc., Tustin, California, is acting as the Municipal Advisor to the City with respect to the Series 2021 Bonds. All the fees of Bond Counsel, Disclosure Counsel, Underwriter's Counsel and the Municipal Advisor with respect to the issuance of the Series 2021 Bonds are contingent upon the issuance and delivery of the Series 2021 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.

Summaries Not Definitive

Brief descriptions of the Series 2021 Bonds, the City and the Indenture are included in this Official Statement and appendices related thereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2021 Bonds and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Series 2021 Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection by written request mailed to the City of San Fernando, City Manager, San Fernando City Hall, 117 N Macneil Street, San Fernando, California, 91340, and will be available upon request and payment of duplication costs from the Trustee.

REFINANCING PLAN**Refinancing of CalPERS Contract**

Pursuant to the CalPERS Contract and the Retirement Law, the City is obligated to make payments to CalPERS arising as a result of retirement benefits accruing to members of CalPERS. The City's obligations under the Retirement Law include, among others, the requirement to amortize the UAL with respect to such retirement benefits.

According to the most recent actuarial valuations performed by CalPERS with respect to the City's pension plans dated as of June 30, 2019, the City's UAL with respect to the City's pension plans totaled approximately \$45.3 million. Upon issuance of the Series 2021 Bonds, the City apply proceeds thereof in the amount of \$_____ to refund all of the CalPERS Contract. The City projects that, immediately after the refunding of the CalPERS Contract with such proceeds, the funding level of the City's pension plans will be raised to an estimated ____%. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Tax Override" for a discussion of the Tax Override and the limitations on the use thereof by the City to pay its pension costs, including the Series 2021 Bonds. **The Tax Override will not be available to pay debt service on the 2021B Bonds.**

It is possible that CalPERS will determine at a future date that an additional unfunded liability exists that is attributable to the City, including in part with respect to that portion of the total UAL being refunded, if actual plan experience differs from the current actuarial estimates, including any variance from projections.

See "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO" for information regarding the City, including information regarding its finances and its pension plans.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Series 2021 Bonds are set forth below:

<u>Sources</u>	2021A Bonds	2021B Bonds	Total
Principal Amount	\$	\$	\$
Plus: [Net] Original Issue Premium			
Less: Underwriter's Discount			
Total Sources	\$	\$	\$
<u>Uses</u>			
Refund CalPERS Contract ⁽¹⁾	\$	\$	\$
Costs of Issuance ⁽²⁾			
Total Uses	\$	\$	\$

(1) See "REFINANCING PLAN – Refinancing of CalPERS Contract."

(2) Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the Trustee, the Municipal Advisor, premium for the 2021A Bond Insurance Policy rating agency fees, and printing the preliminary and final Official Statements.

THE SERIES 2021 BONDS

General Bond Provisions

Bond Terms. The Series 2021 Bonds will be issued in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated the date of issuance to the original purchaser. The Series 2021 Bonds will mature on the dates and in the amounts and bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside front cover of this Official Statement. Interest on the Series 2021 Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2022 (each, an "**Interest Payment Date**")

Calculation of Interest. The Series 2021 Bonds will bear interest from the Interest Payment Date immediately preceding the date of authentication, unless (i) a Series 2021 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date (as defined below), in which event it will bear interest from such Interest Payment Date, or (ii) a Series 2021 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of delivery of the Series 2021 Bonds, or (iii) interest on a Series 2021 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.

Record Date. Under the Indenture, "Record Date" means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date occurs, whether or not such 15th calendar day is a Business Day.

Payments of Principal and Interest. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Series 2021 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a Series 2021 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Series 2021 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

The Trustee will pay interest on the Series 2021 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2021 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Series 2021 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Series 2021 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Series 2021 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

The Series 2021 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository of the Series 2021 Bonds. Ownership interests in the Series 2021 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates

representing their interests in the Series 2021 Bonds purchased. Payments of principal or premium, if any, and interest on the Series 2021 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal or premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2021 Bonds. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions*

Optional Redemption. The 2021A Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021A Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021A Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The 2021B Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021B Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021B Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The 2021A Bonds maturing on January 1, 20__, and the 2021B Bonds maturing on January 1, 20__ (collectively, the "**Term 2021 Bonds**") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term 2021 Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following tables.

2021A Bonds Maturing January 1, 20__

Sinking Fund Redemption Date (January 1)	Principal Amount to be Redeemed
20__	\$
20__	
20__	
20__ (maturity)	

2021B Bonds Maturing January 1, 20__

Sinking Fund Redemption Date (January 1)	Principal Amount to be Redeemed
20__	\$
20__	
20__	
20__ (maturity)	

* Preliminary; subject to change.

If some but not all of the Term 2021 Bonds have been redeemed pursuant to the section above captioned "–Optional Redemption", the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term 2021 Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

Manner of Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2021 Bonds of a maturity, the Trustee shall select the Series 2021 Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Series 2021 Bonds of such maturity. For purpose of such selection, all Series 2021 Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Series 2021 Bonds which may be separately redeemed.

So long as the Series 2021 Bonds are registered in book-entry-only form and so long as the Depository or a successor securities depository is the sole registered Owner of the Series 2021 Bonds, partial redemptions will be done in accordance with procedures of the Depository. It is the City's intent that redemption allocations made by the Depository be made in accordance with the proportional provisions described herein. However, neither the City nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the City nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered Series 2021 Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of Series 2021 Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Series 2021 Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Series 2021 Bond numbers and the maturity or maturities (in the event of redemption of all of the Series 2021 Bonds of such maturity or maturities in whole) of the Series 2021 Bonds to be redeemed, and must require that such Series 2021 Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Series 2021 Bonds will not accrue from and after the redemption date.

Right to Rescind Notice of Optional Redemption. The City has the right to rescind any notice of redemption pursuant to the section above captioned "– Optional Redemption" by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2021 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The City and the Trustee have no liability to the Owners of Series 2021 Bonds or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly given as aforesaid and funds for the payment of the principal of and interest (and premium, if any) on the Series 2021 Bonds so called for redemption have been duly provided, such Series 2021 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Book-Entry System

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2021 Bond will be issued for each maturity of the Series 2021 Bonds. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM." The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or premium, if any, and interest on the Series 2021 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the beneficial owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to beneficial owner with respect to the Series 2021 Bonds or an error of delay relating thereto.

Transfer and Exchange of Series 2021 Bonds

Transfer. Any Series 2021 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Series 2021 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Series 2021 Bonds under this Section. Whenever any Series 2021 Bond or Series 2021 Bonds are surrendered for transfer, the City will execute and the Trustee shall authenticate and deliver to the transferee a new Series 2021 Bond or Series 2021 Bonds of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing Series 2021 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Series 2021 Bonds.

Exchange of Series 2021 Bonds. The Series 2021 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Series 2021 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Series 2021 Bonds under this subsection. The City will pay the cost of printing Series 2021 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Series 2021 Bonds.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Series 2021 Bonds, assuming no optional redemptions.

Fiscal Year Ending June 30	2021A Bonds Principal	2021A Bonds Interest	2021B Bonds Principal	2021B Bonds Interest	Total Fiscal Year Debt Service
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*Preliminary; subject to change.
Source: Samuel A. Ramirez & Co., Inc.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

Sources of Payment

The obligations of the City under the Series 2021 Bonds, including the obligation to make all payments of principal of and interest on the Series 2021 Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Series 2021 Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim.

The City has agreed in the Indenture to pay from any legally available source of revenues of the City, including amounts on deposit in the General Fund of the City and, to the extent permitted under the Indenture and applicable law, Tax Override Revenues, all amounts due and owing with respect to Series 2021 Bonds issued under the Indenture and all Supplemental Indentures executed pursuant to the Indenture according to the provisions for such agreements, including principal and interest thereon and the redemption price thereof.

Security for the Series 2021 Bonds

Generally. The Indenture further provides that, without limiting the generality of the provisions summarized above in “– Sources of Payment,” the 2021A Bonds and Additional Secured Bonds are equally secured by a pledge of, security interest in and first lien on all Tax Override Revenues and all amounts (exclusive of investment earnings thereon) held from time to time to the credit of the Retirement Tax Special Revenue Fund, as and to the extent provided in the Indenture, and the 2021A Bonds and any Additional Secured Bonds (as defined herein) will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Secured Bonds Debt Service Fund, the Secured Bonds Interest Account, and the Secured Bonds Principal Account. Except for the Tax Override Revenues, and such accounts, no funds or properties of the City are pledged to the payment of principal of or interest or redemption premium (if any) on the Secured Bonds.

Except with respect to the City’s covenant of the levy of the Tax Override Revenues as summarized in the following subsection, the Series 2021 Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Series 2021 Bonds nor the obligations of the City to make payments on the Series 2021 Bonds 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.

Tax Override Levy. The City has covenanted in the Indenture that, so long as any Secured Bonds are outstanding under the Indenture, the City will levy the Tax Override (in an amount not to exceed the maximum tax permitted by law) in each Fiscal Year, whether or not the accrued unfunded actuarial liability of the City to CalPERS is amortized prior to the final maturity of any Secured Bond issued pursuant to the Indenture, in amounts that the City expects will be sufficient, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay principal of and interest on and redemption price, if any, of the Secured Bonds. The Tax Override Revenues may not be applied to pay principal and interest and the redemption price, if any, of Series 2021 Bonds issued to pay obligations of the City to CalPERS other than (i) Secured Bonds, (ii) to the extent permitted under the Indenture and applicable law, Unsecured Bonds, or (iii) other obligations or liabilities issued or incurred to pay all or a portion of the City’s obligations under the Retirement Law and the CalPERS Contract.

Covenant to Appropriate. Pursuant to the Indenture, the City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City to pay principal of and interest on the Bonds, and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City has covenanted in the Indenture to promptly adopt the same. The covenants on the part of the City are deemed to constitute duties imposed by law and it is 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 Indenture. The City has also agreed in the Indenture that it will not assign or pledge Tax Override Revenues or other amounts under the Indenture except as provided under the terms thereof.

The assets of CalPERS are not available for payment of the Bonds and the Bonds do not constitute an obligation of CalPERS.

Tax Override

General. In 1946, the voters of the City approved a proposition providing for the City to provide retirement benefits to City employees under the State of California retirement system, now CalPERS, and thereafter the City entered into the CalPERS Contract. Since 1946, the City Council has annually set an ad valorem property tax rate for the purpose of providing revenue to pay the City's obligations under the CalPERS Contract (the "**Tax Override**"). The Tax Override does not sunset. The Tax Override may be levied in excess of the 1% maximum allowed by Proposition 13 (California Constitution, Article XIII A) for the purpose of paying pension benefits in effect on and prior to July 1, 1978.

Historical Tax Override Revenues. In accordance with Section 96.31 of the Revenue and Taxation Code of the State, the City is authorized to levy the Tax Override to pay for the retirement benefits of City employees at a rate not in excess of \$0.28420 for each \$1,000 of assessed property value. The following table shows the Tax Override deposited in the Retirement Tax Special Revenue Fund for the past five Fiscal Years. The rate of Tax Override levied for Fiscal Year 2020-21 is 0.0203571%.

Fiscal Year Ended June 30	Rate of Tax Override Levied	Tax Override Revenues
2016	0.0247631%	\$4,395,638
2017	0.0232469	4,388,698
2018	0.0232381	4,455,297
2019	0.0227340	4,746,491
2020	0.0212129	4,456,349

Source: City of San Fernando.

Tax Override Eligible Pension Costs. As noted above, the Tax Override may be levied in excess of the 1% maximum allowed by Proposition 13 (California Constitution, Article XIII A) for the purpose of paying pension benefits in effect on and prior to July 1, 1978. Based on an actuarial report prepared by Bartel Associates LLC for the City dated July __, 2021 (the "**Bartel Report**"), the Tax Override may be use by the City to the pay the normal cost for Fiscal Year [2019-20] and the UAL as of [June 30, 2019] as described in the respective following tables.

**Fiscal Year 2019-20
Tax Override Eligible Normal Cost**

Tier	Fiscal Year 2019-20	
	Total Employer Normal Cost Rate	Normal Cost Attributable to Pre-1978 Benefit Level (Tax Override Eligible)
Miscellaneous First Tier	15.605%	8.081%
Miscellaneous Second Tier	11.120	8.081
PEPRA Miscellaneous	7.191	7.191
Safety First Tier	23.885	15.088
Safety Second Tier	20.707	15.088
Safety Police Third Tier	18.928	15.088
PEPRA Safety Police	13.034	13.034

Source: Bartel Associates LLC.

As shown above, based on the Bartel Report, the normal cost of the City's pension plans that is eligible to be paid from the Tax Override varies by tier. According to the Bartel Report, the normal cost for 2019-20 that is eligible to be paid with the Tax Override totals 80.5% on a weighted average basis. However, the actual normal cost that eligible to be paid with the Tax Override is in some cases substantially lower, as shown above.

**Fiscal Year 2019-20
Tax Override Eligible UAL**

Tier	% of Pre-1978 UAL as of June 30, 2019
Miscellaneous First Tier	87.7%
Miscellaneous Second Tier	73.6
PEPRA Miscellaneous	100.0
Safety First Tier	90.8
Safety Second Tier	72.3
Safety Police Third Tier	79.7
PEPRA Safety Police	100.0

Source: Bartel Associates LLC.

As shown above, based on the Bartel Report, the UAL of the City's pension plans that is eligible to be paid from the Tax Override varies by benefit tier. The 2021A Bonds have been structured so that the net proceeds thereof will be used by the City to refund the UAL for each benefit tier as of June 30, 2020, in an amount no greater than the respective percentages shown in the table above. The UAL for each benefit tier as of June 30, 2020, in excess of such percentages will be refunded with the net proceeds of the 2021B Bonds. **Accordingly, the Tax Override will not be available to pay debt service on the 2021B Bonds.** See "– Pro Forma 2021A Bonds Debt Service Coverage" below for projected Tax Override Revenues and pro forma debt service coverage for the 2021A Bonds.

Retirement Tax Special Revenue Fund; Transfer of Tax Override Revenues

The City has established the Retirement Tax Special Revenue Fund, which is held by the City. The City will deposit all of the Tax Override Revenues received with respect to any Fiscal Year into the Retirement Tax Special Revenue Fund promptly upon receipt thereof by the City until such time during such Fiscal Year as the amounts on deposit in Retirement Tax Special Revenue Fund, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available to pay principal of and interest on and the redemption price of the Secured Bonds in such Fiscal Year, equal the aggregate amounts required to pay principal of and interest on and the redemption price of the Secured Bonds in such Fiscal Year.

All Tax Override Revenues received by the City during any Fiscal Year in excess of the amounts required to be deposited as described in the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for security of the Secured Bonds and may be applied by the City for any lawful purpose of the City, including but not limited to the payment of Unsecured Bonds to the extent legally available for such purpose.

Secured Bonds Debt Service Fund; Transfer of Amounts to Trustee

Under the Indenture, a separate fund is established to be known as the "Secured Bonds Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Secured Bond Owners. The Trustee will hold the Secured Bonds Debt Service Fund for the uses and purposes set forth herein, so long as any of the Secured Bonds remain Outstanding. The City will transfer an aggregate amount of its legally available funds and such amount of the Pension Override Tax Revenues held in the Retirement Tax Special Revenue Fund, to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Secured Bonds Debt Service Fund, which accounts are hereby established with the Trustee with respect to the Secured Bonds, in the following order of priority:

(a) Secured Bonds Interest Account. On or before the 3rd Business Day preceding each date on which interest on the Secured Bonds is due and payable, the City will transfer to the Trustee for deposit in the Secured Bonds Interest Account an amount which, when added to the amount then on deposit in the Secured Bonds Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Secured Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Secured Bonds when due and payable.

(b) Secured Bonds Principal Account. On or before the 3rd Business Day preceding each date on which principal of the Secured Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer to the Trustee for deposit in the Secured Bonds Principal Account an amount which, when added to the amount then on deposit in the Secured Bonds Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Secured Bonds, including the principal amount of the Term Bonds issued as Secured Bonds which are subject to mandatory sinking fund redemption on that date. The Trustee will apply amounts in the Secured Bonds Principal Account solely for the purpose of paying the principal of the Secured Bonds at the maturity thereof and the principal of the Secured Bonds that are Term Bonds upon the mandatory sinking fund redemption thereof.

Unsecured Bonds Debt Service Fund; Transfer of Amounts to Trustee

Under the Indenture, a separate fund is established to be known as the "Unsecured Bonds Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Unsecured Bond Owners. The Trustee will hold the Unsecured Bonds Debt Service Fund for the uses and purposes set forth herein, so long as any of the Unsecured Bonds remain Outstanding. The City will transfer an amount of its legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Unsecured Bonds Debt Service Fund, which accounts are hereby established with the Trustee with respect to the Unsecured Bonds, in the following order of priority:

(a) Unsecured Bonds Interest Account. On or before the 3rd Business Day preceding each date on which interest on the Unsecured Bonds is due and payable, the City will transfer to the Trustee for deposit in the Unsecured Bonds Interest Account an amount which, when added to the amount then on deposit in the Unsecured Bonds Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Unsecured Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Unsecured Bonds when due and payable.

(b) Unsecured Bonds Principal Account. On or before the 3rd Business Day preceding each date on which principal of the Unsecured Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer to the Trustee for deposit in the Unsecured Bonds Principal Account an amount which, when added to the amount then on deposit in the Unsecured Bonds Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Unsecured Bonds, including the principal amount of the Term Bonds issued as Unsecured Bonds which are subject to mandatory sinking fund redemption on that date under Section 2.03(b). The Trustee will apply amounts in the Unsecured Bonds Principal Account solely for the purpose of paying the principal of the Unsecured Bonds at the maturity thereof and the principal of the Unsecured Bonds that are Term Bonds upon the mandatory sinking fund redemption thereof.

No Debt Service Reserve Fund

The City has not and will not establish a debt service reserve fund for the Series 2021 Bonds.

Additional Bonds

Additional Secured Bonds. The Indenture provides that the City may issue Additional Secured Bonds, but only subject to the following specific conditions, among others, which are made conditions precedent to the issuance of any such Additional Secured Bonds: (i) the City shall be in compliance with all agreements and covenants contained in the Indenture, (ii) the issuance of such Additional Secured Bonds shall have been authorized pursuant to the Bond Law and shall have been provided for by a Supplemental Indenture that specifies:

(1) the purpose for which such Additional Secured Bonds are to be issued; provided that the proceeds of such Additional Secured Bonds shall be applied solely for

(A) satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are CalPERS members, and/or for payment of all costs incidental to or connected with the issuance of Additional Secured Bonds for such purposes, and/or (B) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) the authorized principal amount and designation of such Additional Secured Bonds;

(3) the Additional Secured Bonds shall be paid on January 1 in any year in which such principal is payable; and

(4) for the Fiscal Year preceding the issuance of such Additional Secured Bonds, Tax Override Revenues (assuming the Tax Override is levied at the maximum rate permitted under applicable law) would have been at least equal to the maximum annual debt service on the Outstanding Secured Bonds.

Additional Unsecured Bonds. The City may issue Additional Unsecured Bonds under the Indenture for the purpose of (A) satisfying any obligation to make payments pursuant to the Retirement Law relating to pension benefits accruing to the City employees who are CalPERS members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purposes, and/or (B) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding, at any time so long as the City shall be in compliance with all agreement and covenants contained in the Indenture. No restriction is imposed by this Indenture on the maximum principal amount of Additional Unsecured Bonds that may be issued hereunder. No term or provision of this Indenture shall prevent the City from issuing general obligation bonds or other indebtedness or liabilities payable from the general revenues, or any special source of revenues, of the City under any other document. For more information regarding the issuance of Additional Bonds, see "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Limitation on Additional Indebtedness

The City covenants in the Indenture that, so long as the 2021A Bonds or any other Secured Bonds are Outstanding, the City shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness (collectively, "**Indebtedness**"), which is in any case payable from all or any part of the Tax Override Revenues except for (i) the 2021A Bonds, (ii) Additional Secured Bonds pursuant to the terms of the Indenture, (iii) Indebtedness payable from, but not secured by a pledge of or lien upon, the Tax Override Revenues, including without limitation Unsecured Bonds issued pursuant to the terms of the Indenture, and (iv) Indebtedness secured by a pledge of or lien upon the Tax Override Revenues which is expressly subordinate to the pledge of and lien upon the Tax Override Revenues under the Indenture for the security of the Secured Bonds. Except as otherwise provided in the Indenture, the City will not encumber, pledge or place any charge or lien upon any of the Tax Override Revenues or other amounts pledged to the Secured Bonds superior or equal to the pledge and lien created in the Indenture for the benefit of the Secured Bonds.

Pro Forma 2021A Bonds Debt Service Coverage

The following table shows projected Tax Override Revenues (assuming the Tax Override is levied at the maximum rate of \$0.28420 for each \$1,000 of assessed property value) and pro forma debt service coverage for the 2021A Bonds.

Fiscal Year	Tax Override Revenue at Max Levy of 0.028420% ⁽¹⁾	2021A Bonds Debt Service*	2021A Bonds Debt Service Coverage	Estimated CalPERS Normal Costs Eligible to be Paid from Tax Override ⁽²⁾	Total Estimated CalPERS/POB Costs Eligible to be Paid from Tax Override ^{(3) (4)}	Combined Coverage
2021-22	\$6,185,540	\$1,885,509	3.28x	\$1,163,140	\$3,048,649	2.03x
2022-23	6,309,251	2,166,447	2.91x	1,198,034	3,364,481	1.88x
2023-24	6,435,436	2,169,805	2.97x	1,233,975	3,403,780	1.89x
2024-25	6,564,144	2,169,637	3.03x	1,270,995	3,440,631	1.91x
2025-26	6,695,427	2,167,262	3.09x	1,309,124	3,476,386	1.93x
2026-27	6,829,336	2,171,008	3.15x	1,348,398	3,519,406	1.94x
2027-28	6,965,922	2,167,320	3.21x	1,388,850	3,556,170	1.96x
2028-29	7,105,241	2,170,823	3.27x	1,430,516	3,601,338	1.97x
2029-30	7,247,346	2,167,063	3.34x	1,473,431	3,640,494	1.99x
2030-31	7,392,293	2,165,933	3.41x	1,517,634	3,683,566	2.01x
2031-32	7,540,138	2,167,268	3.48x	1,563,163	3,730,431	2.02x
2032-33	7,690,941	2,170,880	3.54x	1,610,058	3,780,938	2.03x
2033-34	7,844,760	2,167,275	3.62x	1,658,360	3,825,635	2.05x
2034-35	8,001,655	2,166,505	3.69x	1,708,110	3,874,615	2.07x
2035-36	8,161,688	2,168,383	3.76x	1,759,354	3,927,736	2.08x
2036-37	8,324,922	2,167,705	3.84x	1,812,134	3,979,839	2.09x
2037-38	8,491,421	2,168,448	3.92x	1,866,498	4,034,946	2.10x
2038-39	8,661,249	2,167,926	4.00x	1,922,493	4,090,419	2.12x
2039-40	8,834,474	2,166,139	4.08x	1,980,168	4,146,307	2.13x
2040-41	9,011,163	2,168,088	4.16x	2,039,573	4,207,661	2.14x
2041-42	9,191,387	2,168,632	4.24x	2,100,760	4,269,392	2.15x
2042-43	9,375,214	2,168,246	4.32x	2,163,783	4,332,029	2.16x
2043-44	9,562,719	2,166,177	4.41x	2,228,697	4,394,874	2.18x
2044-45	9,753,973	2,167,425	4.50x	2,295,558	4,462,983	2.19x
2045-46	9,949,053	2,166,837	4.59x	2,364,424	4,531,261	2.20x
2046-47	10,148,034	2,169,413	4.68x	2,435,357	4,604,770	2.20x

(1) Assumes 2.0% annual growth in assessed values of property in the City.

(2) Estimated CalPERS normal costs payable from Tax Override Revenues.

(3) Represents total estimated debt service on the 2021A Bonds that are payable from the Tax Override Revenues.

(4) Estimated; actual amounts to be determined annually by City's actuary.

* Preliminary; subject to change.

Source: Samuel A. Ramirez & Co., Inc.

For purposes of the projections of Tax Override Revenues in the table above and elsewhere in this Official Statement, it is assumed that Tax Override Revenues will not be available under the Indenture or under applicable law for the payment of debt service on the

2021B Bonds. No assurance can be provided that any projections in this Official Statement will be achieved in the amounts shown.

BOND INSURANCE

The following information has been furnished by _____ for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX G for a specimen of the 2021A Bond Insurance Policy.

[To come from 2021A Insurer.]

RISK FACTORS

The following information should be considered by potential investors in evaluating the Series 2021 Bonds. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the Series 2021 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "**Bankruptcy Code**"); however, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Series 2021 Bonds; and (iv) the possibility of the adoption of a plan (the "**Bankruptcy Plan**") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Series 2021 Bonds, which Bankruptcy Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Bankruptcy Plan is fair and equitable and in the best interests of creditors.

Past bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Series 2021 Bonds, were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Series 2021 Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal, as applicable, and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Series 2021 Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners 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.

Increasing Retirement Related Costs

The City is required to make contributions to CalPERS and to the OPEB Plan (as hereinafter defined) for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of the Retirement Law, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment performance of CalPERS. Any of these factors could give rise to additional liability of the City to CalPERS as a result of which the City would be obligated to make additional payments to CalPERS over the amortization schedule for full funding of the City's obligation to CalPERS. See "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – Employee Retirement System."

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 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 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 herein under "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO." 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 "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – CITY FINANCIAL INFORMATION – COVID-19 Pandemic Impact" herein for a discussion of current and potential impacts of COVID-19 on the City's operations and finances.

Natural Calamities

General. From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood, drought or wildfire, that may adversely affect economic activity in the City, and which could have a negative impact on City finances.

Seismic. The City is, like most regions in California, in an area of significant seismic activity. There are numerous faults within and around the City, including the San Fernando Fault and Sierra Madre Fault. Major fault zones close to, but outside of the City, include the Northridge blind thrust (the site of a 6.7 magnitude earthquake in 1994), San Gabriel, Verdugo, Santa Monica, San Gabriel, Soledad, and San Andreas faults. These faults have historically been the source of earthquakes felt within or in the vicinity of the City. With the exception of a portion of the southern part of the City, the City is not subject to significant liquefaction risk.

Flood. The most recent Flood Insurance Rate Map prepared by the Federal Emergency Management Agency ("FEMA") for the City is dated September 26, 2008 and indicates that the City is located within a "Zone X." Zone X is the designation for lands outside of the 100-year flood

plain. The 100-year flood plain is the area subject to 1% chance of flooding in any given year. Specific regulations are imposed by FEMA for any construction within 100-year flood plains.

The Pacoima Dam is located 3.5 miles from the eastern border of the City. Portions of the City would be subject to inundation in the event of a failure of the Pacoima Dam.

Wildfire. In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. While no portion of the City is located in an area which the Department of Forestry and Fire Protection of the State of California ("CalFire") has designated as a very high fire hazard severity zone, nearby portions of the City of Los Angeles and the Angeles National Forest have been designated by CalFire as very high fire hazard severity zones. In October 2019, a wildfire known as the Saddleridge Fire ignited in the Sylmar neighborhood of the City of Los Angeles just north of the City and ultimately burned approximately 8,800 acres, destroying 19 structures and damaging 88 more. There is a risk of property within the City being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the City or its vicinity. In addition to their direct impact on health and safety and property damage in California, the smoke from wildfires has impacted the quality of life in the greater Los Angeles region and the City and may have short-term and future impacts on commercial activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

Hazardous Substances

The discovery of hazardous substances on parcels of property within the City may limit the beneficial use of taxable property within the City and may result in the reduction in the assessed value of such property. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. Reduction in the value of property in the City could reduce property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the ability of the City to make payments on the Series 2021 Bonds.

Articles XIII C and XIII D of the California Constitution

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIII C and XIII D of the State Constitution," for information about certain risks to General Fund revenues under Articles XIII C and Article XIII D of the California Constitution.

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 debt service payments on the Series 2021 Bonds may be affected if the City should exceed its appropriations limit. The State may increase

the appropriation limit of its counties by decreasing its own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIB of the State Constitution."

Assessed Value of Taxable Property

Property taxes account for a significant portion of General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. In addition to seismic, topographic and climatic conditions, other natural or manmade disasters, such as flood, fire, ongoing drought, toxic dumping or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "**Proposition 13 Value**") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value." Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), does the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the operation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Series 2021 Bonds.

In addition, failure by large property owners to pay property taxes when due may also cause a decrease in General Fund revenues available to make debt service payments on the Series 2021 Bonds.

See "– Natural Calamities" and "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – Property Taxes."

Concentration of Property Ownership

The risk of reduction in assessed value of taxable property as a result of factors described herein may generally increase where the assessed value within a city is concentrated among a relatively few property owners.

Within the City, the aggregate Fiscal Year 2020-21 taxable value for the 20 largest taxpayers totals approximately \$360 million which is approximately 17.5% of the total assessed value within the City of approximately \$2.1 billion for such Fiscal Year. The top 10 largest property taxpayers total approximately 12.5% of the total assessed value within the City. See "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – Property Taxes – Major Property Taxpayers."

Significant reduction in the assessed values of the largest taxpayers in the City could, by itself or in combination with other factors, have a material adverse effect on the City's ability to pay debt service on the Series 2021 Bonds as such payments become due and payable.

No Teeter Plan

Delinquencies in the payment of property taxes by the owners of land in the City could have an adverse effect on the City's ability to make timely payments on the Series 2021 Bonds. See "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – Property Taxes – Property Tax Levies and Collections " and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Pro Forma 2021A Bonds Debt Service Coverage" for recent property tax collection rates for the City, and a description of the debt service coverage on the 2021A Bonds, respectively.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the Series 2021 Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Potential Impact of Climate Change

City finances may be negatively impacted by negative impacts resulting from climate change. These may include intensity of severe storms and wildfire, although the overall impact of climate change on the City is not definitive. Any of these factors may adversely impact property values of homes and businesses in the City and therefore property taxes collected by the City, as well as sales taxes and transient occupancy taxes collected by the City from visitors.

Changes in Law

The State Legislature may in the future enact legislation that will amend or create laws resulting in a reduction of moneys securing or available to pay the Series 2021 Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the

approval of the electorate amending the State Constitution which could have the effect of reducing moneys securing or available to pay the Series 2021 Bonds.

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (see "APPENDIX A – INFORMATION REGARDING THE CITY OF SAN FERNANDO – Risk Management"), the City cannot predict what types of liabilities may arise in the future. See the caption "ABSENCE OF LITIGATION."

Limitation on Trustee's Obligations

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 may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Indenture.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the 2021A Insured Bonds when all or some becomes due, the Trustee on behalf of any owner of the 2021A Insured Bonds shall have a claim under the 2021A Bond Insurance Policy for such payments. The 2021A Insurer may direct and must consent to any remedies with respect to the 2021A Insured Bonds and the 2021A Insurer's consent may be required in connection with amendments to any applicable documents relating to the 2021A Insured Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The long-term ratings on the 2021A Insured Bonds are dependent in part on the financial strength of the 2021A Insurer and its claims paying ability. The 2021A Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the 2021A Insurer and the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See the caption "RATINGS" herein.

The obligations of the 2021A Insurer are unsecured contractual obligations and in an event of default by the 2021A Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the 2021A Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 2021A Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the payments on the 2021A Insured Bonds and the claims paying ability of the 2021A Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information regarding the 2021A Insurer and the 2021A Bond Insurance Policy, which includes further instructions for obtaining current financial information concerning the 2021A Insurer.

Secondary Market for Series 2021 Bonds

There can be no guarantee that there will be a secondary market for the Series 2021 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.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, 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 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, 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" excludes 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 XIII B 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 case of emergency; however, the appropriations limit for the next 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. 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 exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State 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 in the City's General Fund, require a two-thirds vote.

Property-Related Fees and Charges. 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, Assessments, 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 Series 2021 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 XIII D 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 XIII D.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

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

The approval requirements of Articles XIII C and XIII D 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.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided 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 prohibited 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 had to be approved by two-thirds of both houses of the Legislature.

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 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 19

Proposition 19, entitled "Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment," was approved by the voters of the State in November 2020. Proposition 19 amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The City cannot predict the impact that Proposition 19 might have on assessed values or property tax revenues in the City, or any other impacts on the local economy or the City's financial condition.

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. The nature and impact of these measures cannot be anticipated by the City.

VALIDATION

In 2020, the City, acting pursuant to the provisions of Section 860 *et seq.* of the California Code of Civil Procedure and Section 53511 *et seq.* of the California Government Code, filed a complaint in the Superior Court of the State of California for the County of Los Angeles seeking judicial validation of the Series 2021 Bonds and certain other matters, including the Indenture.

On November 13, 2020, the court entered a default judgment to the effect that, among other things, the City's Series 2021 Bonds are valid, legal and binding obligations of the City not subject to the debt limitation provided in Article XVI, Section 18 of the State Constitution and that the City's Series 2021 Bonds are valid and in conformity with all applicable provisions of law. The Indenture was also the subject of the default judgment. The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. In issuing its opinion as to the validity of the Series 2021 Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Series 2021 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2021 Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds.

The proposed form of opinion of Bond Counsel with respect to the Series 2021 Bonds to be delivered on the date of issuance of the Series 2021 Bonds is set forth in Appendix E.

Owners of the Series 2021 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series 2021 Bonds, the ownership, sale or disposition of the Series 2021 Bonds, or the amount, accrual or receipt of interest on the Series 2021 Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the Series 2021 Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Olivarez Madruga Lemieux O'Neill, LLP, 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 its counsel, Kutak Rock LLP, Irvine, California. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with respect to the issuance of the Series 2021 Bonds are contingent upon the issuance and delivery of the Series 2021 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Series 2021 Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of each Fiscal Year of the City (currently March 31 based on the City's Fiscal Year end of June 30) (the "**Annual Report**"), commencing March 31, 2022, with the report for Fiscal Year

2020-21 (which will be in the form of this Official Statement), and to provide notices of the occurrence of certain enumerated events.

These covenants have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has previously entered into a continuing disclosure undertaking in connection with the issuance by the California Statewide Communities Development Authority of its \$6,355,000 California Communities Local Measure R Sales Tax Revenue (Installment Sale) Certificates of Participation, Series 2016 (T.R.I.P. – Total Road Improvement Program). In connection therewith, in the past five years, the City filed its required annual reports for the fiscal years ending June 30, 2019 and June 30, 2020 one day and 93 days late, respectively.

The City believes it has procedures in place that will ensure that it complies with its continuing disclosure undertakings in the future.

MUNICIPAL ADVISOR

The City has retained the services of Urban Futures, Inc., Tustin, California, as Municipal Advisor (the "**Municipal Advisor**") in connection with the issuance of the Series 2021 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS OF THE CITY

The general purpose financial statements of the City, which are included in Appendix B to this Official Statement, have been audited by Van Lant & Fankhanel, LLP, independent certified public accountants (the "**Auditor**"), as stated in their report appearing in Appendix B. The Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed the Auditor, with respect to any event subsequent to its report dated December 29, 2020.

ABSENCE OF LITIGATION

To the best knowledge of the City, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2021 Bonds or the Indenture, or in any way contesting or affecting the validity of the foregoing, or the Tax Override, or any proceedings of the City taken with respect to any of the foregoing.

Although the City may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the City that any currently-pending or known threatened proceedings will not materially affect the City's finances or impair its ability to meet its obligations.

RATINGS

S&P Global Ratings ("**S&P**") has assigned the Series 2021 Bonds the rating of "A+". S&P is also expected to assign the 2021A Insured Bonds the rating of "AA" based upon the delivery of the 2021A Bond Insurance Policy by the 2021A Insurer at the time of issuance of the Insured 2021A Bonds. See the caption "BOND INSURANCE" herein.

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 2021 Bonds, and there is no assurance that any credit rating that is given to the Series 2021 Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Series 2021 Bonds will not change during the period that the Series 2021 Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Series 2021 Bonds may have an adverse effect on the market price of the Series 2021 Bonds. Such 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 2021 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 2021 Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Series 2021 Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Series 2021 Bonds after the initial issuance of the Series 2021 Bonds.

UNDERWRITING

The Series 2021 Bonds are being purchased by Samuel A. Ramirez & Co., Inc., (the "**Underwriter**"). The Underwriter will purchase the 2021A Bonds from the City at an aggregate purchase price of \$_____ (representing the principal amount of the 2021A Bonds, plus/less \$_____ of net original issue premium/discount, and less \$_____ of Underwriter's discount). The Underwriter will purchase the 2021B Bonds from the City at an aggregate purchase price of \$_____ (representing the principal amount of the 2021B Bonds, plus/less \$_____ of net original issue premium/discount and less \$_____ of Underwriter's discount).

The Series 2021 Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Series 2021 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, such services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MISCELLANEOUS

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

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

CITY OF SAN FERNANDO

By: _____
Nick Kimball,
City Manager

APPENDIX A**INFORMATION REGARDING THE CITY OF SAN FERNANDO**

This appendix sets forth certain financial, economic and demographic information in and about the City of San Fernando (the "City"). The following information concerning the City, County of Los Angeles (the "County") and the State of California (the "State") is included only for general background purposes. It is not intended to suggest that the Series 2021 Bonds are payable from any source other as set forth in the Indenture.

Most of the information in this Appendix 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. See "RISK FACTORS – Public Health Emergencies."

General

The City is located in the northeast section of the San Fernando Valley, at the southern foot of the San Gabriel Mountains, and is completely surrounded by the City of Los Angeles, including the nearby communities of Sylmar, Mission Hills, and Pacoima. The City encompasses an area of approximately 2.4 square miles and serves a residential population of approximately 25,207 as of January 1, 2020. The City was incorporated on August 31, 1911 under the general laws of the State. The City provides police protection, water and wastewater utilities, street maintenance, parks and recreation, planning and building safety, library services and cultural programs.

The County encompasses an area of approximately 4,084 miles in the southwestern portion of the State. The 88 cities within the County encompass approximately 35% of the County, while more than 65% of the County remains unincorporated. The County has the largest population of any county in the United States, with approximately 10.2 million inhabitants as of January 2020. The County is bordered on the east and the south by Orange and San Bernardino Counties, on the north by Kern County, and on the west by Ventura County and the Pacific Ocean.

Population

As of January 1, 2020, the population of the City was estimated to be 25,207. The following table presents population data for the last five years for the City, County and State.

Table A-1
CITY OF SAN FERNANDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA
Population

Year	City	County	State
2016	24,590	10,158,196	39,131,307
2017	24,566	10,193,753	39,398,702
2018	24,532	10,209,676	39,586,646
2019	24,798	10,184,378	39,695,376
2020	25,207	10,172,951	39,782,870

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

City Services and Government

General. The services provided by the City include police services, highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services. Fire protection services are provided under contract by the Los Angeles Fire Department and K-12 education is provided by the Los Angeles Unified School District.

The City is operated under a Council-Manager form of government and governed by a five-member council. The City is managed by a City Manager, who serves as chief executive officer of the City.

City Management. Following are brief biographies of the City Manager and the Finance Director of the City.

Nick Kimball, City Manager. Mr. Kimball is the City Manager of the City, a post that he has held since February 2019. Prior to his appointment as City Manager, Mr. Kimball served as the City's Director of Finance for four years and Interim City Manager for eight months. Mr. Kimball has more than 15 years of municipal government experience and has extensive knowledge in risk management, redevelopment and tax increment financing, procurement, accounting, budget development, and city management. In addition to the City, Mr. Kimball has worked for the cities of Culver City and West Hollywood. Mr. Kimball received his Bachelor of Arts degree in Economics from Moravian College in Bethlehem, Pennsylvania and Master of Public Policy Degree from the University of Southern California, in Los Angeles

J. Diego Ibañez, Director of Finance and City Treasurer. Mr. Ibañez is the Director of Finance for the City, a post that he has held since November 2019. Mr. Ibanez has over 20 years of finance experience in the private and public sectors, having previously been an analyst for the City of Santa Monica and Finance Director for the City of California City. In addition to holding a Bachelor of Arts degree in Political Science from the University of California, Santa Cruz, Mr. Ibañez also earned a Master of Public Administration from Columbia University and a Master of Business Administration from Indiana University.

COVID-19 Pandemic Impact

The spread of the novel strain of coronavirus called SARS-CoV-2 that causes the disease known as COVID-19 ("**COVID-19**"), and local, state and federal actions in response to COVID-19, are having a significant impact on the State and local economy and on the City's operations and finances. 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 COVID-19 pandemic has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the City. Unemployment in the United States has dramatically increased as a result of the COVID-19 pandemic. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the COVID-19 pandemic.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "**CARES Act**") which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by the COVID-19 pandemic. In Fiscal Year 2019-20, the City received approximately \$311,000 in CARES Act funds for direct and

unbudgeted COVID-19 related expenses from the State's allocation of the Coronavirus Aid, Relief, and Economic Security Act. The City is also seeking reimbursement from Federal Emergency Management Agency ("**FEMA**"). The City applied its share of CARES Act funding to partially reimburse the General Fund for expenditures related to the COVID-19 pandemic. As of June 2021, the City's expenditures related to responding to the COVID-19 pandemic totaled approximately \$572,000.

The COVID-19 pandemic has resulted in temporary closing of businesses, universities, and schools throughout California. On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk businesses and spaces as part of Stage Two of a four-stage reopening plan, and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. As a result of the regression of COVID-19 indicators, on July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties (including the County of Los Angeles (the "**County**")) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as weddings and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance (referred to as the "**Blueprint for a Safer Economy**") regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each county. Beginning on June 15, 2021, the State has moved beyond the Blueprint for a Safer Economy and indoor and outdoor activities and businesses may return to usual operations with limited exceptions for events characterized by large crowds greater than 5,000 (indoors) and 10,000 (outdoors) attendees. In addition to the general public health recommendations including those relating to face coverings, verification of fully vaccinated status or pre-entry negative test results are strongly recommended for all attendees.

The County reports that, as of July 4, 2021, approximately 60% of the County's residents age 16 and older are fully vaccinated, and approximately 69% of the County's residents age 16 and older have received at least one dose. The State reports that, as of July 8, 2021, 42.3 million vaccine doses had been administered statewide, approximately 60,000 doses were being administered per day in the State, and doses equating to 80 days of inventory were on hand statewide.

On March 11, 2021, the President of the United States signed the American Rescue Plan Act (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 \$4.6 million in funding under the American Rescue Plan. To date, the City has not received any such funds and anticipates that it will begin receiving funds from the America Rescue Plan in Fiscal Year 2021-22. As described herein, the 2021-22 Adopted Budget (as hereinafter defined) does not include any anticipated funding under the American Rescue Plan. See "– Adopted Budget for Fiscal Year 2020-21."

The COVID-19 pandemic has impacted certain of the City's economically sensitive tax revenues and may affect the City's ability to sustain regular operations at current levels in the future. The City's total General Fund revenues for Fiscal Year 2019-20 remained relatively flat when compared to Fiscal Year 2018-19, increasing approximately \$200,000, or 1%. The increase was predominantly due to an increase in property tax revenues of approximately \$150,000, or 6%. Sales tax revenues, which historically have represented the City's largest revenue source, remained virtually flat in Fiscal Year 2019-20 when compared to Fiscal Year 2018-19, increasing only 3%.

In connection with the preparation of the City's operating budget for Fiscal Year 2020-21, City staff updated revenue and expenditures for Fiscal Years 2019-20 and 2020-21. In April 2020, City staff presented projections to the City Council that showed a General Fund deficit of \$1.5 million to \$2 million for Fiscal Year 2020-21 unless the City implemented cost saving measures. In an effort to reduce operating costs, the 2020-21 Adopted Budget (as defined herein) included approximately \$1.1 million in reductions in General Fund expenditures. Such reductions included a 10% reduction in the operating budgets of each department of the City. Despite such reductions, the 2020-21 Adopted Budget included a General Fund deficit of approximately \$915,000 for Fiscal Year 2020-21. Based on estimated actual results for Fiscal Year 2020-21, the City currently projects General Fund revenues to total approximately \$20.3 million, and General Fund expenditures to total \$19.4 million.

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 Appendix A 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 "RISK FACTORS – Public Health Emergencies" in the forepart of this Official Statement.

Budget Process

The City's fiscal year begins each July 1st and concludes on June 30th. In accordance with fundamental democratic principles, the City embraces the notion and practice of citizen participation, especially in key planning and resource allocation activities. Therefore, the development of the budget process begins early in the prior fiscal year to ensure adequate planning and community input into that planning. Departments obtain citizen input through Boards and Commission meetings, public hearings, study sessions and other forms of written and oral communication.

The development of the annual budget is comprised of three distinct phases.

Phase 1: Strategic Planning and Program Assessment. The City Council Strategic Plan is a process that brings into alignment the community's priorities and needs, Citywide strategic goals and City Council priorities, and City operations. The Citywide strategic goals and Council priorities are then used as a roadmap to realize the community vision through building a budget that effectively utilizes City resources. Program assessment is a crucial component of the budget development process. It engages City staff in linking past assumptions and decisions with current issues before focusing on dollars. Program assessment is also designed to elicit evaluation of current service delivery efforts, as well as provide baseline and performance information on the services (activities) that a Department currently provides.

Phase 2: Budget Directive and Departmental Submittal. The City Manager establishes a Budget Directive based on short and long-term financial and organizational goals. Budget kickoff begins in March at a meeting attended by the City Manager, Finance Director, other Department Heads, and key staff from the Finance Department. Policy directives, general budgeting guidelines, and the technical and procedural aspects of preparing the budget are discussed. The budget preparation schedule and target budget spreadsheets, distributed to each departmental representative in electronic format, provides the information necessary to prepare the budget submittal in an accurate and timely manner. Departments have approximately one month to prepare their budgets based on the City Manager's Budget Directive.

A City Manager Review is then conducted for each Department including the City Manager, Deputy City Manager, key staff from the Finance Department and Administration Division of the Office of the City Manager, Department Heads, and Departmental Budget Coordinators. Staff presents an overview of the department's proposed budget, including increases, reductions, and/or other significant budgetary changes. The aim of the City Manager's review is to finalize decisions regarding departmental budget submittals and to discuss other outstanding issues.

Phase 3: Budget Preparation and Adoption. This phase consists of the preparation of the proposed budget through budget adoption. Once the City Manager's reviews have taken place and all departmental budget issues are resolved, the Finance Department prepares the proposed budget. The proposed budget takes into account any changes agreed upon at the City Manager's reviews and any other City Manager-directed changes.

The City Manager presents the proposed budget to the City Council in one or more workshop study sessions typically held in May. Although public comment is welcome throughout the workshop study sessions, a specially designated public hearing is expressly held for public participation. Subsequent to the public hearing, the City Manager will ask the City Council to adopt the annual budget with any necessary revisions made between the time of the publication of the proposed budget and the date of adoption. The annual budget is effective July 1st, and the printed document is available as soon as possible after the year-end accounting and final cost allocation plan are completed.

The City Manager is responsible for the administration of the annual budget after its final adoption and keeps the City Council fully advised at all times of the financial condition and needs of the City. In order to accomplish this mandate, the City Manager annually presents a mid-year fiscal review to the City Council, typically held between January and March. This review includes needed adjustments to the adopted budget that have been identified by staff since budget adoption and requires three affirmative votes of the City Council to effectuate adjustments to the adopted budget.

Additionally, the City Council may, at any regular or special meeting throughout the fiscal year, amend or supplement the annual budget by motion adopted by three affirmative votes authorizing the transfer of unused balances appropriated for one purpose to another purpose or to appropriate available funds not included in the budget. Budget adjustments requiring City Council approval are submitted as agenda items and approved in accordance with the City's Code. City Council approval is also required for all transfers from unappropriated fund balances or contingency reserves.

General Fund Budgets

General. The following table shows (i) the City's budgeted General Fund revenues and expenditures for Fiscal Years 2017-18 through 2021-22 and (ii) actual audited General Fund revenues and expenditures for Fiscal Years 2017-18 through 2019-20.

The City's audited financial statements for the Fiscal Year ended June 30, 2020, are included as Appendix B to this Official Statement.

Table A-2
CITY OF SAN FERNANDO
General Fund Budgets
For Fiscal Years 2017-18 through 2021-22

	<u>Adopted Budget FY 2017-18</u>	<u>Audited FY 2017-18</u>	<u>Adopted Budget FY 2018-19</u>	<u>Audited FY 2018-19</u>	<u>Adopted Budget FY 2019-20</u>	<u>Audited FY 2019-20</u>	<u>Modified Adopted Budget FY 2020-21</u>	<u>Estimated Actual Results FY 2020-21</u>	<u>Adopted Budget FY 2021-22</u>
Revenues:									
Taxes	\$12,917,500	\$13,436,220	\$12,789,500	\$13,684,497	\$13,317,500	\$13,859,622	\$12,078,000	\$15,168,886	\$15,282,000
Licenses and Permits	273,500	279,620	258,000	354,143	300,000	427,751	310,000	343,500	313,625
Charges for Services	839,000	893,317	846,200	989,986	965,200	797,686	716,040	534,939	750,950
Fines & Forfeitures	513,800	426,697	607,800	569,984	607,800	595,337	512,800	494,200	464,800
Investment Earnings	195,000	178,939	389,000	630,067	486,640	749,692	496,640	650,540	590,000
Intergovernmental	2,398,500	2,404,128	2,480,382	2,508,362	2,590,548	2,653,489	2,610,048	2,828,432	2,837,000
Other	370,802	370,655	367,500	421,325	243,000	275,733	293,000	317,763	168,000
Total Revenues	\$17,508,102	\$17,989,576	\$17,738,382	\$19,158,364	\$18,510,688	\$19,359,310	\$17,046,528	\$20,338,260	\$20,406,375
Expenses:									
General Government	\$3,314,714	\$2,995,937	\$2,919,258	\$2,912,857	\$2,906,835	\$2,594,136	\$2,901,455	\$2,971,655	\$3,943,783
Public Safety	11,055,365	10,761,516	10,829,172	10,843,918	11,182,123	11,594,560	12,454,993	12,374,993	12,338,127
Community Development	1,088,779	984,938	1,135,637	1,026,623	1,146,388	1,090,187	1,330,240	1,330,240	1,123,787
Public Works	1,217,006	1,094,565	1,219,145	1,267,925	1,481,054	1,131,302	1,358,144	1,358,144	1,433,827
Parks & Recreation	1,276,216	1,125,018	1,307,227	1,344,036	1,360,513	1,283,440	1,399,257	1,399,257	1,350,888
Capital Outlay	--	--	197,543	163,231	1,414,118	80,609	--	--	--
Total Expenses	\$17,952,080	\$16,961,974	\$17,607,982	\$17,558,590	\$19,491,031	\$17,774,234	\$19,444,089	\$19,434,289	\$20,190,412
Other Financing Sources (Uses):									
Transfers In	\$419,234	\$419,234	\$509,642	\$509,642	\$518,805	\$518,805	\$490,000	\$490,000	\$495,000
Transfers Out	(480,000)	(180,000)	(380,000)	(80,000)	(623,500)	(298,500)	(20,000)	(20,000)	(540,000)
Total Other Financing Sources (Uses)	(\$60,766)	\$239,234	\$129,642	\$429,642	\$(104,695)	\$220,305	\$470,000	\$470,000	(\$45,000)
Net Change in Fund Balances	(\$504,744)	\$1,266,836	\$260,042	\$2,029,416	\$(1,085,000)	\$1,805,381	(\$1,927,561)	\$1,373,970	\$170,963

Source: City of San Fernando Comprehensive Annual Financial Reports for Fiscal Years 2017-18, 2018-19 and 2019-20; City of San Fernando Adopted Budget for fiscal year 2020-21.

Adopted Budget for Fiscal Year 2020-21

The City Council adopted the City's operating budget for fiscal year 2020-21 on June 15, 2020 (the "**2020-21 Adopted Budget**").

As previously described, in connection with the preparation of the City's operating budget for Fiscal Year 2020-21, City staff updated revenue and expenditures for Fiscal Years 2019-20 and 2020-21. In April 2020, City staff presented projections to the City Council that showed a General Fund deficit of \$1.5 million to \$2 million for Fiscal Year 2020-21 unless the City implemented cost saving measures.

To reduce operating costs, the 2020-21 Adopted included approximately \$1.1 million in reductions in General Fund expenditures. Such reductions included a 10% reduction in the operating budgets of each department of the City. Despite such reductions, the 2020-21 Adopted Budget included a General Fund deficit of approximately \$915,000 for Fiscal Year 2020-21.

The 2020-21 Adopted Budget included \$19.1 million in revenues, a decrease of 1.3% from the prior Fiscal Year's total revenues of \$19.4 million, and budgeted \$20.0 million in expenditures, for Fiscal Year 2020-21, an increase of 13.0% over the prior Fiscal Year's total expenditures of \$17.8 million. Table A-2 above presents the modified 2020-21 Adopted Budget, which reflects mid-year updates to the budget.

Based on estimated actual results for Fiscal Year 2020-21, the City currently projects General Fund revenues to total approximately \$20.3 million, and General Fund expenditures to total \$19.4 million. Such estimated actual results also include approximately \$800,000 in savings which were achieved by the City offering an employee retirement incentive program in Fiscal Year 2020-21. For Fiscal Year 2020-21, sales tax revenues are estimated to be approximately \$9.0 million, or 27.8% higher than originally budgeted.

Adopted Budget for Fiscal Year 2021-22

General. The City Council adopted the City's operating budget for fiscal year 2021-22 on June 21, 2021 (the "**2021-22 Adopted Budget**"). The 2021-22 Adopted Budget was a balanced budget when adopted and focuses on the City's recovery from the COVID-19 pandemic and investing in the future and City services.

Budgeted Revenues. Driven in large part by the full reopening of the economy on June 15, 2021, the 2021-22 Adopted Budget projects increases for each revenue category in Fiscal Year 2021-22. In particular, the 2021-22 Adopted Budget projects the City's General Fund revenue to total approximately \$20.4 million in Fiscal Year 2021-22, for a slight increase from the estimated actual total General Fund revenues for Fiscal Year 2020-21 of approximately \$20.3 million. Sales and Other Taxes, Property Tax and Charges for Services are projected to account for 78% of General Fund revenue.

The 2021-22 Adopted Budget includes the following:

- With the addition of new transaction tax revenue from Measure SF that was approved by City voters in November 2020 (see "– Sales and Use Taxes"), the 2021-22 Adopted Budget projects an increase of 30.9% in Sales and Other Tax revenue compared to the 2020-21 Adopted Budget.

- Property Tax-related revenues are projected to increase by 12.5% compared to the 2020-21 Adopted Budget, which reflects a return to pre-COVID-19 Property Tax receipts.
- Charges for Services are projected to decrease by 5.3% compared to the 2020-21 Adopted Budget to reflect a slight slowdown in permit activity as well as an updated Cost Allocation Plan that reflects reduced staffing levels from the Retirement Incentive Program.
- Revenue from Other Agencies are projected to increase by 8.7% compared to the 2020-21 Adopted Budget due primarily to an increase in the project Property Tax In-lieu of Motor Vehicle License Fee revenue from the state, which generally increases commensurate with Property Tax revenue.
- Admissions Taxes are projected to increase by 7.7% to \$700,000. Admissions Taxes are primarily generated from the admission fee to the City's Swap Meet, which was closed or operating at reduced capacity for most of Fiscal Year 2020-21. With social distancing and attendance restrictions being relaxed, Admissions Tax revenues are projected to increase.

Budgeted Expenditures. The 2021-22 Adopted Budget includes \$20.9 million in General Fund expenditures. The 2021-22 Adopted Budget includes an overall increase of approximately 5.7% in expenditures, which includes almost \$490,000 in ongoing staffing resources and new positions as well as negotiated salary increases that average approximately 2%. A total of approximately \$1.4 million in General Fund enhancement requests were approved and included in the 2021-22 Adopted Budget (one-time: approximately \$900,00; ongoing: approximately \$500,000).

As previously described, in connection with the 2020-21 Adopted Budget, the City reduced its General Fund operating costs by approximately \$1.1 million through various actions, including 10% reductions in operating budgets of each City department. The 2021-22 Adopted Budget includes the restoration of the 10% reduction in the operating budgets of each City department and provides for catch-up payments to be made by the City's General Fund to the Retirement Fund, Sewer Fund, Self-Insurance Fund, and Landscape and Lighting Fund. Interfund loans by the Retirement Fund and Sewer Fund to the General Fund totaled approximately \$3.7 million as of May 31, 2021. In recent years, the General Fund has transferred approximately \$50,000 each fiscal year to the Landscape and Lighting Fund and the City expects substantially similar transfers to continue in the future. See "APPENDIX B – THE CITY OF SAN FERNANDO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020, Note 3" for a description of the interfund loan obligations of the General Fund as of June 30, 2020.

Relief Funds. As previously described, as of the date of this Official Statement, the City estimates it will receive a total of approximately \$4.6 million in funding under the American Rescue Plan. To date, the City has not received any such funds and anticipates that it will begin receiving funds from the American Rescue Plan in Fiscal Year 2021-22. As described herein, the 2021-22 Adopted Budget does not include any anticipated funding under the American Rescue Plan. The City has established an ad hoc committee to identify priorities for the use of American Rescue Plan funds, which include general infrastructure improvements, public WiFi, capital expenditures for the City's water system, technology improvements to City Hall, and grants to support local businesses and residents affected by the COVID-19 pandemic.

City General Fund Fiscal Policies

The City Council has adopted a General Financial Policy and a Budget Policy.

The City is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserve levels and adhering to prudent practices in governance, management, budget administration and financial reporting.

The General Financial Policy consists of financial principles intended to establish a comprehensive set of guidelines for the City Council and City staff to follow when making decisions that may have a fiscal impact. The goal is to maintain the City's financial stability in order to be able to continually adapt to local and regional economic changes. Such principles will allow the City to maintain and enhance a sound fiscal condition. The General Financial Policy is reviewed annually as part of the City's annual budget process to ensure that the principles contained herein remain current.

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted. The City Council establishes, modifies, or rescinds fund balance commitments by passage of a resolution, which can occur throughout the fiscal year.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary shortfalls or unpredicted onetime expenditures. It is the goal of the City to maintain a contingency reserve of 20% of General Fund "Operating Budget" as originally adopted (the "**Contingency Reserve**"). Operating Budget for this purpose includes current expenditure appropriations and excludes Capital Improvement Projects and Transfers Out. Appropriation and/or access to these funds are reserved for emergency situations only. As of May 31, 2021, the City maintained a Contingency Reserve in the amount of approximately \$4.4 million, or 22% of fiscal year 2020-21 General Fund expenditures.

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.

Financial Statements

The accounting policies of the City conform to generally accepted accounting principles. The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999 ("**GASB No. 34**"). GASB No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. There are three groups of funds: governmental funds (which include the General Fund), proprietary funds (which include enterprise funds) and other funds (which include internal service and fiduciary funds and are used to account for resources held for the benefit of parties outside the City).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds are reported the full accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded at the time the liability is incurred. The fiduciary funds use the modified accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.

The City's most recent audited financial statements are included in the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020, which is attached as APPENDIX B to this Official Statement. The financial statements were prepared by the City and audited by Van Lant & Fankhanel, LLP (the "**Auditor**").

The financial statements should be read in their entirety. The City has neither requested nor obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or General Fund. In addition, the Auditor has not reviewed this Official Statement.

Set forth on the following pages are (i) the audited general fund balance sheets for Fiscal Years 2015-16 through 2019-20, and (ii) a statement of revenues, expenditures and changes in fund balance for the City's General Fund for Fiscal Years 2015-16 through 2019-20.

Table A-3
CITY OF SAN FERNANDO
General Fund Balance Sheet

	<u>Audited FY 2015-16</u>	<u>Audited FY 2016-17</u>	<u>Audited FY 2017-18</u>	<u>Audited FY 2018-19</u>	<u>Audited FY 2019-20</u>
Assets:					
Cash and Investments	\$219,682	\$2,264,578	\$2,692,639	\$4,394,145	\$6,175,993
Receivables:					
Taxes	1,819,699	1,522,479	1,411,815	1,288,841	1,775,362
Accounts	148,779	218,172	170,949	185,474	196,375
Interest	12,981	32,710	60,759	115,355	96,194
Grants	--	--	--	--	--
Inventories	113	--	--	--	--
Due from Other Funds	--	263,181	545,262	791,138	432,921
Due from Successor Agency	189,604	64,604	64,604	--	--
Advances to Other Funds	140,000	--	--	--	--
Prepaid Items	--	2,099	1,704	1,140	1,600
Total Assets	\$2,530,858	\$4,367,823	\$4,947,732	\$6,776,093	\$8,678,445
Liabilities:					
Accounts Payable	\$521,071	\$624,647	\$361,632	\$375,490	\$414,747
Accrued Liabilities	164,335	207,766	289,824	319,302	372,278
Deposits	76,780	167,501	195,227	217,391	201,999
Advances from Other Funds	4,848,919	4,578,085	4,309,302	4,042,747	3,746,821
Total Liabilities	\$5,611,105	\$5,577,999	\$5,155,985	\$4,954,930	\$4,735,845
Deferred Inflows of Resources:					
Unavailable Revenues	--	\$264,913	--	--	\$316,056
Total Deferred Inflows of Resources	--	\$264,913	--	--	\$316,056
Fund Balances:					
Nonspendable	\$329,717	\$64,813	\$66,308	\$1,140	\$1,600
Unassigned	(3,409,964)	(1,541,792)	(274,561)	1,820,023	3,624,944
Total Fund Balances	(\$3,080,247)	(\$1,475,089)	(\$208,253)	\$1,821,163	\$3,626,544
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,530,858	\$4,367,823	\$4,947,732	\$6,776,093	\$8,678,445

Source: City of San Fernando Comprehensive Annual Financial Reports for Fiscal Years 2015-16 through 2019-20.

Table A-4
CITY OF SAN FERNANDO
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance

	<u>Audited FY 2015-16</u>	<u>Audited FY 2016-17</u>	<u>Audited FY 2017-18</u>	<u>Audited FY 2018-19</u>	<u>Audited FY 2019-20</u>
Revenues:					
Taxes	\$12,427,945	\$12,938,865	\$13,436,220	\$13,684,497	\$13,859,622
Licenses & Permits	335,010	243,960	279,620	354,143	427,751
Charges for Services	1,794,335	929,634	893,317	989,986	797,686
Fines & Forfeitures	562,134	521,043	426,697	569,984	595,337
Investment Earnings	181,137	174,241	178,939	630,067	749,692
Intergovernmental	2,197,774	2,307,966	2,404,128	2,508,362	2,653,489
Other	423,599	376,186	370,655	421,325	275,733
Total Revenues	\$17,921,934	\$17,491,895	\$17,989,576	\$19,158,364	\$19,359,310
Expenditures:					
Current:					
General Government	\$3,856,626	\$2,750,548	\$2,763,428	\$2,912,857	\$2,594,136
Public Safety	10,126,084	10,142,336	10,761,516	10,843,918	11,594,560
Community Development	937,035	1,016,299	984,938	1,026,623	1,090,187
Public Works	897,643	891,460	1,094,565	1,267,925	1,131,302
Parks and Recreation	1,041,606	1,241,401	1,125,018	1,344,036	1,283,440
Capital Outlay	127,971	99,438	201,292	163,231	80,609
Debt Service:					
Principal	--	--	--	--	--
Interest & Fiscal Charges	27,559	29,166	31,217	--	--
Total Expenditures	\$17,014,524	\$16,170,648	\$16,961,974	\$17,558,590	\$17,774,234
Excess of Revenues Over (Under) Expenditures	907,410	1,321,247	1,027,602	1,599,774	1,585,076
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$400,483	\$373,911	\$419,234	\$509,642	\$518,805
Transfers Out	(274,095)	(90,000)	(180,000)	(80,000)	(298,500)
Total Other Financing Sources (Uses)	\$126,388	\$283,911	\$239,234	\$429,642	\$220,305
Net Change in Fund Balances	1,033,798	1,605,158	1,266,836	2,029,416	1,805,381
Fund Balances, Beginning of Year	(4,114,045)	(3,080,247)	(1,475,089)	(208,253)	1,821,163
Fund Balances, End of Year	(\$3,080,247)	(\$1,475,089)	(\$208,253)	\$1,821,163	\$3,626,544

Source: City of San Fernando Comprehensive Annual Financial Reports for Fiscal Years 2015-16 through 2019-20.

Tax Revenues By Source

General. General fund tax revenues received by the City are listed in the table below. 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."

The following table shows historical audited tax revenues for Fiscal Years 2015-16 through Fiscal Year 2019-20, estimated actual tax revenues for Fiscal Year 2020-21, and budgeted tax revenues for 2021-22, for the City's General Fund.

Table A-5
CITY OF SAN FERNANDO
General Fund Tax Revenues by Source

	Audited FY 2015-16	Audited FY 2016-17	Audited FY 2017-18	Audited FY 2018-19	Audited FY 2019-20	Estimated Actual FY 2020-21	Adopted Budget FY 2021-22
Sales and Use Taxes	\$ 7,400,277	\$7,646,479	\$ 7,991,999	\$7,863,417	\$8,123,757	\$8,985,303	\$ 9,900,000
Prop. Tax in Lieu of VLF ⁽¹⁾	2,148,780	2,283,356	2,364,153	2,475,896	2,607,512	2,774,444	2,800,000
Property Taxes	2,238,774	2,236,513	2,192,523	2,557,895	2,702,960	3,102,180	2,709,500
Business License Taxes	1,142,581	1,325,622	1,456,319	1,433,909	1,424,880	1,500,000	1,000,000
Admissions Tax	750,449	707,473	721,498	702,594	490,322	565,000	700,000
Total	\$13,680,862	\$ 14,199,442	\$14,726,492	\$ 15,033,711	\$ 15,349,431	\$16,926,927	\$17,109,500

(1) Property taxes paid to the City in lieu of Vehicle License Fees.
Source: City of San Fernando.

Sales and Use Taxes

Sales and use taxes represent the City's largest source of General Fund revenue for Fiscal Year 2019-20 (totaling approximately \$8.1 million or approximately 41% of total General Fund revenues for such Fiscal Year).

Sales Tax Rate. Taxable transactions in the City are subject to sales and use tax at a total rate of 10.25%, of which the City receives 1.75% (which includes the Bradley-Burns Uniform Local Sales and Use Tax rate of 1%, Measure A sales tax rate of 0.5%, and Measure SF sales tax rate of 0.25%).

Measure A. In June 2013, the voters of the City approved a 0.5% local transaction use tax for a period of seven years, which began being collected in October 2013, and in November 2018 voted to extend the tax indefinitely ("**Measure A**"). The half-cent tax under Measure A applies to all taxable retail transactions in the City, with certain exceptions. In recent years, Measure A has generated approximately \$2.0 to \$2.5 million per year in additional sales tax revenues to the City. Pursuant to Measure A, proceeds from the half-cent tax may be used for any public or governmental purpose.

Measure SF. In November 2020, San Fernando voters approved an increase in the local transaction use tax from 0.5% under Measure A to 0.75% ("**Measure SF**"). The additional 0.25% began being collected in April 2021. The stated goal of Measure SF is to keep sales tax local and avoid other taxing entities from passing a transaction tax that would otherwise be imposed on San

Fernando customers but spent regionally rather than locally. More than 56% of voters supported Measure SF, which is expected make approximately \$1.5 million available annually for street and sidewalk improvements; public infrastructure; local business reinvestment; public Wi-Fi; long-term debt reduction; wage and other general municipal purposes.

The City currently estimates that the additional sales and use tax levied under Measure SF will generate approximately \$1.5 million in General Revenues in Fiscal Year 2021-22. Overall, the 2021-22 Adopted Budget projects an increase of 30.9% in Sales and Other Tax revenue for Fiscal Year 2021-22.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration ("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, redevelopment agency, or county are required to be transmitted by the CDTFA to such city, city and county, redevelopment agency, 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 "RISK FACTORS – 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. The City's top 10 sales and use taxpayers accounted for approximately 5.72% of the total sales and use tax revenues in Fiscal Year 2019-20.

Table A-6
CITY OF SAN FERNANDO
Taxable Sales by Category
(in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Apparel Stores	\$12,234	\$11,714	\$12,226	\$12,168	\$11,729
Food Stores	15,033	15,421	16,028	16,123	22,793
Eating and Drinking Places	66,542	71,884	73,118	76,739	67,881
Building Materials	102,767	114,391	121,388	124,495	114,969
Auto Dealers and Suppliers	105,825	103,662	110,670	127,846	121,435
Service Stations	13,545	12,927	14,458	14,421	9,953
Other Retail Group	64,422	66,131	37,956	33,677	19,033
All Other Outlets	125,488	128,101	142,527	147,715	91,385
Total	\$505,856	\$524,231	\$528,371	\$553,184	\$472,344

Source: California Department of Tax and Fee Administration.

Property Taxes

Property tax revenues represent the City's second largest source of General Fund revenue for fiscal year 2019-20 (totaling approximately \$5 million or approximately 26% of total General Fund revenues for such Fiscal Year). As previously described, the 2021-22 Adopted Budget projects an increase in the City's property tax related revenues of 12.5% in Fiscal Year 2021-22, which reflects a return to pre-COVID-19 Property Tax receipts.

General. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were curtailed when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

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; Proposition 22." There can be no assurance that the State will not undertake future ERAF shifts.

Property Tax In-Lieu of Motor Vehicle License Fee. Prior to 2004, cities and counties in California receives a share of the State's motor vehicle license fee ("VLF"). In 2004, the State shifted VLF revenues from cities and counties to fund other State programs. To compensate for lost revenue, the State provides cities and counties with additional property tax revenue in-lieu of VLF. Property tax in-lieu of VLF revenue continues to be allocated to cities and counties, and increases annually based on growth in assessed value of property within the city's or county's boundaries.

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 "RISK FACTORS – Public Health Emergencies" for a discussion of Executive Order N-61-20.

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 2020-21.

Table A-7
CITY OF SAN FERNANDO
Assessed Value of Taxable Property
Fiscal Years 2011-12 to 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	\$1,362,468,567	\$22,100	\$102,891,671	\$1,465,382,338
2012-13	1,400,532,953	22,100	121,871,794	1,522,426,847
2013-14	1,435,393,976	22,100	124,425,059	1,559,841,135
2014-15	1,509,769,132	22,100	122,621,128	1,632,412,360
2015-16	1,571,446,966	22,100	114,207,014	1,685,676,080
2016-17	1,678,026,782	22,100	113,200,408	1,791,249,290
2017-18	1,742,203,875	26,100	112,403,426	1,854,633,401
2018-19	1,826,640,333	26,100	115,627,875	1,942,294,308
2019-20	1,933,925,798	26,100	111,592,898	2,045,544,796
2020-21	2,057,962,149	26,100	118,512,081	2,176,500,330

Source: California Municipal Statistics, Inc.

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.

Property Tax Levies and Collections. The City is located in the County, which is not subject to the "Teeter Plan." Therefore, the City receives property taxes actually collected. 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 2021 Bonds. See "– Levy and Collection" above for a discussion of the Governor's Executive Order N-61-20 and the acceptance of the Office of the Treasurer-Tax Collector of requests for penalty cancellation requests. See "RISK FACTORS – No Teeter Plan" and "RISK FACTORS – Public Health Emergencies."

Set forth below is a table showing property taxes levied and collected on the City's behalf for Fiscal Years 2009-10 to 2019-20.

**Table A-8
CITY OF SAN FERNANDO
Property Tax Levies and Collections**

Fiscal Year	Total Property Tax Levied	Collected within the Fiscal Year of Levy	
		Amount	Percent of Levy ⁽¹⁾
2009-10	\$9,754,979	\$11,049,754	113.27%
2010-11	9,693,186	11,146,361	114.99
2011-12	10,760,744	10,622,934	98.72
2012-13 ⁽²⁾	5,612,092	4,501,185	80.21
2013-14	4,146,929	5,685,040	137.09
2014-15	4,093,768	5,794,276	141.54
2015-16	5,660,595	6,559,722	115.88
2016-17	5,991,659	6,616,033	110.42
2017-18	5,953,422	6,241,044	104.83
2018-19	6,232,013	6,785,560	108.88
2019-20	6,467,481	6,606,745	102.15

(1) Supplemental assessments include voter-approved indebtedness for City employees' retirement, a lighting district, penalties and interest, which are not included in the taxes levies. The collection of these supplemental assessments often cause the percent of levy to exceed 100%.

(2) Beginning in Fiscal Year 2012-13, former Redevelopment Agency property tax increment is not included.

Source: City of San Fernando Comprehensive Annual Financial Report.

Major Property Taxpayers. The following table shows the principal property taxpayers in the City as determined by their secured assessed valuations for Fiscal Year 2020-21. See "RISK FACTORS – Concentration of Property Ownership" for a discussion of risks that may impact owners of the Series 2021 Bonds as a result of the property owner concentration in the City.

Table A-9
CITY OF SAN FERNANDO
Principal Secured Taxpayers

Property Owner	2020-21 Land Use	Assessed Valuation	% of Total ⁽¹⁾
1. Rexford Industrial	Industrial	\$129,330,083	6.28%
2. SFVS Company LLC	Shopping Center	24,266,920	1.18
3. 315 Partners LLC	Shopping Center	24,010,765	1.17
4. Foothill HD Retail Center LLC	Shopping Center	22,071,580	1.07
5. AHI Glenoaks Inc.	Industrial	17,940,735	0.87
6. San Fernando Gateway LLC	Industrial	16,622,258	0.81
7. YNG LLC	Shopping Center	14,857,655	0.72
8. San Fernando Associates	Industrial	11,802,586	0.57
9. San Fernando Senior Housing LP	Senior Apartments	10,006,387	0.49
10. San Fernando Valley Automotive	Automotive Dealership	9,895,176	0.48
11. NNN CA Auto Service LLC	Car Wash	9,358,897	0.45
12. Bernards San Fernando 3 LLC	Industrial	9,078,502	0.44
13. 5500 Jefferson Investment Group	Industrial	9,057,408	0.44
14. 816 Partners LLC	Office/Retail	8,563,025	0.42
15. Selective San Fernando Partners	Industrial	8,049,842	0.39
16. 1150 San Fernando Road LLC	Commercial - Retail	7,978,090	0.39
17. Downtown San Fernando LLC	Office/Retail	7,087,073	0.34
18. Metro Glenoaks Plaza Partners	Shopping Center	6,838,804	0.33
19. JZK Truman LLC	Industrial	6,747,527	0.33
20. Liberty Property LP	Industrial	<u>6,333,056</u>	<u>0.31</u>
		\$359,896,369	17.49%

(1) 2020-21 Local Secured Assessed Valuation: \$2,057,962,149
Source: California Municipal Statistics, Inc.

Other Taxes and Revenues

Business License Fees. The City imposes a business license fee on certain business, trades, professions, and occupations specified in the City's code. Fees differ based on business type but, generally, the fee imposed is \$1.20 per \$1,000 in gross receipts for the sale of goods and \$2.40 per \$1,000 in gross receipts for services. Business license fees were the fifth largest revenue source in Fiscal Year 2019-20, accounting for approximately 7% of General Fund revenues.

Admissions Tax. The City imposes a tax on each person who pays an admission fee, commonly known as the admissions tax. The tax is collected by the operator at the time admission is paid. Admissions tax revenue is the City's sixth largest revenue source, accounting for approximately 4% of General Fund revenue in Fiscal Year 2019-20. The primary driver of the admissions tax is the City's swap meet. Similar to other discount retailers, attendance at the swap meet has historically been counter-cyclical.

Other Revenues. Other General Fund revenues include revenues generated from charges for services, fines and forfeitures, investment earnings, and intergovernmental transfers.

Long-Term General Fund Obligations

After the issuance of the Series 2021 Bonds, such bonds will be the City's only long-term debt obligation payable from the City's General Fund to the extent provided in the Indenture.

Overlapping Debt Statement

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated April 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 A-10
CITY OF SAN FERNANDO
Direct and Overlapping Debt
As of April 1, 2021

2020-21 Assessed Valuation: \$2,176,500,330

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/21</u>
Metropolitan Water District	0.067%	\$ 17,976
Los Angeles Community College District	0.226	9,964,905
Los Angeles Unified School District	0.276	<u>30,107,032</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$40,089,913
Less: Los Angeles Unified School District economically defeased general obligation bonds		<u>243,596</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$39,846,317
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.127%	\$3,336,858
Los Angeles County Superintendent of Schools Certificates of Participation	0.127	5,798
Los Angeles Unified School District General Fund Obligations	0.276	361,477
City of San Fernando General Fund Obligations	100.000	<u>-</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$3,704,133
GROSS COMBINED TOTAL DEBT		\$43,794,046 ⁽²⁾
NET COMBINED TOTAL DEBT		\$43,550,450

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.83%
Combined Direct Debt (\$0)	0.00%
Gross Combined Total Debt.....	2.01%
Net Combined Total Debt.....	2.00%

(1) Excludes the Series 2021 Bonds.

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

Employee Relations

The City had 161 authorized positions at the beginning of Fiscal Year 2020-21, of which 51 were Police personnel. The City's employees are represented by the following labor groups.

Table A-11
CITY OF SAN FERNANDO
City Employee Labor Groups

<u>Labor Group</u>	<u>Number of Budgeted Employees</u>	<u>Contract Expiration Date</u>
San Fernando Police Officers' Association	28	6/30/24
SFPOA-Police Management Unit	2	6/30/24
San Fernando Police Civilians' Association	16	6/30/21 ⁽¹⁾
San Fernando Public Employees' Association, SEIU Local 721	44	6/30/22
San Fernando Management Group, SEIU Local 721	5	6/30/21 ⁽¹⁾
San Fernando Part-time Employees' Bargaining Unit, SEIU Local 721	54	6/30/20 ⁽²⁾

(1) The City and the respective bargaining units are currently engaged in discussions regarding extensions. The City anticipates entering into a new collective bargaining agreements or extensions of existing agreements on substantially the same terms as the existing agreements.

(2) The City and the San Fernando Part-time Employees' Bargaining Unit, SEIU Local 721 agreed to continue to operate under their existing contract through June 30, 2021, with an option to extend by mutual agreement through December 31, 2021. The City expects the contract to be extended through December 31, 2021 or a new contract to be negotiated on substantially the same terms as the existing agreement.

Source: City of San Fernando.

In the previous five years, there have not been any work stoppages by City employees.

Risk Management

The City is self-insured for workers' compensation claims, unemployment insurance, property insurance, and comprehensive general and automobile liability. The City purchase excess workers' compensation and liability insurance through its membership in the Independent Cities Risk Management Authority ("**ICRMA**"). ICRMA provides general liability and worker's compensation insurance to its member cities. See Note 9 in the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020, which is attached as APPENDIX B to this Official Statement, for additional information about the City's coverage through the ICRMA.

Employee Retirement System

*This caption contains certain information relating to 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.

General. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "**CalPERS Plan**") administered by CalPERS. The CalPERS Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police) and miscellaneous risk pool (all others). CalPERS Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors seven rate plans (three miscellaneous and four safety). The miscellaneous rate plans are known as the "**Miscellaneous First Tier Plan**," the "**Miscellaneous Second Tier Plan**," and the "**PEPRA Miscellaneous Plan**" (collectively the "**Miscellaneous Plan**"). The safety rate plans are known as the "**Safety First Tier Plan**," the "**Safety Second Tier Plan**," the "**Safety Police Third Tier Plan**," and the "**PEPRA Safety Police Plan**" (collectively, the "**Safety Plan**"). Benefit provisions under the CalPERS Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

As previously described, the City will use the net proceeds of the Series 2021 Bonds to prepay all of the City's unfunded accrued liability with respect to the Miscellaneous Plan and the Safety Plan. See "REFINANCING PLAN" in the forepart of this Official Statement. It is possible that CalPERS will determine at a future date that an additional Unfunded Accrued Actuarial Liability ("**UAL**") exists with respect to plans if actual plan experience differs from the current actuarial estimates. See "RISK FACTORS – Increasing Retirement Related Costs."

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. Members with five years of total service are eligible for non-duty disability benefits after 10 years of service. The provisions and benefits of each plan that were in effect at June 30, 2020, are summarized as follows:

Miscellaneous Plan

	Miscellaneous First Tier	Miscellaneous Second Tier	PEPRA Miscellaneous
Hire Date	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	3% @ 60 single highest year	2% @ 55 36 month average	2% @ 62 36 month average
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50 - 60	55	62
Monthly Benefits, As a % of Eligible Compensation	2% to 3%	2%	2%
Required Employee Contribution Rates	8%	7%	6.5%
Required Employer Contributions Rates	15.605% + \$1,427,154	11.120% + \$33,980	7.191% + \$1,847

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

Safety Plan

	Safety First Tier	Safety Second Tier	Safety Police Third Tier	PEPRA Safety Police
Hire Date	Prior to January 6, 1994	Prior to September 8, 2012	Prior to January 1, 2013	On or after January 1, 2013
Benefit	3% @ 50 single highest year	3% @ 50 36 month average	3% @ 55 36 month average	2.7% @ 57 36 month average
Benefit Vesting Schedule	5 years of service	5 years of service	5 years service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50	50	55	55
Monthly Benefits, As a % of Eligible Compensation	3%	3%	3%	2.7%
Required Employee Contribution Rates	9%	9%	9%	11.5%
Required Employer Contributions Rates	23.885% + \$1,111,766	20.707% + \$236,100	18.928% + \$2,198	13.034% + \$2,498

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

California Public Employees' Pension Reform Act of 2013 (PEPRA). 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.

City of San Fernando
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 the Fiscal Years ended June 30, 2020, through June 30, 2022, are as follows:

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL
Misc. First Tier	15.605%	\$1,427,154	16.500%	\$1,572,254	16.30%	\$1,774,571
Misc. Second Tier	11.120	33,980	11.816	42,619	11.66	54,896
PEPRA Misc.	7.191	1,847	7.847	4,943	7.70	5,281
Safety First Tier	23.885	1,111,766	25.391	1,231,139	25.43	1,394,815
Safety Second Tier	20.700	236,100	22.437	276,467	22.48	331,514
Safety Police Third Tier	18.928	2,198	20.585	2,489	20.64	2,992
PEPRA Safety Police	13.034	2,498	13.044	2,917	13.13	3,590

Source: CalPERS Actuarial Reports dated, July 2018, July 2019, and July 2020.

The City's total contribution amounts (including the required normal cost and UAL contributions) and as a percentage of covered payroll for the Miscellaneous Plan by tier in Fiscal Years 2019-20, 2020-21, and 2021-22 are as follows:

Miscellaneous Plan

Fiscal Year	First Tier		Second Tier		PEPRA	
	Total City Contribution	% of Covered Payroll	Total City Contribution	% of Covered Payroll	Total City Contribution	% of Covered Payroll
2019-20	\$1,955,470	57.76%	\$215,324	13.20%	\$34,090	7.60%
2020-21	2,112,554	64.514	215,578	14.728	67,237	8.47
2021-22	2,309,848	70.34	239,012	15.14	59,852	8.45

Source: CalPERS Actuarial Reports dated, July 2018, July 2019, and July 2020.

Safety Plan

Fiscal Year	First Tier		Second Tier		Police Third Tier		PEPRA	
	Total City Contribution	% of Covered Payroll	Total City Contribution	% of Covered Payroll	Total City Contribution	% of Covered Payroll	Total City Contribution	% of Covered Payroll
2019-20	\$1,222,680	263.300%	\$637,651	32.882%	\$38,207	20.083%	\$52,188	13.689%
2020-21	1,351,655	284.774	722,151	36.355	43,413	21.837	57,460	13.741
2021-22	1,520,374	307.93	797,797	38.46	65,830	21.62	73,104	13.81

Source: CalPERS Actuarial Reports dated, July 2018, July 2019, and July 2020.

For Fiscal Years 2017-18, 2018-19 and 2019-20, the City made required Miscellaneous Plan contributions, of which an average of approximately 15.4% was attributable to the City's water and wastewater utility operations (the "**Utility**") in each such Fiscal Year. The City does not expect such allocation to change significantly in future Fiscal Years.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2021-22 and projected employer contributions (before cost sharing) for Fiscal Years 2022-23 through 2026-27 for each of 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 2019-20 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.

As of July 15, 2020, CalPERS preliminarily reported a 4.7% investment return for Fiscal Year 2019-20, below the assumed 7.00% annual rate of return. Actual contribution rates during the projection period could be significantly higher than the projections shown below.

Miscellaneous First Tier Plan

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
		2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	16.30%	16.3%	16.3%	16.3%	16.3%	16.3%
UAL Payment	\$1,774,571	\$1,928,000	\$2,029,000	\$2,124,000	\$2,197,000	\$2,256,000

Miscellaneous Second Tier Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	11.66%	11.7%	11.7%	11.7%	11.7%	11.7%
UAL Payment	\$54,896	\$64,000	\$69,000	\$74,000	\$77,000	\$79,000

PEPRA Miscellaneous Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	7.70%	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Payment	\$5,281	\$5,500	\$5,700	\$5,800	\$6,000	\$6,200

Safety First Tier Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	25.43%	25.4%	25.4%	25.4%	25.4%	25.4%
UAL Payment	\$1,394,815	\$1,516,000	\$1,596,000	\$1,677,000	\$1,725,000	\$1,772,000

Safety Second Tier Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	22.48%	22.5%	22.5%	22.5%	22.5%	22.5%
UAL Payment	\$331,514	\$371,000	\$397,000	\$423,000	\$436,000	\$447,000

Safety Police Third Tier Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	20.64%	20.6%	20.6%	20.6%	20.6%	20.6%
UAL Payment	\$2,992	\$3,400	\$3,800	\$1,700	\$1,700	\$1,800

PEPRA Safety Police Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	13.13%	13.1%	13.1%	13.1%	13.1%	13.1%
UAL Payment	\$3,590	\$4,100	\$4,700	\$5,300	\$5,400	\$5,600

Source: CalPERS Actuarial Reports dated July 2020.

Funded Status. The following table sets forth the schedule of funding for the City's Plans for valuation dates of June 30, 2017, 2018, and 2019.

Miscellaneous First Tier Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$56,261,234	\$37,016,289	\$19,244,945	65.8%	\$3,109,570
2018	60,125,139	38,732,600	21,392,539	64.4	3,018,598
2019	61,782,473	39,701,512	22,080,961	64.3	3,027,231

Miscellaneous Second Tier Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$3,545,468	\$3,019,313	\$526,155	85.2%	\$1,497,854
2018	3,870,628	3,193,152	677,476	82.5	1,349,357
2019	4,468,725	3,711,830	756,895	83.1	1,455,621

PEPRA Miscellaneous Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$148,563	\$137,305	\$11,258	92.4%	\$411,823
2018	261,557	237,985	23,572	91.0	731,803
2019	394,527	357,469	37,058	90.6	653,314

Safety First Tier Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$43,422,664	\$27,753,471	\$15,669,193	63.9%	\$426,513
2018	44,362,393	26,987,509	17,374,884	60.8	437,542
2019	44,575,967	26,628,161	17,947,806	59.7	455,150

Safety Second Tier Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$14,883,497	\$11,385,346	\$3,498,151	76.5%	\$1,781,123
2018	16,670,584	12,534,251	4,136,333	75.2	1,831,119
2019	17,515,354	13,094,955	4,420,399	74.8	1,912,089

Safety Police Third Tier Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$166,532	\$162,121	\$4,411	97.4%	\$174,733
2018	234,284	219,200	15,084	93.6	183,265
2019	329,926	307,736	22,190	93.3	280,653

PEPRA Safety Police Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$137,518	\$132,125	\$5,393	96.1%	\$350,156
2018	257,225	237,077	20,148	92.2	385,463
2019	385,374	352,250	33,124	91.4	488,049

⁽¹⁾ Based on the market value of assets.

Source: CalPERS Actuarial Report Dated July 2020.

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, 2019 actuarial valuation, but the corresponding UAL Payments commence two years after the valuation date in Fiscal Year 2021-22. 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.

The City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020, and in particular Note 7 thereto, includes information about the City's retirement plan and funding.

Net Pension Liability. As of June 30, 2020, the City reported a liability of \$42,948,198 for its proportionate share of the net pension liability. The City's net pension liability for the CalPERS Plan is measured as of June 30, 2019, and the total pension liability for the CalPERS Plan used to calculate the net pension liability was determined by 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 \$6,909,808.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability was 7.15%. The following presents the City's proportionate share of the net pension liability for the CalPERS Plan, calculated using the discount rate for the CalPERS Plan, as well as what the City's proportionate share of the 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:

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase 8.15%)</u>
Net Pension Liability	\$60,469,038	\$42,948,198	\$28,534,131

Source: City of San Fernando 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%. CalPERS has not announced any plans to reduce the discount further at this time.

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. As of July __, 2021, CalPERS preliminarily reported a __% investment return for Fiscal Year 2020-21. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

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.

Other Post-Employment Benefits

Description of Postretirement Healthcare Benefits. For employees hired prior to July 1, 2015, the City contributes to a single-employer defined benefit plan to provide post-employment health care benefits (the "OPEB Plan"). Specifically, the City provides health insurance for its retired employees and their dependent spouses (if married and covered on the City's plan at time of retirement), or survivors in accordance with Board resolutions. As of the June 30, 2019 measurement date, there were 93 retirees or spouses of retirees currently receiving benefits and 9 inactive employees entitled to but not yet receiving benefits, in addition to 103 active employees.

The City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020, and in particular Note 8 thereto, includes information about the City's OPEB Plan and funding.

Funding Policy and Contributions. The contribution requirements of plan members and the City are established and may be amended by the City Council, and/or the employee associations. Currently, contributions are not required from plan members. The City is currently funding this OPEB liability on a pay-as-you-go basis. This obligation is typically liquidated from the General Fund and responsible Enterprise Funds.

Changes in Total OPEB Liability. The following table shows the changes in the total OPEB Liability for the HC Plan during the measurement period ending June 30, 2019.

	Total OPEB Liability
Balance at June 30, 2018 (Measurement Date)	\$44,197,996
Changes in the year	
Service cost	1,398,168
Interest	1,630,542
Differences between actual and expected experience	(4,855,222)
Changes in assumptions	2,341,268
Benefit payments, including refunds	(1,107,138)
Net Changes	(592,382)
Balance at June 30, 2019 (Measurement Date)	\$43,605,614

Source: City of San Fernando Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020.

Sensitivity to Changes in Discount Rate. The following shows the total OPEB liability of the City if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	<u>1% Decrease (2.13%)</u>	<u>Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Total OPEB Liability	\$51,806,851	\$43,605,614	\$37,211,803

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. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future.

Investment Policies and Procedures

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Government Agency Securities	5 years	None	30%
Commercial Paper	270 days	15%	5%
Negotiable Certificates of Deposits	5 years	30%	5%
Bankers' Acceptances	180 days	25%	5%
Medium-Term Corporate Notes	5 years	30%	5%
Repurchase Agreements	75 days	20%	None
Municipal Bonds	5 years	None	None
Local Agency Investment Funds (LAIF)	N/A	None	\$65 million
Money Market Mutual Funds	N/A	20%	10%

The City Council receives quarterly cash and investments reports. As of April 30, 2021, the City has invested funds as set forth in the table below.

Table A-12
CITY OF SAN FERNANDO
Investment Portfolio as of April 30, 2021

Investment	Market Value
U.S. Treasury/Agency Securities	\$1,308,652.50
Corporate Notes	\$4,621,902.61
Certificates of Deposit	\$6,699,349.13
Municipal Bonds	\$305,916.00
Money Market Accounts	\$35,676.41
Checking Accounts	\$7,450,456.62
Local Agency Investment Fund	\$12,691,965.55
Total	\$33,113,918.82

Source: City of San Fernando.

Employment and Industry

The Los Angeles-Long Beach-Glendale Metropolitan Division ("MD") encompasses the City. The unemployment rate in the Los Angeles-Long Beach-Glendale MD increased to 11.7% in April 2021, from a revised 11.4% in March 2020, and below the 18.3% rate of April 2020. The seasonally adjusted unemployment rate for the State was 8.3% in April 2021, 8.3% in March 2021, and 16.0% in April 2020. The comparable estimates for the nation were 6.1% in April 2021, 6.0% in March 2021, and 14.8% in April 2020.

The following table lists employment by industry group for the Los Angeles-Long Beach-Glendale MD for the years 2016 to 2020.

Table A-13
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	5,043,300	5,084,000	5,095,500	5,121,600	4,921,500
Employment	4,778,800	4,841,900	4,860,300	4,894,300	4,291,700
Unemployment	264,500	242,200	235,200	227,300	629,800
Unemployment Rate	5.2%	4.8%	4.6%	4.4%	12.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	5,300	5,700	4,600	4,500	4,400
Mining, Logging and Construction	136,700	140,800	148,200	151,300	147,200
Manufacturing	360,400	349,000	341,200	339,200	313,800
Wholesale Trade	227,000	221,500	223,200	220,500	200,100
Retail Trade	422,300	426,100	424,800	417,300	378,600
Transportation, Warehousing and Utilities	180,600	198,200	203,600	213,800	208,600
Information	230,900	214,900	216,400	217,300	185,800
Finance and Insurance	138,300	137,500	136,500	135,500	131,500
Real Estate and Rental and Leasing	74,700	84,100	86,700	88,400	80,100
Professional and Business Services	586,900	612,100	630,400	642,800	593,300
Educational and Health Services	702,100	800,600	821,300	843,600	820,900
Leisure and Hospitality	440,500	524,600	536,500	544,700	394,400
Other Services	145,700	155,700	158,800	158,400	127,000
Federal Government	47,200	48,000	47,300	47,400	50,200
State Government	83,600	92,500	91,700	92,500	85,200
Local Government	420,500	445,600	451,600	454,300	430,300
Total, All Industries ⁽³⁾	4,117,300	4,456,700	4,522,700	4,571,400	4,151,000

(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 Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2020.

Table A-14
CITY OF SAN FERNANDO
Principal Employers

Employer	Number of Employees
Los Angeles Unified School District	1,983
Pharmavite LLC	318
Pepsi Beverages Company	305
Home Depot	277
Los Angeles County Superior Court ⁽¹⁾	275
Puretek Corp.	210
BrightView Landscape	140
Vallarta Supermarkets	140
Ricon Corp.	135
Rydell's Chrysler, Dodge, Jeep, Ram	<u>115</u>
Total	3,898

(1) Includes all employees at courthouse including State and County.

Source: City of San Fernando Comprehensive Annual Financial Report for Fiscal Year 2019-20.

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:

Table A-15
CITY OF SAN FERNANDO, COUNTY OF LOS ANGELES
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 San Fernando	\$350,146	\$48,526
	County of Los Angeles	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of San Fernando	\$365,675	\$50,073
	County of Los Angeles	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of San Fernando	\$377,764	\$51,732
	County of Los Angeles	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of San Fernando	\$384,532	\$53,945
	County of Los Angeles	281,835,290	60,174
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of San Fernando	\$393,098	\$52,897
	County of Los Angeles	289,720,470	62,353
	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 \$472,343,887, a 0.32% decrease from the total taxable sales of \$473,879,172 reported during calendar year 2019.

TABLE A-16
CITY OF SAN FERNANDO
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	1,711	\$361,061	2,151	\$442,741
2017	1,726	368,801	2,179	454,606
2018	1,718	356,563	2,226	459,575
2019	1,800	371,739	2,346	473,879
2020	1,854	380,959	2,466	472,344

Source: California Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were reported to be \$155,678,156,385, a 9.65% decrease from the total taxable sales of \$172,313,602,987 reported during calendar year 2019.

TABLE A-17
COUNTY OF LOS ANGELES
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	197,386	\$110,944,351	312,039	\$155,155,641
2017	197,452	114,298,550	313,226	160,280,130
2018	200,603	119,145,054	328,047	166,023,796
2019	206,732	122,137,664	342,359	172,313,603
2020	226,643	112,044,029	376,990	155,678,156

Source: California 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.

TABLE A-18
CITY OF SAN FERNANDO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$405.5	\$1,953.5	\$5,339.7	\$3,331.3	\$1,214.7
New Multi-family	1,600.0	300.0	0.0	1,000.0	200.0
Res. Alterations/Additions	2,937.0	3,814.3	3,079.5	3,401.7	1,053.8
Total Residential	4,942.5	6,067.8	8,419.2	7,733.0	2,468.5
 New Commercial	 728.0	 1,800.0	 300.0	 300.0	 0.0
New Industrial	309.0	1,200.0	0.0	0.0	0.0
New Other	49.2	295.5	37.3	26.0	80.0
Com. Alterations/Additions	3,028.9	2,951.1	2,456.0	4,280.0	182.5
Total Nonresidential	\$4,115.1	\$6,246.6	\$2,793.3	\$4,606.0	\$262.5
 <u>New Dwelling Units</u>					
Single Family	6	29	106	69	23
Multiple Family	8	2	0	4	2
TOTAL	14	31	106	73	25

Source: Construction Industry Research Board, Building Permit Summary.

TABLE A-19
COUNTY OF LOS ANGELES
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$2,162,018.2	\$2,352,614.8	\$2,277,101.4	\$1,967,219.3	\$1,874,304.5
New Multi-family	2,774,294.3	3,257,833.4	3,222,530.3	2,961,257.4	2,789,673.9
Res. Alterations/Additions	<u>1,639,295.0</u>	<u>1,757,904.0</u>	<u>1,941,369.5</u>	<u>1,625,839.3</u>	<u>1,014,422.1</u>
Total Residential	6,757,607.5	7,368,352.2	7,441,001.2	6,554,316.0	5,678,400.5
New Commercial	1,728,443.3	2,196,089.2	\$2,844,173.0	2,675,678.8	1,885,027.0
New Industrial	138,508.5	134,534.3	101,201.3	63,727.8	32,196.2
New Other	791,078.1	563,679.3	101,201.3	446,182.7	354,758.2
Com. Alterations/Additions	<u>2,880,916.6</u>	<u>3,143,200.2</u>	<u>2,796,375.0</u>	<u>3,404,012.4</u>	<u>1,241,068.1</u>
Total Nonresidential	\$5,538,946.5	\$6,037,503.0	\$5,842,950.6	\$6,589,601.7	\$3,513,049.5
<u>New Dwelling Units</u>					
Single Family	4,780	5,456	6,070	5,738	6,198
Multiple Family	15,589	17,023	17,152	15,884	14,056
TOTAL	20,369	22,479	23,222	21,622	20,254

Source: Construction Industry Research Board, Building Permit Summary.

Education

The Los Angeles Unified School District provides K-12 education to residents of the City, operating four elementary schools, one middle school and one high school in the City, as well as one continuation school. Additionally, numerous colleges and universities in the Los Angeles County area are accessible to residents of the City.

Transportation

The City may be reached by any of four freeways: Interstate 210, which runs along the northeastern edge of the City, Interstate 5, which runs along the southwestern edge of the City, State Highway 118, which runs along the southeastern edge of the City, and Interstate 405, which intersects Interstate 5 near the westernmost point of the City. The Los Angeles Metro (the "**Metro**") provides bus services to the City, connecting residents to the greater San Fernando Valley and the City of Los Angeles. In addition, the governing board of the Metro has approved a light rail project that is anticipated to connect the City to Metro's Orange Line by 2028.

APPENDIX B

**THE CITY OF SAN FERNANDO AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX C**BOOK-ENTRY ONLY SYSTEM**

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy or completeness thereof. The City does not give any assurances 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 2021 Bonds; (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2021 Bonds; or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2021 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 Official Statement. 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2021 Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Series 2021 Bonds 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 Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to

receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds 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.

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

Principal, premium (if any), and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such

circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered to DTC.

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

**CITY OF SAN FERNANDO
TAXABLE PENSION OBLIGATION BONDS**

**\$ _____
SERIES 2021A
(PENSION TAX OVERRIDE SECURED)**

**\$ _____
SERIES 2021B**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of San Fernando (the "City"), in connection with its issuance of the bonds captioned above (the "Bonds") pursuant to an Indenture of Trust, dated as of August 1, 2021, (the "Indenture"), by and between the City and U.S. Bank National Association (the "Trustee").

The City covenants and agrees as follows:

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

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

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

"*Annual Report Date*" means the date that is no later than 9 months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means [Urban Futures, Inc.], or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

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

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

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for the 2020-21 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(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) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice thereof.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Principal amount of Bonds outstanding.
- (ii) Balance in each fund under the Indenture as of June 2 preceding the filing of the Annual Report.
- (iii) General fund balance sheet in substantially the form of Table A-3.
- (iv) Statement of general fund revenues, expenditures and changes in fund balance in substantially the form of Table A-4.
- (v) General fund tax revenues by source in substantially the form of Table A-5.
- (vi) Assessed valuation of taxable property in the City in substantially the form of Table A-7.
- (vii) The current property tax levies and collections in substantially the form of Table A-8.
- (viii) Principal secured taxpayers in substantially the form of Table A-9.
- (ix) Total sales tax rate in the City.
- (x) Updated descriptions of outstanding general fund debt and lease obligations, if any.

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

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (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 a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) 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. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

(e) 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(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be [Urban Futures, Inc.]. 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 Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

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

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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 they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

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

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Date: _____, 2021

CITY OF SAN FERNANDO

By: _____
Nick Kimball,
City Manager

AGREED AND ACCEPTED:

[URBAN FUTURES, INC.]
as Dissemination Agent

By: _____

Name: _____

Title: _____

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

CITY OF SAN FERNANDO

**§[PARA]
TAXABLE PENSION OBLIGATION
BONDS, SERIES 2021A
(PENSION TAX OVERRIDE SECURED)**

**§[PARB]
TAXABLE PENSION OBLIGATION
BONDS, SERIES 2021B**

BOND PURCHASE AGREEMENT

[Pricing Date]

117 Macneil Street
San Fernando, California 91340

Ladies and Gentlemen:

The undersigned Samuel A. Ramirez & Co., Inc. (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the City of San Fernando, California (the “**City**”), which, upon the acceptance by the City, will be binding upon the City and the Underwriter. This offer is made subject to acceptance by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust (defined herein).

Section 1. Purchase and Sale. Upon the terms and conditions and on the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the (i) City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured) (the “**2021A Bonds**”) in the aggregate principal amount of [§PARA], and (ii) City of San Fernando Taxable Pension Obligation Bonds, Series 2021B (the “**2021B Bonds**” and together with the 2021A Bonds, the “**Bonds**”) in the aggregate principal amount of [§PARB]. The Bonds shall be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on July 1 and January 1 in each year, commencing July 1, 2022 (each an “**Interest Payment Date**”) and will bear interest at the rates and on the dates as set forth in Exhibit A hereto. In addition, the Bonds shall be subject to redemption as set forth in Exhibit A hereto. The purchase price for the 2021A Bonds shall be \$_____ (which represents the principal amount of the 2021A Bonds in the amount of [§PARA], less an Underwriter’s discount of \$_____). The purchase price for the 2021B Bonds shall be \$_____ (which represents the principal amount of the 2021B Bonds in the amount of [§PARB], less an Underwriter’s discount of \$_____). On the Closing Date (as hereinafter defined), at the request of the City, the Underwriter will wire the total premium for the 2021A Policy (as hereinafter

defined) in the amount of \$ _____ directly to [Build America Mutual Assurance Company] (the "**2021A Insurer**"). As a result, on the Closing Date, the net amount to be sent to the City by the Underwriter for the purchase of the 2021A Bonds shall be \$ _____.

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering yields set forth in the Official Statement (defined herein); however, the Underwriter reserves the right to make concessions to dealers and to change such initial offering yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds. The Underwriter agrees that, in connection with the public offering and initial delivery of the Bonds to the purchasers thereof from the Underwriter, the Underwriter will deliver or cause to be delivered to each purchaser a copy of the final Official Statement prepared in connection with the Bonds, for the time period required under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("**Rule 15c2-12**"). Terms defined in the Preliminary Official Statement, and to be set forth in the final Official Statement are used herein as so defined.

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor or fiduciary; (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iv) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (v) the City has consulted its own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

Section 2. The Bonds. The Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Refunding Law**"), the Indenture of Trust, dated as of June 1, 2021 (the "**Indenture of Trust**"), between the City and U.S. Bank National Association, as trustee (together with any successor as trustee under the Indenture of Trust, the "**Trustee**"), and Resolution Nos. 7994 and _____, adopted by a majority of the City Council of the City (the "**City Council**") on June 15, 2020 and June [7], 2021, respectively (collectively, the "**Resolutions**"). The 2021A Bonds shall be issued as Secured Bonds and as such the principal of and interest on the 2021A Bonds shall be (i) secured by a lien and security interest in all right, title and interest of the City in and to Tax Override Revenues and the funds and accounts provided for in the Indenture, and (ii) payable from any other source of legally available funds of the City, including amounts on deposit in the General Fund of the City. The 2021B Bonds shall be issued as Unsecured Bonds and as such the principal of and interest on the 2021B Bonds shall be payable from any source of legally available funds of the City, including amounts on deposit in the General Fund and, to the extent permitted under the Indenture and applicable law, Tax Override Revenues. The 2021B Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Bonds otherwise shall be as described in the Preliminary Official Statement and the Official Statement, the Refunding Law and the Legal Documents. The Underwriter's

agreement to purchase the Bonds from the City is made in reliance upon the City's representations, covenants and warranties and on the terms and conditions set forth in this Purchase Agreement.

The City is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "**Retirement Law**"), and the contract between the Board of Administration of the California Public Employees' Retirement System ("**PERS**"), established under Government Code sections 20000 through 21500 of (the "**Retirement Law**"), and the City Council of the City, effective October 25, 1946 (as amended, the "**PERS Contract**"), to make contributions to PERS to (a) fund pension benefits for its employees who are members of PERS, (b) amortize the unfunded actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b). The City participates in two retirement plans under the PERS Contract.

The proceeds of the 2021A Bonds will be used to: (i) refund a portion of the City's obligations to PERS evidenced by the two retirement plans in which the City participates pursuant to the PERS Contract and representing the current unfunded accrued liability (the "**Unfunded Liability**") with respect to certain pension benefits under the Retirement Law, (ii) purchase a municipal bond insurance policy (the "**2021A Policy**") from the 2021A Insurer to guarantee payment of principal of and interest on the 2021A Bonds maturing on July 1 of the years 20__ and 20__ (the "**2021A Insured Bonds**"), and (iii) pay certain costs associated with the issuance and delivery of the 2021A Bonds.

The proceeds of the 2021B Bonds will be used to: (i) refund a portion of the City's obligations to PERS evidenced by the two retirement plans in which the City participates pursuant to the PERS Contract and representing the Unfunded Liability with respect to certain pension benefits under the Retirement Law, and (ii) pay certain costs associated with the issuance and delivery of the 2021B Bonds.

Section 3. Public Offering. The Underwriter agrees to make an initial public offering of all the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

Section 4. The Official Statement. By its acceptance of this Purchase Agreement, the City ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Bonds, dated _____, 2021 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "**Preliminary Official Statement**") that the City has deemed "final" as of its date, for purposes of Rule 15c2-12 except for certain omissions permitted to be omitted therefrom by Rule 15c2-12. The City hereby agrees to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12, the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the City and the Underwriter (the "**Official Statement**")) in such quantity as the Underwriter shall reasonably request to comply

with Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the "**MSRB**"). To the extent required by applicable MSRB Rules, the City hereby confirms that it does not object to distribution of the Official Statement in electronic form.

Section 5. Closing. At 8:00 a.m., California time, on [Closing Date], 2021 (the "**Closing Date**"), or at such other time or date as the City and the Underwriter mutually agree upon, the City shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered through the facilities of The Depository Trust Company, New York, New York ("**DTC**"), the Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Bonds, the City shall deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**") or another place to be mutually agreed upon by the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents referenced herein, is called the "**Closing**."

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of \$5,000 and any integral multiple thereof as provided in the Indenture of Trust, and shall be made available to the Underwriter at least one (1) business day before the Closing for purposes of inspection and packaging. The City acknowledges that the services of DTC will be used initially by the Underwriter to permit the issuance of the Bonds in book-entry form, and agrees to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter as follows.

(a) The City is a municipal corporation and general law city of the State of California (the "**State**"), duly organized and validly existing pursuant to the Constitution and laws of the State.

(b) The City had full legal right, power and authority to adopt the Resolutions, and the City has, and at the Closing Date will have, full legal right, power and authority (i) to execute and deliver the Indenture of Trust, the Continuing Disclosure Certificate of the City, [and agreed and accepted by Urban Futures, Inc. ("**UFF**"), as dissemination agent,] relating to the Bonds (the "**Continuing Disclosure Certificate**") and this Purchase Agreement (collectively, the "**Legal Documents**"), to perform its obligations under the Legal Documents, and has by official action duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the Legal Documents, (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Legal Documents and the Resolutions.

(c) The City Council has duly and validly adopted the Resolutions at meetings of the City Council duly noticed and at which a quorum was present, and the Resolutions have not been modified or amended and are in full force and effect, and has duly approved the execution and delivery of the Bonds and the other Legal Documents, and the performance by the City of its obligations contained therein, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by each of said documents.

(d) The Bonds and the other Legal Documents have been, on or before the Closing Date will be, duly executed and delivered by the City, and, on the Closing Date, the Bonds, when

authenticated and delivered to the Underwriter in accordance with the Indenture of Trust, and the Legal Documents will constitute legally valid and binding obligations, enforceable against the City in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally.

(e) The City is, and at the Closing Date will be, in compliance, in all respects, with the Legal Documents.

(f) The City is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, in each case which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the Legal Documents.

(g) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the City that has not been obtained is or will be required for the issuance and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Indenture of Trust.

(h) The adoption of the Resolutions and the execution and delivery by the City of the Legal Documents and the approval by the City of the Official Statement and compliance with the provisions on the City's part contained in the Legal Documents, will not conflict with, or result in a violation or breach of, or constitute a default under, any law, administrative regulation, judgment, decree, loan agreement, indenture, Indenture of Trust, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject to, which conflict, breach or default has or may have a material adverse effect on the ability of the City to carry out its obligations under the Legal Documents, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, Indenture of Trust, bond, note, resolution, agreement or other instrument, except as provided by the Legal Documents.

(i) Prior to the date hereof, the City has provided to the Underwriter for its review the Preliminary Official Statement, that the City has deemed final for purposes of Rule 15c2-12, has approved the distribution of the Preliminary Official Statement and the Official Statement, and has duly authorized the execution and delivery of the Official Statement (including in electronic form). The Preliminary Official Statement, at the date thereof, and as of the date hereof, did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to DTC, its book-entry system, the 2021A Insurer, the 2021A Policy, and information provided by the Underwriter, as to which no view is expressed), in light of the circumstances under which they were made, not misleading. As of the date hereof and on the Closing, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein (other than the information relating to DTC, its book-entry system, the 2021A Insurer, the 2021A Policy, and

information provided by the Underwriter, as to which no view is expressed), in light of the circumstances under which they were made, not misleading.

(j) By official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement (including in electronic form), and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained, in the Legal Documents.

(k) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(l) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2020 as set forth in the Preliminary Official Statement and in the Official Statement fairly represent the financial position and results of operations of the City as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles. Except as disclosed in the Preliminary Official Statement, the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial position and results of operations of the City or in its operations since June 30, 2020 and, except as disclosed in the Preliminary Official Statement or the Official Statement, there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the knowledge of the City, threatened (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the Legal Documents or the consummation of the transactions contemplated thereby or contesting the power of the City to enter into the Legal Documents; (iii) which may result in any material adverse change to the financial condition of the City or to its ability to make payment of principal or redemption price of and interest on the Bonds when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clause (i) through (iv) of this sentence.

(n) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. Except as otherwise disclosed in the Preliminary Official Statement, the City has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to

provide annual reports or notices of enumerated events in the past five years and, the City has been in material compliance during the past five years with its continuing disclosure obligations in accordance with Rule 15c2-12.

(o) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the issuance, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter as to the statements made therein but not of the person signing such certificate.

(p) The City will promptly apply the proceeds of the Bonds to refund the Unfunded Liability as of the date of issuance of the Bonds and to pay costs associated with the issuance and delivery of the Bonds.

(q) During the period from the date hereof until the Closing Date, the City agrees to furnish the Underwriter with copies of any documents it files with any regulatory authority which are reasonably requested by the Underwriter.

(r) The City is not in material default, nor has the City been in material default at any time, as to the payment of principal or interest with respect to a material obligation issued by the City or with respect to a material obligation guaranteed by the City as guarantor.

(s) As of the date hereof, the City does not have any revenue bonds, capital lease obligations, installment payment obligations or other material financial obligation, nor other material obligations secured by payments from the general fund of the City, except as disclosed in the Preliminary Official Statement and the Official Statement.

(t) The default judgment dated November 13, 2020, entered in favor of the City in connection with *City of San Fernando v. All Persons Interested, et. al.* Case No. 20CHCV00529 filed in the Superior Court of California, County of Los Angeles (the "**Default Judgment**") was duly entered, the appeal period has run without any appeal having been filed, and the default judgment is in full force and effect.

(u) The City had, prior to the adoption of the Resolutions, and has, in full force and effect, a Debt Management Policy that complies with Government Code Section 8855(i).

Section 7. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the date of the Closing shall be subject, at the option of the Underwriter, to the accuracy in all respects of the statements of the officers and other officials of the City, as well as authorized representatives of the City Attorney, Bond Counsel, Jones Hall, A Professional Law Corporation, as disclosure counsel ("Disclosure Counsel") and the Trustee made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the date of the Closing, and to the following additional conditions:

(a) The representations, warranties and covenants of the City contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing;

(b) At the time of Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the Legal Documents and the Preliminary Official Statement and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and all such reasonable actions as, in the opinion of Bond Counsel, shall reasonably deem necessary in connection with the transactions contemplated hereby;

(c) At the time of the Closing, no default shall have occurred or be existing under the Legal Documents, or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would result in any material adverse change to the financial condition of the City or adversely impact its ability to make payment of principal or redemption price of and interest on the Bonds when due;

(d) In recognition of the desire of the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the reasonable judgment of the Underwriter by notification, in writing, to the City prior to delivery of and payment for the Bonds, if at any time prior to such time:

(i) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of America of a national emergency or war or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the reasonable judgment of the Underwriter, impractical to proceed with the purchase or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(ii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(iii) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the City refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(iv) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(v) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States of America or by any legislation in or by the Congress of the United States of America or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States of America, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States of America, the Treasury Department of the United States of America, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States

House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States of America, or the favorable reporting for passage of legislation to either House of the Congress of the United States of America by a Committee of such House to which such legislation has been referred for consideration; or

(vi) an order, decree or injunction shall have been issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture of Trust is not exempt from qualification under the Trust Indenture Act of 1939; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement and the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Preliminary Official Statement and the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of the Bonds or obligations of the general character of the Bonds, as contemplated hereby or by the Preliminary Official Statement and the Official Statement; or

(viii) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(ix) the Comptroller of the Currency, the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements or financial responsibility requirements of broker dealers; or

(x) trading in securities on the New York Stock Exchange or other major exchange shall have been suspended or limited or minimum prices have been established on either such exchange which, in the Underwriter's reasonable judgment, materially adversely affects the marketability or market price of the Bonds; or

(xi) any rating of the Bonds or the rating of any securities of the City shall have been downgraded, withdrawn or placed on negative watch by a national rating service, which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(xii) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market, rendering the marketing and sale of the Bonds, or enforcement of sale contracts with respect thereto impracticable; or

(xiii) the commencement of any action, suit or proceeding described in Section 6(m).

(e) at or prior to the Closing, the Underwriter shall receive or have received the following documents, in each case to the reasonable satisfaction, in form and substance, of the Underwriter and Kutak Rock LLP, Irvine, California ("**Underwriter's Counsel**"):

(i) a copy of the Default Judgment;

(ii) all resolutions relating to the Bonds adopted by the City and certified by an authorized official of the City, authorizing the execution and delivery of the Legal Documents and the delivery of the Bonds and the Official Statement;

(iii) the Legal Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter; and

(iv) the approving opinion of Bond Counsel, dated the date of Closing and addressed to the City, in substantially the form attached as Appendix E to the Preliminary the Official Statement and the Official Statement, together with a reliance letter thereon addressed to the Underwriter;

(v) a supplemental opinion of Bond Counsel dated the date of Closing and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "THE SERIES 2021 BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS," "VALIDATION," and "TAX MATTERS," and in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST," AND APPENDIX E – "PROPOSED FORM OF OPIONION OF BOND COUNSEL," and excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Bonds, the Indenture of Trust, and Bond Counsel's final opinion relating to the Bonds, are accurate in all material respects as of the date of Closing;

(B) the Continuing Disclosure Certificate and the Purchase Agreement have been duly authorized, executed and delivered by the City and are the valid, legal and binding agreements of the City enforceable in accordance with their terms, except that the rights and obligations under the Continuing Disclosure Certificate and the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the

exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture of Trust is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) the Official Statement, executed on behalf of the City;

(vii) evidence that the ratings on the Bonds are as described in the Official Statement;

(viii) a certificate, dated the date of Closing, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the date of Closing with the same effect as if made on the date of the Closing by the City, and the City has complied with all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the date of Closing; (ii) to the best of such officer's knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Preliminary Official Statement and the Official Statement (other than information relating to DTC, its book-entry system, the 2021A Insurer, the 2021A Policy, and information provided by the Underwriter) did not as of their date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (iv) the City is not in breach of or default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or an event of default under any such instrument; and (v) no further consent is required for inclusion of its audited financial statements in the Preliminary Official Statement and the Official Statement;

(ix) an opinion dated the date of Closing and addressed to the Underwriter, the Trustee, Bond Counsel, and the 2021A Insurer, of the City Attorney of the City of San Fernando, substantially in the form attached as Exhibit B hereto;

(x) a letter of Jones Hall, A Professional Law Corporation, San Francisco, California, a Disclosure Counsel to the City dated the date of Closing and addressed to the Underwriter substantially to the effect that: we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements; however, in connection with the Preliminary Official Statement and the Official Statement, we have reviewed certain documents and

have participated in conferences in which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. During the course of our work on this matter, no facts have come to our attention that have caused us to believe that the Preliminary Official Statement as of its date, and the Official Statement as of its date or the date hereof (except for the following items, which we expressly exclude from the scope of this sentence: any financial, statistical and demographic data, forecasts, numbers, charts, estimates, assumptions, expressions of opinion, information concerning The Depository Trust Company and the book-entry system for the Bonds, and information concerning the 2021A Policy and the 2021A Insurer, that is contained or incorporated by reference in the Preliminary Official Statement and the Official Statement, and the appendices to the Preliminary Official Statement and the Official Statement) contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light;

(xi) an opinion of counsel to the Trustee, addressed to the Underwriter and the City, dated the date of the Closing, to the effect that:

(A) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Indenture of Trust;

(B) the Indenture of Trust has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture of Trust constitutes the valid, legal and binding obligations of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) the Trustee has duly authenticated the Bonds upon the order of City;

(D) the Trustee's actions in executing and delivering the Indenture of Trust are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound;

(E) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Indenture of Trust; and

(F) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending or, to the best of such counsel's knowledge, threatened against or affecting the Trustee, which would materially adversely impact the Trustee's ability to complete the transactions contemplated by the Indenture of Trust.

(xii) a certificate, dated the date of Closing, signed by a duly authorized officer of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture of Trust;

(B) the Trustee is duly authorized to enter into the Indenture of Trust and has duly executed and delivered the Indenture of Trust, and assuming due authorization and execution by the other parties thereto, the Indenture of Trust is legal, valid and binding upon the Trustee and enforceable against such party in accordance with its terms;

(C) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Indenture of Trust; and

(D) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending or, to the best of such counsel's knowledge, threatened against or affecting the Trustee, which would materially adversely impact the Trustee's ability to complete the transactions contemplated by the Indenture of Trust.

(xiii) the preliminary and final forms required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code of the State of California and Section 8855(i) and (j) of the Government Code;

(xiv) a copy of the executed Blanket Issuer Letter of Representations by and between the City and DTC relating to the book-entry system;

(xv) an opinion of Underwriter's Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(xvi) a Rule 15c2-12 certificate, dated the date of the Preliminary Official Statement and executed by the City;

(xvii) a certificate of the PERS actuary setting forth the amount of the discounted prepayment of the City to the System for Fiscal Year 2021-22;

(xviii) a certificate of UFI satisfactory in form and substance to the Underwriter, to the effect that:

(A) the undersigned is an authorized officer of UFI, which has acted as municipal advisor to the City in connection with the issuance of the Bonds, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(B) the Municipal Advisor has reviewed the Preliminary Official Statement and the final Official Statement;

(C) nothing has come to the attention of the Municipal Advisor which would lead it to believe that the Preliminary Official Statement as of the date of the pricing of the Bonds or its date or the Official Statement as of its date or the Closing Date contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; And

(D) [UFI is duly authorized to agree and accept the Continuing Disclosure Certificate and has duly executed and delivered the Continuing Disclosure Certificate, and assuming due authorization and execution by the City, the Continuing Disclosure Certificate is legal, valid and binding upon UFI and enforceable against UFI in accordance with its terms.]

(xix) evidence satisfactory to the Underwriter that the 2021A Bonds shall have received the 2021A Policy from the 2021A Insurer that unconditionally guarantees the timely payments of all debt service on the 2021A Insured Bonds;

(xx) an opinion of counsel to the 2021A Insurer, addressed to the City and the Underwriter in form and substance satisfactory to Bond Counsel and Underwriter's Counsel;

(xxi) a certificate of the 2021A Insurer, signed by an authorized officer of the 2021A Insurer, in form and substance satisfactory to Bond Counsel and Underwriter's Counsel;

(xxii) such additional legal opinions, Bonds, proceedings, instruments or other documents as the Underwriter or Underwriter's Counsel may reasonably request.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, this Purchase Agreement shall terminate, and except as set forth in Section 9 hereof, neither the Underwriter nor the City shall be under further obligation hereunder.

Section 8. Changes in Official Statement. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, or the City shall occur as a result of which it is necessary, in the reasonable opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the City will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the "end of the underwriting period" will be the date of Closing unless the Underwriter otherwise notifies the City in writing that it still owns some or all of the Bonds.

Section 9. Expenses. (a) Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, the Underwriter shall be under no obligation to pay, and the City shall pay out of the proceeds of the Bonds or any other legally available funds of the City, all expenses incidental to the performance of the City's obligations hereunder, including but not limited to the cost of printing and delivering the Legal Documents to the Underwriter, the costs of printing and shipping and electronic distribution of the Preliminary Official Statement and the Official Statement in reasonable quantities, the fees and disbursements of the City, the Trustee and its counsel, Bond Counsel, Disclosure Counsel, City Attorney, the City's actuary, accountants, engineers, appraisers,

economic consultants and any other experts or consultants retained by the City in connection with the issuance and sale of the Bonds, rating agency fees, advertising expenses, and any other expenses not specifically enumerated in paragraph (b) of this section incurred in connection with the issuance and sale of the Bonds. The City shall pay out of the proceeds of the Bonds, for any expenses incurred by the Underwriter on behalf of the City's employees and representatives which are incidental to implementing this Purchase Agreement, including meals, transportation, and lodging of those employees and representatives.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the City shall be under no obligation to pay, and the Underwriter shall be responsible for and pay (which may be included as an expense component of the Underwriter's discount), MSRB, CUSIP Bureau and CDIA fees and expenses to qualify the Bonds for sale under any "blue sky" laws, and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds not specifically enumerated in paragraph (a) of this section, including the cost of preparing this Purchase Agreement and other Underwriter documents, travel expenses and the fees and disbursements of Underwriter's Counsel.

Section 10. Notices. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Samuel A. Ramirez & Co., Inc., 633 West Fifth Street, Suite 2693, Los Angeles, California 90071, Attention: Raul Amezcua, Senior Managing Director. Any notice or communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of San Fernando, at the address first set forth above, Attention: City Manager. All notices or communications hereunder by any party shall be given and served upon each other party.

Section 11. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

Section 12. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 13. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

SAMUEL A. RAMIREZ & CO., INC.

By: _____
Authorized Officer

Accepted:

CITY OF SAN FERNANDO

By: _____
City Manager

Time of Execution: ____:____

EXHIBIT A

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price
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Redemption Provisions

Optional Redemption. The 2021A Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021A Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021A Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The 2021B Bonds maturing on or before January 1, 20__, are not subject to redemption prior to their respective stated maturities. The 2021B Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the 2021B Bonds of such maturity, at the option of the City, on any date on or after January 1, 20__, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The 2021A Bonds maturing on January 1, 20__ and January 1, 20__, and the 2021B Bonds maturing on January 1, 20__ and January 1, 20__ (collectively, the "Term 2021 Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the

Beneficial Owners of such Term 2021 Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following tables.

**2021A Bonds Maturing
January 1, 20__**

Sinking Fund	
Redemption Date	Principal Amount
<u>(January 1)</u>	<u>To Be Redeemed</u>

(Maturity)

**2021A Bonds Maturing
January 1, 20__**

Sinking Fund	
Redemption Date	Principal Amount
<u>(January 1)</u>	<u>To Be Redeemed</u>

(Maturity)

**2021B Bonds Maturing
January 1, 20__**

Sinking Fund	
Redemption Date	Principal Amount
<u>(January 1)</u>	<u>To Be Redeemed</u>

(Maturity)

**2021B Bonds Maturing
January 1, 20__**

Sinking Fund	
Redemption Date	Principal Amount
<u>(January 1)</u>	<u>To Be Redeemed</u>

(Maturity)

If some but not all of a Term 2021 Bond has been optionally redeemed, the total amount of all future sinking fund payments for such Term 2021 Bonds will be reduced by the aggregate principal amount

RES. NO. 8083

EXHIBIT "3"

CONTRACT NO. 1990

of the Term 2021 Bond so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee) of such Term 2021 Bond.

EXHIBIT B
FORM OF CITY ATTORNEY OPINION

[Closing Date]

City of San Fernando
San Fernando, California

Jones Hall, A Professional Law Corporation
San Francisco, California

Samuel A. Ramirez & Co., Inc.,
Los Angeles, California

[Build America Mutual Assurance Company]
New York, New York

City of San Fernando
Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured); and
Taxable Pension Obligation Bonds, Series 2021A

Ladies and Gentlemen:

We have acted as counsel to the City of San Fernando (the "City") in connection with the issuance and sale by the City of \$[PARA] aggregate principal amount of its City of San Fernando Taxable Pension Obligation Bonds, Series 2021A (Pension Tax Override Secured), and \$[PARB] aggregate principal amount of its City of San Fernando Taxable Pension Obligation Bonds, Series 2021B (collectively, the "Bonds"). We have examined and relied upon originals (or copies certified or otherwise identified to our satisfaction) of such documents, records and other instruments as we deem necessary or appropriate for the purposes of this opinion, including, without limitation: (i) those documents relating to the existence, organization and operation of the City; (ii) Resolution Nos. 7994 and _____, adopted by a majority of the City Council of the City (the "City Council") on June 15, 2020 and June [7], 2021; (iii) all necessary documentation of the City relating to the authorization, execution and delivery of the Indenture of Trust, dated as of June 1, 2021 (the "Indenture of Trust"), between the City and U.S. Bank National Association, as trustee; (iii) the default judgment dated November 13, 2020, entered in favor of the City in connection with *City of San Fernando v. All Persons Interested, etc.*, Case No. 20CHCV00529 filed in the Superior Court of California, County of Los Angeles; (iv) the Bond Purchase Agreement, dated [Pricing Date] (the "Purchase Agreement"), executed by Samuel A. Ramirez & Co., Inc. (the "Underwriter"), and accepted by the City; (v) the Preliminary Official Statement, dated _____, 2021 (the "Preliminary Official Statement"), relating to the Bonds; (vi) the Official Statement, dated [Pricing Date] (the "Official Statement"), relating to the Bonds; (vii) the Continuing Disclosure Certificate, dated [Closing Date] (the "Continuing Disclosure Certificate"), executed by the City [and agreed and accepted by Urban Futures, Inc., as dissemination agent]; and (viii) such other records, documents, certificates, opinions, and other matters as are in our judgment necessary or appropriate to enable us to render the opinions expressed herein. All capitalized terms used herein and not otherwise defined shall have the meaning given to such terms as set forth in the Indenture of Trust.

Based on the foregoing, and with regard to State of California (the "State") law and United States federal law, we are of the opinion that:

(a) The City is a municipal corporation and general law city of the State, duly organized and validly existing pursuant to the Constitution and laws of the State.

(b) The resolutions of the City approving and authorizing the execution and delivery of the Bonds, the Indenture of Trust, the Purchase Agreement, and the Continuing Disclosure Certificate (collectively, the "Legal Documents") and approving and authorizing the issuance of the Bonds and the delivery of the Official Statement and other actions of the City were duly adopted at meetings of the governing body of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolutions are now in full force and effect and have not been amended or superseded in any way.

(c) Except as disclosed in the Preliminary Official Statement and in the Official Statement, there is no action, suit or proceeding pending, or to the best of our knowledge, threatened against the City to (i) restrain or enjoin the execution or delivery of the Legal Documents (ii) in any way contesting or affecting the validity of the Legal Documents, the Resolutions or the authority of the City to enter into the Legal Documents, or (iii) in any way contesting or affecting the powers of the City in connection with any action contemplated by the Official Statement, the Resolutions or the Legal Documents.

(d) The execution and delivery of the Legal Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the Legal Documents.

(e) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Legal Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

Very truly yours,



THE CITY OF

SAN FERNANDO

AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Nick Kimball, City Manager
By: J. Diego Ibañez, Director of Finance/City Treasurer

Date: July 19, 2021

Subject: Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

RECOMMENDATION:

It is recommended that the City Council:

- a. Approve the Sale of Pension Obligation Bonds (POBs) to refund the City's CalPERS Unfunded Accrued Liability (UAL) in an amount not to exceed \$45,592,101; and
- b. Adopt Resolution No. 8083 (Attachment "A") confirming the issuance of its Pension Obligation Bonds pursuant to an Indenture of Trust to Refinance certain outstanding obligations of the City to the California Public Employees' Retirement System, confirming approving the final form of the Indenture of Trust (Contract No. 1988, Exhibit "1" of the resolution) and approving a Preliminary Official Statement (Contract No. 1989, Exhibit "2" of the resolution) and Bond Purchase Agreement (Contract No. 1990, Exhibit "3" of the resolution); and
- c. Authorize the City Manager to execute a Bond Purchase Agreement (BPA) (Exhibit "3" of the resolution) Contract No. 1990 with Samuel A. Ramirez & Co., Inc. to purchase the proposed Pension Obligation Bonds, which will be paid a not-to-exceed underwriter's discount or fee equal to \$3.79 per bond or 0.379% of the par value of the bonds to sell the City's POBs to the capital markets.
- d. Authorize the City Manager to execute all related documents, as applicable.

BACKGROUND:

1. On August 20, 2018, staff provided the City Council with an analysis and projection of the City's long-term pension and retiree health (i.e., Other Postemployment Benefits, or OPEB) costs as well as various funding strategies to address those liabilities.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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2. On March 4, 2019, the City Council awarded a Professional Service Agreement to Urban Futures, Inc. (UFI) to develop cost projections and recommendations to address the City's Pension and Other Post Employment Benefit ("OPEB" or "Retiree Health Benefit") liabilities.
3. On February 3, 2020, the City received a presentation by Urban Futures on the City's Unfunded Pension and Retiree Health Benefit Liabilities and directed staff to move forward with the process to issue Pension Obligation Bonds (POBs).
4. On March 3, 2020, the City Council approved the selection of Jones Hall, via competitive Request for Proposals (RFP) process, to serve as Bond and Disclosure counsel with respect to the proposed POBs, and as special counsel with respect to related judicial validation proceedings.
5. On June 15, 2020, the City Council approved a resolution authorizing the issuance of POBs and the filing of the Judicial Validation Proceedings to determine the validity of such bonds.
6. On November 11, 2020, Jones Hall successfully completed the validation process and the City, along with Urban Futures, issued an RFP for underwriter services.
7. On November 19, 2020, staff published a Notice Inviting Bids and RFP for Professional Underwriting Services for Pension Obligation Bonds with the *San Fernando Valley Sun Newspaper*, posted the RFP on the City's and the California Society of Municipal Finance Officers (CSMFO) websites, and distributed it to CSMFO members, as well as interested underwriting firms.
8. On December 4, 2020, the City Clerk received seven (7) responses to the RFP for Underwriting Services for Pension Obligation Bonds. The proposals were kept in the City Clerk's Office pending staff review and recommendation to the full City Council.
9. On January 19, 2021, the City Council established a Financial Advisor Services for Pension and Retiree Health Ad Hoc Committee (Mendoza/Montañez) to assist staff and UFI to review and evaluate proposals and recommend an underwriting firm.
10. During February and March 2021, City staff conducted virtual interviews of all firms that submitted RFPs: Cabrera Capital Markets; Citibank; J.P. Morgan; Loop Capital Markets; Raymond James; Samuel A Ramirez & Co., Inc.; and Stifel.
11. On March 15, 2021, the City Council awarded a Professional Services Agreement to Samuel A. Ramirez & Co., Inc., to serve as underwriter for the proposed Pension Obligation Bonds, which will be paid a not-to-exceed underwriter's discount or fee equal to \$3.79 per bond or 0.379% of the par value of the bonds to sell the City's POBs to the capital markets
12. On June 29, 2021, the City received an A+ investment-grade rating from Standard & Poor's.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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ANALYSIS:

The City provides a defined benefit pension plan to all full-time employees through the California Public Employees Retirement System (CalPERS). CalPERS defines “full-time” as working more than 1,000 hours per year for at least five years. The City’s employees receive different pension benefits, based on the hire and/or retirement dates.

As of the most recent CalPERS actuarial report (dated June 30, 2019), the City had projected Unfunded Accrued Liability (UAL) for fiscal year 2021-22 equal to \$45,592,101.

The City’s CalPERS retirement program is comprised of two plans: Miscellaneous & Safety Plan, and seven benefit tiers. CalPERS provides a separate actuarial report for each of the following pension benefit plans:

<u>MISCELLANEOUS PLAN</u>		<u>SAFETY PLAN</u>	
1st Tier: 3.0% @ 60	\$ 22,100,365	1st Tier: 3.0% @ 60	\$ 18,051,085
2nd Tier: 2.0% @ 55	796,419	2nd Tier: 3.0% @ 50	4,541,498
PEPRA: 2.0% @ 62	41,532	3rd Tier: 3.0% @ 55	23,187
SUBTOTAL - MISCELLANEOUS	\$ 22,938,316	PEPRA: 2.0% @ 62	38,015
COMBINED UAL	\$ 45,592,101	SUBTOTAL - SAFETY	\$ 22,653,785

The City intends to refinance the full amount of the UAL (100%) with the proceeds of the proposed POBs.

Pension Override Tax.

The City has a voter-approved pension override tax, approved in 1946, which is collected on the annual property tax bill. The current tax rate which is equal to 0.20357% (lowered from 0.22734% last fiscal year), with a maximum rate of 0.28420%. The City has an approximate assessed valuation equal to \$2,176,474,230, as reported in the Los Angeles County Assessor’s Office 2020 Report. Based on these values, the City is expected to generate approximately \$4,430,000 in annual Pension Tax Override (PTO) revenues.

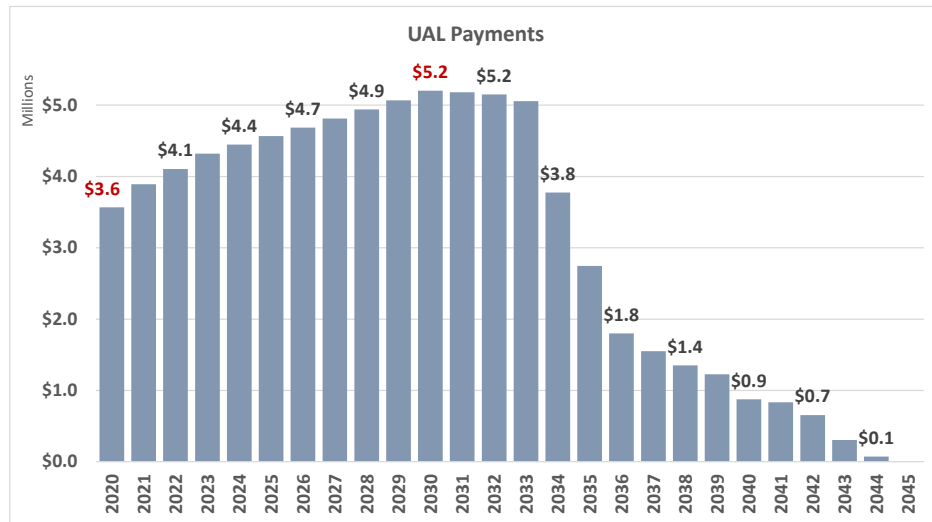
Current court precedents have established that the City’s Pension Tax Override should not be used to pay for enhanced benefits granted to employees after 1978. As a result, the City has obtained an actuarial study from Bartel & Associates, which has determined that the pension override tax can be used to pay for 87.4% of its UAL but only 80.5% of the City’s Annual Normal Costs.

UAL Payments.

The City is required to make fixed dollar annual payments to CalPERS toward its UAL. These payments are calculated based on a 7.0% rate (or assumed CalPERS investment rate); and therefore, effectively serve as 7.0% loan payments.

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

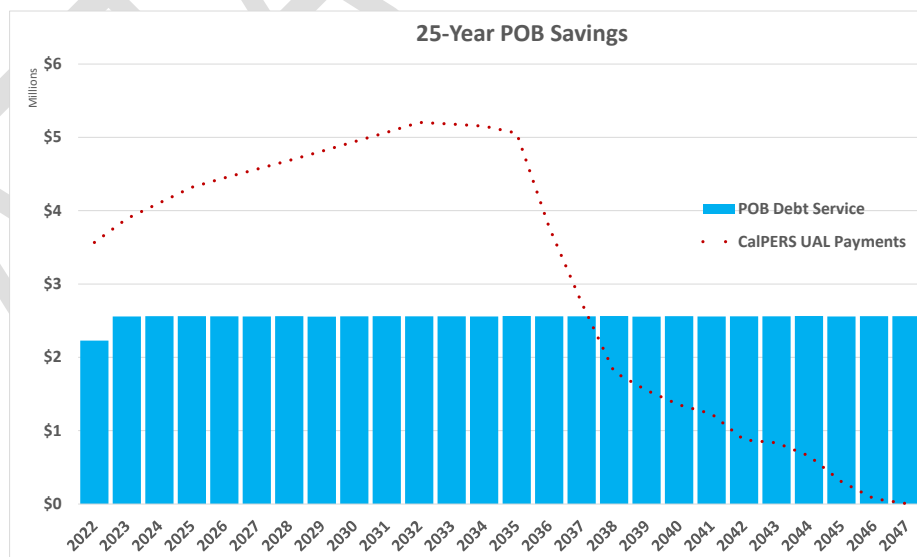
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As illustrated in the accompanying chart, the UAL payments are scheduled to increase from \$3.6 million in FY 2021-2022 and continue to increase until they peak at \$5.2 million in FY 2031-2032. There are a total of \$80.5 million in UAL payments scheduled to be made over the next 26 years.

POB Refinancing.

The POBs refinance the current UAL payments to CalPERS at a much lower interest rate. The City's current UAL is \$45.6 million, the sale of POBs will require the sale of approximately \$46.5 million in bonds to cover the cost of issuance, bond insurance (to the lower the borrowing costs), and underwriter's discount.



Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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The POBs will be structured in two series: 1) Series A will be paid solely from PTO revenues and 2) Series B will be backed by Water & Sewer Fund Revenues (and General Fund if necessary).

The financing team recommended a 25-year POB with level annual savings to maximize the annual savings (and provide a cushion against future increases). The underwriter, Samuel A. Ramirez, Inc., has provided indicative interest rates equal to approximately 3.0%, which would result in nearly 14 million in UAL savings over the life of the bonds (see below).

Documents to be Approved.

The Resolution, if adopted, would authorize the execution and delivery by the City of the following documents:

- ***Indenture of Trust.*** The Indenture of Trust provides for the issuance of the POBs and assigns certain fiduciary duties to the Trustee and to establish the way in which the Owners will be paid on their investment.
- ***Preliminary Official Statement.*** The Preliminary Official Statement summarizes the key financial and legal provisions of the bonds and include all facts that would be material to an investor.
- ***Bond Purchase Agreement.*** The Bond Purchase Agreement specifies the price at which Samuel A. Ramirez & Co., LLC will purchase the POBs and the fees they will receive for selling the bonds to investors.

BUDGET IMPACT:

The POBs will require \$2.6 million in annual debt service payments to investors, which is approximately \$1.0 million lower than the FY 2021-2022 required payment to CalPERS of \$3.6 million budgetary savings). A portion (15%) of these savings will be realized by the Water and Sewer funds. Since CalPERS makes changes to the UAL every year - these are estimated savings levels that will change over time. Moreover, a portion of the savings will be reduced by the rising normal costs, which are calculated based on a percentage of payroll. The POBs are expected to provide the City with considerable financial and budgetary flexibility in the future.

If the City does not take action to address these rising costs, the City Council will be required to increase the property tax rate (Pension Tax Override).

Consideration to Approve the Sale of Pension Obligation Bonds and Adoption of a Resolution Approving the Indenture of Trust, Preliminary Official Statement and the Bond Purchase Agreement

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CONCLUSION:

Staff recommends that the City Council approve the sale of 25-year Pension Obligation Bonds Samuel A. Ramirez & Co., LLC to serve as the underwriter for the proposed POB issue, to be paid an Underwriter's Discount not-to-exceed \$3.79 per bond or 0.379% of the par value of the bonds, including expenses.

ATTACHMENTS:

- A. Resolution No. 8083
 - Exhibit "1" - Indenture of Trust (Contract No. 1988)
 - Exhibit "2" - Preliminary Official Statement (Contract No. 1989)
 - Exhibit "3" - Bond Purchase Agreement (Contract No. 1990)

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**CONSIDERATION TO DEFER THE PLACEMENT OF LIENS ON
REAL PROPERTY FOR NON-PAYMENT OF RESIDENTIAL AND
COMMERCIAL SOLID WASTE COLLECTION SERVICES
BILLINGS UNTIL FISCAL YEAR 2022-2023**

(THIS ITEM CONTINUED TO THE AUGUST 2, 2021 CITY COUNCIL MEETING)

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AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Nick Kimball, City Manager
By: Matt Baumgardner, Director of Public Works

Date: July 27, 2021

Subject: Consideration to Approve the Community Clean-up Project within the Mission City Bike Trail and Downtown Mall Area in August 2021 and Authorize the San Fernando Beautification Program Ad Hoc Committee to Develop a List of Additional Beautification Projects

RECOMMENDATION:

It is recommended that the City Council:

- a. Approve a Community Clean-up Project within the Mission City Bike Trail and in the Downtown mall area in August 2021; and
- b. Authorize the San Fernando Beautification Program Ad Hoc Committee to explore additional Community Clean-up efforts, identify a list of potential projects, including in residential neighborhoods, and develop public education materials to the City Council by September 2021.

BACKGROUND:

1. On June 21, 2021, the City Council received and filed an informational report on the creation of a San Fernando Beautification Program (Attachment "A"). Following City Council discussion, an ad hoc committee was formed to develop the scope of a citywide beautification program. Councilmembers Cindy Montañez and Celeste Rodriguez were appointed to the committee.
2. On July 6, 2021, the San Fernando Beautification Program Ad Hoc committee met to discuss a scope for the citywide beautification program, develop a description of purpose for the Ad Hoc and identify potential clean-up projects in the City.
3. On July 19, 2021, the City Council continued this item to a special meeting date uncertain.

Consideration to Approve the Community Clean-up Project within the Mission City Bike Trail and Downtown Mall Area in August 2021 and Authorize the San Fernando Beautification Program Ad Hoc Committee to Develop a List of Additional Beautification Projects

Page 2 of 3

ANALYSIS:

As a first step at its meeting of July 6, 2021, the Ad Hoc committee developed the following description of the committee's purpose:

The Beautification Ad Hoc Committee will develop recommendations to City Council related to establishing a community beautification program, including, but not limited to, engaging residents, community groups, local schools, funding sources, and any available resources to provide the community with clean streets, parks, trails, public parking facilities, etc. within the City. The committee will identify program costs, staff resources needed, and program guidelines for at minimum quarterly cleanup events. The Committee will work with staff to provide education to the community, identify high-need areas to address through community clean-up events, and identify policy and program recommendations to address blight and maintain neighborhoods, public spaces and commercial corridors clean and free of trash and debris.

Following the discussion on the Ad Hoc committee's purpose, potential clean-up projects were discussed including those that could be undertaken within shared areas like parks, parking lots, and the bike trail, as well as neighborhood clean-up events similar to those conducted in the early 2000's. It was determined that resources could be mobilized quickly and efficiently for a proposed clean-up of the Mission City Bike Trail adjacent the Metrolink railway track. This project would involve bringing in volunteers on a Saturday in August 2021 to help clear weeds, litter, and to repaint some of the signs. Clean up and repainting of signs would also be addressed within the downtown San Fernando Mall area. The color scheme of the sign painting would be consistent with the Mission color-palette similar to the one completed as part of the recent community clean-up at Parking Lot No. 4 at the corner of Brand Boulevard and Truman Street.

The Ad Hoc committee also began to explore the logistics of residential neighborhood clean-up events. Staff will research the methods that were utilized during past events and meet with the Ad Hoc committee to develop proposed methods for identifying key neighborhoods, bilingual educational materials, outreach to residents, required volunteer and staff resources, and partnership with the City's current waste hauler, Republic Services, to complete these clean-up events successfully. The Ad Hoc committee will report to the City Council in September 2021 on the next round of proposed clean-up events to include both publicly-owned areas and residential neighborhoods.

In addition to existing staff, these beautification efforts will receive support from the new maintenance and code enforcement positions approved in the Fiscal Year 2021-2022 budget.

Consideration to Approve the Community Clean-up Project within the Mission City Bike Trail and Downtown Mall Area in August 2021 and Authorize the San Fernando Beautification Program Ad Hoc Committee to Develop a List of Additional Beautification Projects

Page 3 of 3

BUDGET IMPACT:

The cost estimate for conducting the Mission City Bike Trail and Downtown mall area clean-up in August 2021, would be approximately \$600 for staffing of two maintenance workers to assist with gathering the litter and weeds cleared during the event and disposing of those at the City's maintenance yard. Funding is available for this project in the Facilities Management wages account 043-390-0000-4103.

CONCLUSION:

It is recommended that the City Council approve a community clean-up event within the Mission City Bike Trail and Downtown mall area to take place during August 2021 and to authorize the committee to explore and report to City Council by September 2021 on a list of potential clean-up events in shared areas and residential neighborhoods.

ATTACHMENT:

A. San Fernando Beautification Program



SAN FERNANDO BEAUTIFICATION PROGRAM

Presented By:

Cindy Montañez
Councilmember

Celeste Rodriguez
Councilmember

Dave Bernal
Planning Commissioner

Yvonne Mejia
Planning Commissioner

SAN FERNANDO BEAUTIFICATION PROGRAM

PLAN OF ACTION

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**"IF WE HAD
CLEAN STREETS,**

**ALOT OF
OTHER THINGS,
WOULD
TAKE CARE OF
THEMSELVES
EFFORTLESSLY."**



BEAUTIFICATION GOALS

The City of San Fernando will pride itself on having clean streets, parks, trails, parking lots, storm drains, and public facilities. We know this investment will result in safer and healthier streets for our kids, senior citizens, businesses, visitors and all our residents.

GOALS

The City will lead by example by keeping our streets, parks, parking lots, trails, storm drains and other publicly-owned property free of trash and debris.

Organize quarterly neighborhood cleanups to help residents and property owners keep their properties free of trash and debris.

Establish daily public parking lot clean up.

Establish a text and online beautification response hotline.

Re-institute a Neighborhood Action Response Team to coordinate Police Department, Community Preservation and other department responses around challenging properties.

TEAM APPROACH



The City's Public Works director will designate a Public Works employee to oversee the schedule, budget, outreach and assessment for the San Fernando Beautification program. We will implement a team approach to engage as many people as possible.

BEAUTIFICATION TEAM

Public Works
Residents
Community Volunteers
Business Community
Waste Hauler
Sweeper

TEAM UP TO CLEAN UP

.....

All residents, businesses and volunteers are invited to join our San Fernando Beautification Team to eliminate trash on our streets, storm drains, parks, trails and parking lots.

Residents can organize block clean ups or beautification events and receive support from the city for trash bags, trash pickers, disposal, etc.

NEIGHBORHOOD CLEAN UPS



The city will organize **quarterly neighborhood clean ups** in collaboration with the city's waste hauler and the Neighborhood Beautification Team. Waste hauler will provide trash bins per clean up for disposal of large items.



The city will provide 2-3 week notification to residents in the predetermined Clean Up Zone. **Volunteers will walk door-to-door** to help with disposal of items, providing special help to seniors and disabled residents.



The **Community Preservation team** will revisit **Clean Up Zone** to address any remaining concerns or violations. Additional priority and follow up through the **Neighborhood Action Task Force** will be assigned to a challenging property.



The city can give residents, businesses or community-based organizations the opportunity to '**Adopt-a-Piece of San Fernando**'. A thank you sign can be installed in honor of the adopter who will help maintain key public areas clean.

"Our neighborhood between Glenoaks and 8th and Maclay and the Pacoima Wash positively changed when the City organized its first Clean Up here 20 years ago"

*-Susan LLamas,
Resident, Teacher &
Commissioner*



OUR PARKS AND TRAILS

CLEAN. SAFE. BEAUTIFUL

Our parks and trails are one of our community's most important assets and often the only place kids, families and individuals can be in natural open spaces, so these places must be kept clean, safe and beautiful.

.....

The city should maintain a maintenance schedule for each park and trail and identify four Beautification Projects annually that can involve community volunteers, such as painting the picnic benches at Las Palmas Park and cleaning the Mission City Trail/ Bike Path.

.....

The city can partner with the Fernandeño-Tataviam Tribe to replant the native landscapes at Rudy Ortega Heritage Park; TreePeople to restore and maintain the Pacoima Wash Natural Park and sports leagues and other nonprofits for other parks.



PARKING LOT CLEAN UP



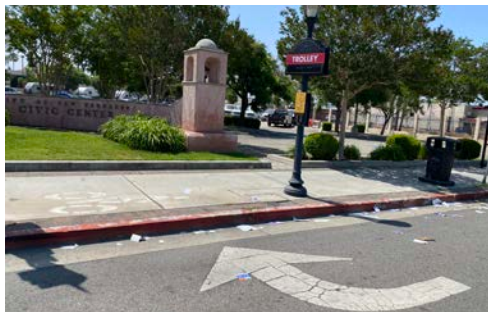
Improve Parking Lot Sweeping and Trash Pickup

The city should work with the business community to establish a daily parking lot cleaning schedule, sidewalk pressure washing and improve trash bin pick up in commercial areas.

.....

Enforce No Overnight Parking

The city should enforce no overnight parking in its public parking lots unless a business has a short-term permit provided on a limit basis.



Improve signage and lighting

The city should develop a maintenance plan for its signage and lighting at public parking lots.

.....

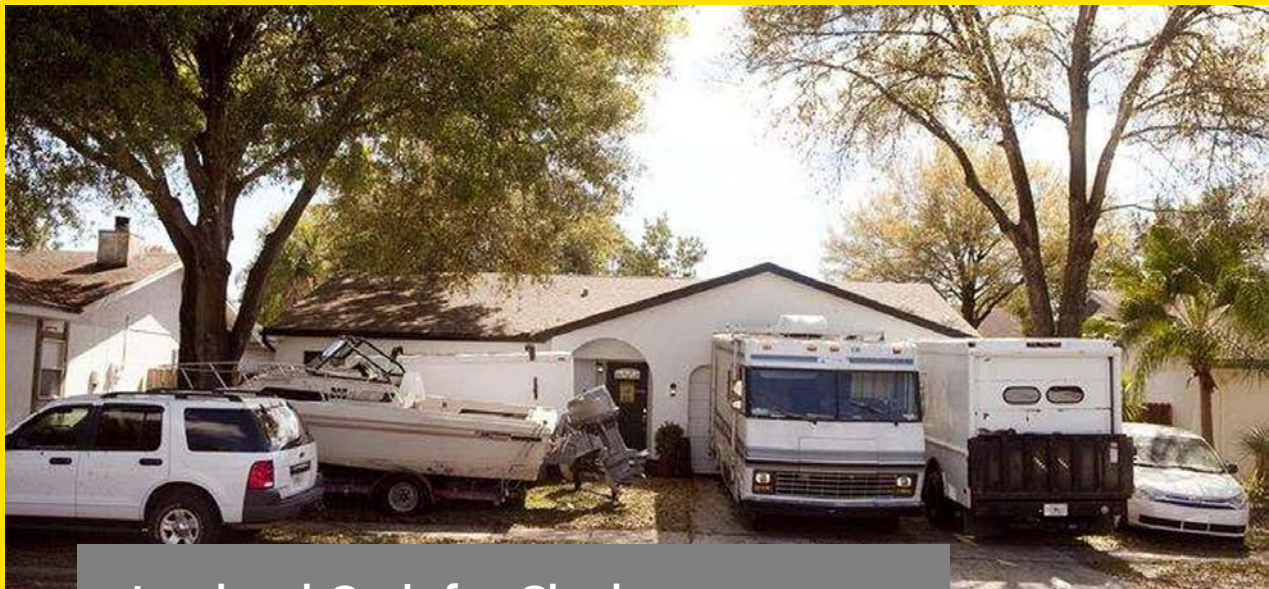
Develop schedule for parking lot resurfacing

The city should develop a plan for parking lot resurfacing and re-striping.



INOPERABLE VEHICLES

There are numerous inoperable or unregistered vehicles located on public and private property. The city can provide a financial incentive for inoperable vehicles registered in San Fernando prior to 2021 to incentivize vehicle owners to dispose of those vehicles. After a 6-12 month period, Code Enforcement will enforce its rules and regulations, including financial penalties.



**Is a local Cash for Clunkers program
feasible?**



TEXT AND ONLINE BEAUTIFICATION RESPONSE HOTLINE

Easy Reporting

The city will establish a 24-hour text and online response line for people to report a public works problem or request public works service; including but not limited to: illegal dumping and debris, dirty parks or streets, potholes, fallen trees, bike path cleanliness, graffiti, public lighting repair, etc.

Fast Response. Happy Residents and Businesses

Public Works will designate individuals who will receive direct text and online requests and have authority to assign personnel or Beautification Team members to respond immediately.

COMMUNITY FIRST

ALIGN WITH CURRENT CITY STRATEGIC GOALS AND EFFORTS

In order to maximize the efficient use of taxpayer dollars, the city will coordinate its San Fernando Beautification Program with current efforts to improve city services, prioritize public safety, invest into making San Fernando more walkable and pedestrian-friendly, and green our neighborhoods by planting and caring for 2,000 trees over the next five years.

In addition, the City Council and City Manager should re-establish an internal **Neighborhood Action Response Team** to coordinate all city departments to identify and resolve problems with the most challenging properties.



What we do matters



CALLES VERDES TREE PLANTING **2,000 street trees**

In partnership with TreePeople, the city will plant and care for 2,000 trees over the next 5 years. The trees will increase tree canopy by 33% and beautify streets. *Calles Verdes* also includes improvements to Lot 4: Brand/Truman and Carlisle Street.



SAFE AND ACTIVE STREETS **8 Street Designs**

The city hired Toole Design to help identify and design safety and green improvements for 8 high-priority streets with heavy use by pedestrians and cyclists. In addition, the city will initiate a Safe Routes to School planning process in 2021-22 to get kids in public schools safe to school.



GET TO ZERO: HOMELESS RESPONSE **0 People Living on the Streets**

The city hired LeSar & Associates to develop a Homeless Action Plan to get people off the streets or vehicles and into safe places to live. In addition, the City should establish a Homeless Command Center to address these issues on a daily basis.

WE ARE READY TO CLEAN UP!



BASIC, FUN AND NECESSARY

Several residents, some local businesses and nonprofit partners have offered to volunteer.

.....

We are happy to take the lead in organizing the San Fernando Beautification Team and inviting residents, business leaders, schools and nonprofit partners to volunteer as we put together Clean Up events and work to maintain our city clean.

.....

This is an investment that will have long-term results and physically change the quality of life for our residents, businesses and visitors.

It's our time to lead by example.

A photograph of a residential street with trees and cars, partially obscured by a large red overlay. The red overlay covers the upper two-thirds of the image, with the text 'SAN FERNANDO DESERVES THE BEST!' in white. A thin yellow horizontal line is positioned below the text. The bottom third of the image shows a paved road, a grassy area, and several cars parked or driving. The trees are lush and green, and the sky is visible through the branches.

SAN FERNANDO DESERVES THE BEST!

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AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Councilmember Cindy Montañez

Date: July 27, 2021

Subject: Discussion Regarding Clean California Campaign

RECOMMENDATION:

I have placed this on the agenda (Attachment "A") for City Council discussion regarding Clean California Campaign.

BACKGROUND:

1. On July 19, 2021, the City Council continued this item to a special meeting date uncertain.

BUDGET IMPACT:

There is no impact to the budget by discussing this item. Additional future costs to be determined based on City Council direction.

ATTACHMENTS:

- A. Councilmember request

REQUEST TO AGENDIZE AN ITEM FOR CITY COUNCIL DISCUSSION/CONSIDERATION

CITY COUNCILMEMBER INFORMATION

NAME

CINDY MONTANEZ

TITLE

COUNCILMEMBER

ITEM INFORMATION

SUBJECT *Title of the item you are requesting to be agendized.*

CLEAN CALIFORNIA CAMPAIGN

PRIORITIES

Is this included in the current FY priorities?☒ Yes ☐ No

BUDGET

Is this a budgeted item?☐ Yes ☒ No

FISCAL IMPACT

Is there a fiscal impact? If yes, indicate amount.☐ Yes ☒ No \$BACKGROUND/ANALYSIS *Provide the reason you are requesting this item be agendized.*

Governor Gavin Newsom launched Clean California, a \$1.1 billion initiative to revitalize California's streets and public spaces through litter abatement and local beautification projects.

The statewide program includes potential projects in all 58 counties, with nearly a third of the funds being directly invested into cities, counties, tribes and transit agencies to clean and enhance local streets and public spaces. Caltrans will award \$296 million in matching grants to fund impactful projects on local streets and roads, tribal lands, parks, pathways and transit centers in underserved, rural and urban communities. The Department is developing a needs-based formula that will provide additional support to underserved communities, with a goal of funding more than 100 local projects a year. Clean California also includes funding for a public education campaign to foster a sense of shared responsibility for litter prevention to help protect our waterways, natural resources, public safety and health. Clean California will expand state and local litter abatement efforts and generate an estimated 10,000 to 11,000 jobs over three years, including for people exiting homelessness, at-risk youth, veterans, those reentering society from incarceration, local artists and students.

San Fernando is well-positioned to obtain funding given its designation as a Disadvantaged Community; it being surrounded by major freeways with heavy traffic, especially industrial and commercial vehicles; and its immediate proximity to the highest concentration of landfills, waste transfer stations/material recycling facilities, recyclers, and junk yards coupled with the homeless on freeways and offramps.

ATTACHMENTS *Do you have any attachments to include?*☒ Yes ☐ NoRECOMMENDATION *Indicate the direction you are recommending.*

Recommend the council instruct the City Manager and the Beautification Adhoc to reach out to CalTrans, Senator Bob Hertzberg and Assemblymember Luz Rivas to determine process for needs-based formula and local projects funding and then develop a plan to seek funds for the City's Beautification Program and the ongoing clean up of the surrounding freeways and gateways to the City of San Fernando/Northeast San Fernando Valley.

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AGENDA REPORT

To: Mayor Sylvia Ballin and Councilmembers

From: Councilmember Cindy Montañez

Date: July 27, 2021

Subject: Discussion Regarding the City of San Fernando's 110th Year Birthday Celebration

RECOMMENDATION:

I have placed this on the agenda (Attachment "A") for City Council discussion regarding the City of San Fernando's 110th Year Birthday Celebration.

BACKGROUND:

1. On July 19, 2021, the City Council continued this item to a special meeting date uncertain.

BUDGET IMPACT:

There is no impact to the budget by discussing this item. Additional future costs to be determined based on City Council direction.

ATTACHMENTS:

- A. Councilmember request

REQUEST TO AGENDIZE AN ITEM FOR CITY COUNCIL DISCUSSION/CONSIDERATION

CITY COUNCILMEMBER INFORMATION

NAME CINDY MONTAÑEZ	TITLE COUNCILMEMBER
------------------------	------------------------

ITEM INFORMATION

SUBJECT *Title of the item you are requesting to be agendized.*
CITY OF SAN FERNANDO 110TH BIRTHDAY CELEBRATION

PRIORITIES <i>Is this included in the current FY priorities?</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	BUDGET <i>Is this a budgeted item?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	FISCAL IMPACT <i>Is there a fiscal impact? If yes, indicate amount.</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No \$ TBD
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BACKGROUND/ANALYSIS *Provide the reason you are requesting this item be agendized.*

Incorporated on August 31, 1911, our beautiful and historic City of San Fernando (named for Mission San Fernando Rey de España) will celebrate its landmark 110th birthday. While most of the towns in the San Fernando Valley agreed to annexation by Los Angeles in the 1910s, San Fernando's abundant groundwater supplies allowed it to remain a fiercely independent city.

San Fernando is located on the native lands of the Fernandeno-Tataviam people. According to the Fernandeno-Tataviam Tribe, Rogerio Rocha along with 39 other Mission San Fernando Native Americans, were awarded in exchange for their mission labor, Rancho Cienega near Lopez Canyon, known as Patzkunga, place with water," because of the natural springs on the property. In 1874, San Fernando started the process of becoming the "First City in the Valley" when Ex-Senator Charles Maclay, San Fernando founder, bought 56,000 acres (227 km²) of the Rancho Ex-Mission San Fernando. The railroad was then built, tract maps were laid out and the city officially incorporated in 1911.

San Fernando is filled with fascinating history as part of the ancestral lands of the Fernandeno-Tataviam people, a portion of the Mexican land grant of rancho Ex-Mission San Fernando, as the 'First City of the Valley' and now as the artistic and cultural hub of the Valley.

The city's birthday is a great time to commemorate, document, share, and tell our community's oral and written histories.

ATTACHMENTS *Do you have any attachments to include?*

☐ Yes ☒ No

RECOMMENDATION *Indicate the direction you are recommending.*

Recommend that the City host the 110th City's Birthday Commemoration at the historic Lopez Adobe on Tuesday, August 31, 2021 with a birthday cake, oral histories, and musical performance by a local musician or a local group such as the Master Mariachi Apprentice Program.