

PRELIMINARY OFFICIAL STATEMENT JUNE 20, 2024

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “AA” (INSURED)

S&P: “A+” (UNDERLYING)

(See “RATINGS” herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, interest on the Series 2024B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2024 Bonds is exempt from State of will be California personal income tax. See “TAX MATTERS” with respect to certain tax consequences relating to the Series 2024 Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

LANCASTER FINANCING AUTHORITY

\$55,515,000*

**LEASE REVENUE BONDS
SERIES 2024A (TAX-EXEMPT)**

\$7,070,000*

**LEASE REVENUE BONDS
SERIES 2024B (FEDERALLY TAXABLE)**

Dated: Date of Delivery

Due: May 1, as shown on inside cover

The Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt) (the “Series 2024A Bonds”) and the Lancaster Financing Authority Lease Revenue Bonds, Series 2024B Federally Taxable) (the “Series 2024B Bonds”) and together with the Series 2024A Bonds, the “Series 2024 Bonds”) are payable from base rental payments (the “Base Rental Payments”) to be made by the City of Lancaster (the “City”) for the right to use certain real property (the “Property”) pursuant to a Lease Agreement, dated as of July 1, 2024 (the “Lease Agreement”), by and between the City, as lessee, and the Lancaster Financing Authority (the “Authority”), as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS.”

The Series 2024 Bonds are being issued to provide funds to (i) pay a portion of the costs of the acquisition, construction and installation of certain capital improvements, including but not limited to the Multi-Agency Regional Resiliency Center, the conversion of the existing minor league baseball stadium for use as a minor league soccer stadium, certain parks and recreation improvements within the City, certain public art projects located within the City, and other improvements, facilities and equipment; (ii) fund capitalized interest on a portion of the Series 2024 Bonds relating to the Stadium Project (as defined herein) during construction through November 1, 2025, (iii) purchase separate municipal bond insurance policies to guarantee the payment of principal and interest on the Series 2024 Bonds; (iv) purchase a debt service reserve insurance policy for deposit in a reserve fund for the Series 2024 Bonds; and (v) pay the costs incurred in connection with the issuance of the Series 2024 Bonds. See “THE PROJECTS.” The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of non-delivery of the Stadium Project (as defined herein) or by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property. See “RISK FACTORS—Abatements.”

The Series 2024 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2024 Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2024. Purchasers will not receive certificates representing their interest in the Series 2024 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2024 Bonds will be paid by U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2024 Bonds. See “THE SERIES 2024 BONDS—Book-Entry Only System” herein.

The Series 2024 Bonds will be issued pursuant to an Indenture, dated as of July 1, 2024 (the “Indenture”) by and among the City, the Authority and U.S. Bank Trust Company, National Association, as trustee. The Series 2024 Bonds and any additional bonds issued pursuant to the Indenture (“Additional Bonds”) are collectively referred to as the “Bonds.”

The Series 2024 Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2024 BONDS—Redemption.”

The scheduled payment of principal of and interest on the Series 2024 Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Series 2024 Bonds by Build America Mutual Assurance Company. See the captions “INTRODUCTION” and “BOND INSURANCE” herein.



The Series 2024 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2024 Bonds.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

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

The Series 2024 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson and Rauth LLP, Newport Beach, California, is also acting as Disclosure Counsel to the City and the Authority. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of Lancaster, for the Underwriter by Kutak Rock, LLP, Irvine, California and for the Insurer by its counsel. It is anticipated that the Series 2024 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about July 17, 2024.

PIPER | SANDLER

Dated: _____, 2024

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$55,515,000*

**Lancaster Financing Authority
Lease Revenue Bonds, Series 2024A (Tax-Exempt)**

Base CUSIP[†]: _____

<i>Maturity Date (May 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
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\$ _____ % Term Bonds due May 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

\$ _____ % Term Bonds due May 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

* Preliminary, subject to change.

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MATURITY SCHEDULE

\$7,070,000*

**Lancaster Financing Authority
Lease Revenue Bonds, Series 2024B (Federally Taxable)**

Base CUSIP[†]: _____

<i>Maturity Date (May 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
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\$ _____ % Term Bonds due May 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

\$ _____ % Term Bonds due May 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2024 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2024 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 2024 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2024 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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

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 2024 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2024 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 2024 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2024 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.

Build America Mutual Assurance Company (the “Insurer”) makes no representation regarding the Series 2024 Bonds or the advisability of investing in the Series 2024 Bonds. In addition, the 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 Insurer, supplied by the Insurer and presented under the heading “BOND INSURANCE” and “Appendix G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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 2024 Bonds.

**LANCASTER FINANCING AUTHORITY
CITY OF LANCASTER**

BOARD OF DIRECTORS/CITY COUNCIL

R. Rex Parris, *Chair/Mayor*
Marvin Crist, *Vice Chair/Vice Mayor*
Ken Mann, *Director/Councilmember*
Raj Malhi, *Director/Councilmember*
Lauren Hughes-Leslie, *Director/Councilmember*

CITY AND AUTHORITY OFFICIALS

Jason Caudle, *City Manager/Executive Director*¹
Trolis Niebla, *Assistant City Manager*
George Harris, *Finance Director/Treasurer*
Andrea Alexander, *City Clerk/Secretary*
Allison E. Burns, *City Attorney/Authority Counsel*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

MUNICIPAL ADVISOR

NHA Advisors, LLC.
San Rafael, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

¹ Mr. Caudle has announced his resignation as City Manager and intended transition to the role of Chief Executive Officer of Lancaster Energy effective July 1, 2024. The City Council is expected to consider this matter on June 25, 2024.

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**OFFICIAL STATEMENT
LANCASTER FINANCING AUTHORITY**

\$55,515,000*
LEASE REVENUE BONDS
SERIES 2024A (TAX-EXEMPT)

\$7,070,000*
LEASE REVENUE BONDS
SERIES 2024B (FEDERALLY TAXABLE)

INTRODUCTION

This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”) provides certain information concerning the sale and delivery of \$55,515,000* aggregate principal amount of Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt) (the “Series 2024A Bonds”) and \$7,070,000* Lancaster Financing Authority Lease Revenue Bonds, Series 2024B (Federally Taxable) (the “Series 2024B Bonds and, together with the Series 2024B Bonds, the “Series 2024 Bonds”).

The net proceeds of the sale of the Series 2024 Bonds will be used to (i) costs of the acquisition, construction and installation of certain capital improvements, including but not limited to the Multi-Agency Regional Resiliency Center and the conversion of the existing minor league baseball stadium for use as a minor league soccer stadium, certain parks and recreation improvements within the City, certain public art projects located within the City, and other improvements, facilities and equipment (collectively, the “Projects”), (ii) fund capitalized interest on a portion of the Series 2024 Bonds related to the Stadium Project (as defined herein) through November 1, 2025, (iii) purchase separate municipal bond insurance policies to guarantee the payment of principal and interest on the Series 2024 Bonds, as described under the caption “BOND INSURANCE”; (iv) purchase a debt service reserve insurance policy for deposit in a reserve fund for the Series 2024 Bonds; and (v) pay the costs incurred in connection with the issuance of the Series 2024 Bonds. See “THE PROJECTS” herein for a further description of the Projects.

The Series 2024 Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the City for the right to use certain real property (the “Property”) described under the caption “THE PROPERTY” pursuant to a Lease Agreement, dated as of July 1, 2024 (the “Lease Agreement”), between the City, as lessee, and the Lancaster Financing Authority (the “Authority”), as lessor.

The Series 2024 Bonds will be issued pursuant to an Indenture, dated as of July 1, 2024 (the “Indenture”), by and among the Authority, the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Pursuant to the Indenture, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2024 Bonds (the Series 2024 Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Additional Bonds.”

Pursuant to a Ground Lease, dated as of July 1, 2024 (the “Ground Lease”), by and between the City and the Authority, the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of July 1, 2024, pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

** Preliminary, subject to change.*

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

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof, including but not limited to non-delivery of the Stadium Project (as defined herein). See the captions "THE PROPERTY," THE "PROJECTS" and "RISK FACTORS—Abatements." Abatement of Base Rental Payments under the Lease Agreement, to the extent that payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

Payment of the principal of and interest on the Series 2024A Bonds will be insured by a municipal bond insurance policy (the "Series 2024A Insurance Policy") to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") concurrently with the issuance of the Series 2024A Bonds. Payment of the principal of and interest on the Series 2024B Bonds will be insured by a municipal bond insurance policy (the "Series 2024B Insurance Policy" and, together with the Series 2024A Insurance Policy, the "Insurance Policies") to be issued by the Insurer concurrently with the issuance of the Series 2024B Bonds. See the caption "BOND INSURANCE." A specimen of the Policies is set forth in Appendix G.

THE SERIES 2024 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER.

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

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("Rule 15c2-12") certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. See "CONTINUING DISCLOSURE" herein for a description of the Authority's and the City's compliance with its prior continuing disclosure undertakings pursuant to Rule 15c2-12 and APPENDIX—E "FORM OF CONTINUING DISCLOSURE AGREEMENT" for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the disclosure undertaking pursuant to which such reports are to be made.

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2024 Bonds. The Series 2024 Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City and by Stradling

Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. The City's financial statements for the fiscal year ended June 30, 2023 included as Appendix C hereto have been audited by CliftonLarsonAllen LLP, Irvine, California (the "Auditor"). See APPENDIX C—"ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023" herein. The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2024 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for fiscal year 2024-25, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See APPENDIX A—"THE CITY OF LANCASTER" for financial and operating information related to the City.

The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2024 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Lease Agreement shall have the meanings set forth therein. See APPENDIX B—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE SERIES 2024 BONDS

General

The Series 2024 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2024 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2024 Bonds will be paid semiannually on May 1 and November 1 (each, an "Interest Payment Date") of each year, commencing November 1, 2024.

Interest on the Series 2024 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof (a "Record Date") unless (i) a Series 2024 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, (ii) a Series 2024 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2024 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2024 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2024 Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2024 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2024 Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2024 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2024 Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2024 Bonds. See “THE SERIES 2024 BONDS—Book-Entry Only System.”

Redemption

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2024 Bonds are subject to redemption, in whole or in part, on any date, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2024 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2024A Bonds. The Series 2024A Bonds maturing on or after May 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after May 1, 20__, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease, at a Redemption Price equal to the principal amount of the Series 2024A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2024B Bonds. The Series 2024B Bonds maturing on or after May 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after May 1, 20__, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease, at a Redemption Price equal to the principal amount of the Series 2024B Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2024A Bonds with stated maturities on May 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each May 1 on and after May 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (May 1)</i>	<i>Principal Amount</i>
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* Final Maturity.

The Series 2024B Bonds with stated maturities on May 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each May 1 on and after May 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(May 1)</i>	<i>Principal</i> <i>Amount</i>
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* Final Maturity.

In the event of a partial optional redemption or extraordinary mandatory redemption of any of the Term Bonds, each of the remaining mandatory sinking fund payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis in the amount of \$5,000 or any integral multiple thereof as directed by an Authorized City Representative.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority provided to the Trustee at least 20 but no more than 60 days prior to the date of such redemption, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, as directed in a Written Request of the Authority provided to the Trustee at least 20 but no more than 60 days prior to the date of such redemption, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes 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.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of optional redemption of the Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such money has not been so received or such other conditions have not been satisfied, said notice is of no force and effect and the Trustee is not required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption have not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the Authority will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

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

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

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

Book-Entry Only System

General. DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2024 Bond will be issued for each maturity of the Series 2024 Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2024 Bonds apply only during any period in which the Series 2024 Bonds are not subject to DTC's book-entry system. While the Series 2024 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not obligated to make any transfer or exchange of Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS

Pledge of Revenues

The Series 2024 Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See APPENDIX A—“THE CITY OF LANCASTER” and the caption “RISK FACTORS” for a description of such available funds and the potential risks associated with the availability of such funds to make Base Rental Payments. The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2024 Bond Owners all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2024 Bonds. See the caption “—Additional Bonds.”

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Capitalized Interest Fund, the Principal Fund, the Reserve Fund (provided, however, that only amounts in the Series 2024 Account of the Reserve Fund shall secure the Series 2024 Bonds and amounts in any other subaccount of the Reserve Fund created in connection with the issuance of Additional Bonds shall secure only such Additional Bonds) and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

THE SERIES 2024 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Base Rental Payments

Rental Payments (collectively, the Base Rental Payments and the Additional Rental Payments) will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in

consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the second Business Day preceding each Interest Payment Date (the “Base Rental Deposit Date”) on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2024 Bonds.

Scheduled Base Rental Payments relating to the Series 2024 Bonds are set forth below under the caption “BASE RENTAL PAYMENT SCHEDULE.”

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

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

- (i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
- (ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.
- (iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.
- (iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.
- (v) All amounts payable to the Insurer pursuant to the Indenture not payable from Base Rental Payments.
- (vi) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such

amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Base Rental Payments and Additional Rental Payments may be abated in the event of non-delivery of the Stadium Project or in the event of damage, destruction, condemnation or title defect affecting the Property, each as described further below. The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement.”

As described under the captions “THE PROPERTY” and “THE PROJECTS—The Stadium Project,” a portion of the Property leased under the Ground Lease and the Lease Agreement consists of the property on which the Stadium Project will be constructed (the “Stadium Property”). The City has funded capitalized interest on a portion of the Series 2024 Bonds through November 1, 2025, which is calculated to be the portion of the Base Rental Payments attributable to the Stadium Project through the period which is approximately nine months after estimated completion of the Stadium Project, which is currently expected to occur in March 2025.

In the Event of Non-Delivery of the Stadium Project. To the extent described below, the amount of Rental Payments due under the Lease Agreement will be partially abated during any period in which by reason of delay in the completion of the Stadium Project there is substantial interference with the City’s use and occupancy of the Stadium Property; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority will calculate such abatement and provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue until the substantial completion of the Stadium Project, and the term of the Lease Agreement will be extended until the date upon which (i) all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, or (ii) the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full. Notwithstanding the foregoing, the term of the Lease Agreement will in no event be extended beyond May 1, 2064. Notwithstanding the foregoing, the City will remain obligated to make Rental Payments under the Lease Agreement, as an obligation of the City payable from a special fund, (i) to the extent there are proceeds of any completion or performance bonds or moneys paid to the City by the contractors or any other person as liquidated damages as a result of any defect or delay in completion of Stadium Project, or (ii) to the extent that amounts in the Series 2024 Account of the Reserve Fund or the Capitalized Interest Fund are available to pay Rental Payments which would otherwise be abated under the Lease Agreement in the event of non-delivery of the Stadium Project. Any amounts received by the City as liquidated damages will be deposited by the City immediately upon receipt in the Base Rental Payment Fund.

In the Event of Damage, Destruction, Condemnation or Title Defect. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property, Rental Payments are subject to abatement proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City

during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Lease Agreement. The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Rental Payments—Rental Abatement.”

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

The Lease Agreement provides that if the Bonds have not been fully paid or defeased by the final maturity thereof, or if the Rental Payments remain due and payable or have been abated at any time and for any reason, then the term of the Lease Agreement will be extended until the date upon which (i) all Bonds are fully paid or defeased, or (ii) the Indenture is discharged by its terms and all Rental Payments are paid in full, up to an additional ten years beyond the final maturity of the Bonds.

Substitution, Addition and Removal of Property

General. The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property to add additional real property or to release a portion of the Property from the Lease Agreement or to add additional property to the encumbrance of the Lease Agreement, with the consent of the Insurer (so long as the Insurer is not in default on any obligation under the Insurance Policies) and upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City thereunder as a result of such substitution, release or addition. Any such substitution, release or addition is subject to the following specific conditions precedent to such substitution, release or addition:

(a) a Written Certificate of the City to the effect that the Property, as constituted after such substitution, release or addition: (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Series 2024 Bonds.

(b) with respect to any substituted or added property, the City obtains or causes to be obtained a CLTA or ALTA title insurance policy or policies with respect to the Property (as such term will be defined after such substitution or addition) in an amount (when added to other title insurance policies insuring the Property) at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Lease Agreement;

(c) the City, the Authority and the Trustee execute, and the City causes to be recorded with the Los Angeles County Recorder, any document necessary to reconvey to the City the portion of the Property

being released and to include any substituted or added real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(d) the City provides notice of such release, substitution or addition to each rating agency then rating the Bonds.

Release of Museum Property. In addition to the release and substitution of property described under the caption “—*General*” above, upon completion of the Stadium Project, the Museum Property (which consists of the Lancaster Museum of Art and History) may be released from the Lease Agreement and the Ground Lease; provided, however, that no such release may occur until there is delivered to the Trustee and the Insurer a Written Certificate of the City to effect that: (i) the Stadium Project has been completed and the City has beneficial use and occupancy of the Stadium Property; and (ii) the conditions described in paragraphs (a) and (c) under the caption “—*General*” above have been satisfied.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—No Consequential Damages; Use of Property; Substitution or Release.”

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Lease Agreement. See “RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2024 Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Series 2024 Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults and Remedies” and “—THE INDENTURE—Default and Limitations of Liability.”

Reserve Fund

The Indenture establishes a separate Reserve Fund and within the Reserve Fund, a Series 2024 Account solely as security for the Series 2024 Bonds, which will be held and maintained by the Trustee. The Trustee may establish additional accounts in the Reserve Fund in connection with the issuance of Additional Bonds, if any. The Authority will acquire the Reserve Surety Policy in the amount of the Reserve Fund Requirement for the Series 2024 Bonds (\$ _____) for deposit into the Series 2024 Account of the Reserve Fund in satisfaction of the Reserve Fund Requirement for the Series 2024 Bonds. The Authority will have no obligation to replace the Reserve Surety Policy or to fund the Series 2024 Account of the Reserve Fund with cash if, at any time that the Series 2024 Bonds are Outstanding, any rating assigned to the Insurer is downgraded, suspended or withdrawn or amounts are not available under the Reserve Surety Policy, other than in connection with a draw on the Reserve Surety Policy.

Amounts in the Series 2024 Account of the Reserve Fund will be used solely for the purpose of funding the Interest Fund or the Principal Fund, in that order, in the event of any deficiency in either of such accounts with respect to the Series 2024 Bonds on an Interest Payment Date.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—SECURITY FOR THE BONDS; FLOW OF FUNDS—Reserve Fund.”

Capitalized Interest Fund

A portion of the debt service on the Series 2024 Bonds (which is calculated to be the portion of the Base Rental Payments attributable to the Stadium Project) through November 1, 2025 will be paid from capitalized interest. On the second Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Capitalized Interest Fund to the Interest Fund, the following amounts on the dates set forth below. All amounts remaining in the Capitalized Interest Fund following November 1, 2025 will be transferred to the Interest Fund.

<i>Date</i>	<i>Series 2024A Account</i>	<i>Series 2024B Account</i>
November 1, 2024		
May 1, 2025		
November 1, 2025		

See the captions “SOURCES AND USES OF FUNDS,” “DEBT SERVICE SCHEDULE” and “THE PROJECTS—The Public Safety Campus Project, “as well as APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—SECURITY FOR THE BONDS; FLOW OF FUNDS—Flow of Funds.”

Additional Bonds

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2024 Bonds upon satisfaction of certain conditions, including, but not limited to, the following:

(a) The issuance of such Additional Bonds has been authorized under and pursuant to the Indenture and provided for by a Supplemental Indenture;

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

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

(d) The City has provided the Insurer written notice of the proposed issuance of such Additional Bonds and received prior written consent of the Insurer with respect to such Additional Bonds.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Issuance of Bonds; Application of Proceeds.”

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed \$500,000. The City's obligation to maintain the insurance described above may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Lease Agreement.

The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period.

The City is also required to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees, and worker's compensation insurance as described in APPENDIX B—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance."

The City is required under the Lease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds, insuring the fee interest of the City in the Property, the Authority's leasehold estate in the Property under the Ground Lease, and the City's subleasehold estate in the Property under the Lease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Owners.

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

BOND INSURANCE

Bond Insurance Policies

Concurrently with the issuance of the Series 2024A Bonds, Build America Mutual Assurance Company (previously defined as "BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2024A Bonds (previously defined as the "Series 2024A Insurance Policy"). The Series 2024A Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2024A Bonds when due as set forth in the form of the Series 2024A Insurance Policy included as an appendix to this Official Statement.

Concurrently with the issuance of the Series 2024B Bonds, BAM will also issue its Municipal Bond Insurance Policy for the Series 2024B Bonds (previously defined as the "Series 2024B Insurance Policy" and, together with the Series 2024A Insurance Policy, the "Insurance Policies"). The Series 2024B Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2024B Bonds when due as set forth in the form of the Series 2024B Insurance Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2024 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2024 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2024 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policies), and BAM does not guarantee the market price or liquidity of the Series 2024 Bonds, nor does it guarantee that the rating on the Series 2024 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million and \$261.4 million, respectively.

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

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

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2024 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2024 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2024 Bonds, whether at the initial offering or otherwise.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2024 Bonds are shown below.

<i>Sources</i>	<i>Series 2024A Bonds</i>	<i>Series 2024B Bonds</i>
Principal Amount		
[Net] Original Issue Premium/(Discount)		
Total Sources		
<i>Uses</i>		
Project Fund		
Capitalized Interest Fund ⁽¹⁾		
Costs of Issuance ⁽²⁾		
Total Uses		

⁽¹⁾ To fund a portion of the interest on the Series 2024 Bonds through November 1, 2025.

⁽²⁾ Includes legal, municipal advisory, rating agency, printing fees, underwriter’s discount, the premiums for the Insurance Policies and the Reserve Surety Policy and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

Following is the annual schedule of Base Rental Payments due with respect to the Series 2024 Bonds, assuming no redemption prior to maturity:

<i>Bond Year (Ending May 1)</i>	<i>Series 2024A Bond Principal</i>	<i>Series 2024A Bond Interest</i>	<i>Series 2024B Bond Principal</i>	<i>Series 2024B Bond Interest</i>	<i>Total</i>
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Total

⁽¹⁾ A portion of the debt service on the Series 2024 Bonds through November 1, 2025 will be paid from capitalized interest. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Capitalized Interest Fund.”

Source: The Underwriters.

THE PROPERTY

General. A description of each of the properties consisting of the Property initially leased under the Ground Lease and the Lease Agreement are described below. The City has the right to substitute, add to or release all or portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Substitution, Addition and Removal of Property.” The table below summarizes the properties consisting of the Property initial leased under the Ground Lease and the Lease Agreement, and further descriptions of such properties are set forth below.

<i>Property</i>	<i>Description</i>	<i>Building Square Footage</i>	<i>Building Insured Value</i>
Lancaster Municipal Stadium ⁽¹⁾	Stadium/Sporting Venue	29,230	\$26,749,179
Lancaster Performing Arts Center	Performing Arts Center	41,950	20,295,368
Economic Development Office	Office/Small Business Incubator	27,200	7,353,910
Public Safety Building	Police Headquarters	29,440	7,250,091
Lancaster Museum of Art and History	Museum	21,334	9,284,676
Lancaster Community Center	Community Facility	14,964	3,993,288
Maintenance Yard	Public Works Modular Office	10,080	<u>2,938,824</u>
Total			\$77,865,336

⁽¹⁾ See the caption “THE PROJECTS—The Stadium Project” for more information regarding the use of a portion of the proceeds of the Series 2024 Bonds to finance renovations to the Lancaster Municipal Stadium.
Source: The City.

Lancaster Municipal Stadium. The Lancaster Municipal Stadium was constructed in 1996 and is located at 45116 Valley Central Way in the City. The Lancaster Municipal Stadium hosted the Lancaster JetHawks, a minor league professional baseball team, until 2020. The Lancaster Municipal Stadium, formerly known as The Hangar, currently consists of an approximately 4,500-seat baseball stadium and includes a home and visitor’s clubhouse. The City estimates the insured value of the Lancaster Municipal Stadium is approximately \$26,748,179. However, as described under the caption “THE PROJECTS—The Stadium Project,” a portion of the proceeds of the Series 2024 Bonds are expected to be used to finance a retrofit of the Lancaster Municipal Stadium in order to host a USL League One professional soccer team. See the caption “THE PROJECTS—The Stadium Project.”

Lancaster Performing Arts Center. The City’s Performing Arts Center was constructed in 1991 and consists of an approximately 41,950 square foot building located at 750 West Lancaster Boulevard in the City. The Performing Arts Center contains two separate theaters which are used for City-sponsored entertainment events, as well as local music, dance and theater groups. The City estimates the insured value of the Performing Arts Center is approximately \$20,295,368.

Economic Development Office. The Economic Development Office was constructed in 1985 and is located at 104 East Avenue K-4 in the City. The Economic Development Office consists of an approximately 30,000 square foot building containing the Lancaster Small Business Incubator. The City estimates the insured value of the Economic Development Office is approximately \$7,353,910.

Public Safety Building. The Public Safety Building was originally constructed in 1950 and underwent renovations which are expected to be completed in June 2024. The Public Safety Building is an approximately 29,623 square foot building located at 44811 Sierra Highway in the City and serves as the

City's Police Headquarters. The City estimates the insured value of the Public Safety Building is approximately \$7,250,091.

Lancaster Museum of Art and History. The City acquired the Lancaster Museum of Art and History from a non-profit organization in June 2024. The Lancaster Museum of Art and History is an approximately 21,334 square foot building constructed in 2012 which the City expects to continue to operate as a museum. The City estimates the insured value of the Lancaster Museum of Art and History is approximately \$9,284,676.

Lancaster Community Center. The Lancaster Community Center was constructed in 2008 and remodeled in 2022, and is located at 44611 Yucca Avenue in the City. The Lancaster Community Center consists of an approximately 16,056 square foot building which is used for community events and contains various dedicated spaces for community events, including a teen space, computer lab, library, kitchen and food demonstration area, game room, arts and crafts room, dance room, music room and early education space. The City estimates the insured value of the Lancaster Community Center is approximately \$3,993,288.

Corporation Yard. The City's Maintenance Yard was constructed in 2006 and is located at 615 West Avenue Hin the City. The Maintenance Yard contains an approximately 10,080 square foot modular office for the City's Public Works Department, which includes offices, conference rooms and other meeting rooms. The City estimates the insured value of the Maintenance Yard is approximately \$2,938,824.

THE PROJECTS

The Multi-Agency Regional Resiliency Center

The City expects to use a portion of the Series 2024A Bonds to finance the City's share of the costs of the Multi-Agency Regional Resiliency Center (the "MARRC"). The MARCC is expected to be a large-scale, off-grid, emergency evacuation center and events center, which will include an emergency operations center and a culinary community kitchen, and is expected to provide community resiliency during emergencies in the Antelope Valley, including evacuations driven by flood, fire and earthquake. The MARCC will be located at the Antelope Valley Fair and Event Center and operated by the Antelope Valley Fair Authority under various joint use agreements.

The MARRC is expected to cost a total of \$81.5 million dollars and to be financed by a combination of City funds (including a portion of the proceeds of the Series 2024A Bonds), funds from the County of Los Angeles, State grants, funds from the City of Palmdale, and funds from the Antelope Valley Union High School District. The City Council has authorized the City to commit up to \$50 million to the MARCC project. Construction of the MARCC is currently expected to begin in August 2024 and be completed in late 2025.

The Stadium Project

General. The Lancaster Municipal Stadium was constructed in 1996 and is located at 45116 Valley Central Way in the City. The Lancaster Municipal Stadium hosted the Lancaster JetHawks, a minor league professional baseball team, until 2020. A portion of the proceeds of the Series 2024A Bonds and the proceeds of the Series 2024B Bonds is expected to be used to finance renovations to the Lancaster Municipal Stadium to allow the stadium to host a USL League One professional soccer team (the "Stadium Project").

In August 2023, the City entered into a ten-year operating agreement (the "Stadium Operating Agreement") with Antelope Valley Soccer, Inc. ("Antelope Valley Soccer") pursuant to which the Lancaster Municipal Stadium will host the USL Antelope Valley professional soccer team. The Stadium Project consists of converting the stadium from its minor-league baseball configuration to a soccer-specific stadium by expanding the playing field at the existing stadium and adding additional seating in the former outfield of the existing baseball field, which is expected to bring the seating capacity to approximately 5,300. Design of the

Stadium Project is expected to be completed in June 2024, and the City currently expects to award a contract for the construction of the Stadium Project in July or August 2024. The current estimate for the costs of constructing the Stadium Project is \$11.5 million, and construction is currently expected to begin in August 2024 and be completed in March 2025. The Stadium Project is expected to be funded 100% from proceeds of the Series 2024 Bonds. The City and the Authority have entered into a Subordination and Non-Disturbance Agreement with Antelope Valley Soccer pursuant to which Antelope Valley Soccer has agreed to subordinate its interests in the Stadium Property under the Stadium Operating Agreement to the interests of the Authority and the City under the Ground Lease and the Lease Agreement.

The Lease Agreement. The Property leased under the Ground Lease and the Lease Agreement includes the property on which the Stadium Project is being constructed (the “Stadium Property”). The City will fund capitalized interest on a portion of the Series 2024 Bonds through November 1, 2025, which is calculated to be the portion of the Base Rental Payments attributable to the Stadium Property through the period which is approximately eight months after the estimated completion date of the Stadium Project, which is currently expected to occur in March 2025. Should the Stadium Project not be timely completed and if the City does not have beneficial use and occupancy of the Stadium Property prior to the date through which capitalized interest has been funded, a portion of the City’s Base Rental Payments under the Lease Agreement may be subject to abatement. Each of the construction contracts entered into by the City for the Stadium Project is expected to provide that the various contractors will be required to pay liquidated damages to the City in the event the applicable portion of the Stadium Project is not completed in accordance with the construction contract schedule(s). However, certain force majeure and other provisions of the construction contracts may prohibit or reduce the collection of liquated damages. In the event of abatement of all or a portion of the Rental Payments due to non-delivery of the Stadium Project, the City is required under the Lease Agreement to continue to make Rental Payments from such liquidated damages or any proceeds of any completion or performance bonds or other moneys paid to the City by the various contractors. The City can make no assurances regarding the availability, amounts or timing of funds that could be collected as liquidated damages or from the proceeds of any completion or performance bonds. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Abatement” and “RISK FACTORS—Abatement.”

Under the Lease Agreement, the City agrees to proceed with all due diligence to complete the construction, acquisition, delivery and installation of the Stadium Project, all in accordance with the plans and specifications for the Stadium Project (the “Plans and Specifications”) approved by the City Engineer. The City shall comply with all statutes and laws applicable to the performance of its obligations hereunder, including all public laws applicable thereto and all laws regarding the approval, acquisition and construction of public projects by cities in the State of California. The City shall make certain that each contract relating to the Stadium Project is awarded in accordance with applicable law and contains a scheduled completion date which requires completion on or before the scheduled Completion Date.

Subject to any other restrictions imposed upon the City, the City may approve any changes to the Plans and Specifications so long as any change does not, and all such changes as a whole do not, (i) substantially alter the nature of the Project, (ii) delay the completion of the Stadium Project beyond November 1, 2025, (iii) reduce the fair rental value of the Stadium Property, or (iv) increase the total Costs of the Stadium Project to an amount in excess of the amount in the Stadium Project Subaccounts of the Project Fund unless there has been deposited with the City an amount equal to such excess or unless there has been deposited with the City a certificate of an Authorized Representative of the City, together with a revised construction budget demonstrating that the total amount on deposit to pay for the Stadium Project is adequate to allow the completion of the Stadium Project as planned;

Payment of the portion of the Costs of the Stadium Project being financed by the City shall be made from moneys deposited in the Stadium Project Subaccounts of the Project Fund, and shall be disbursed for such purpose in accordance and upon compliance with the Indenture. Neither the Authority nor the City shall

be liable for the payment of Costs of the Stadium Project other than from amounts on deposit in the Stadium Project Subaccounts of the Project Fund.

The Parks and Recreation Projects

Avenue J Neighborhood Park. The Avenue J Neighborhood Park project consists of a playground, pedestrian/bike lane with lighting and benches, shaded picnic area, fitness course with exercise stations, shaded open space areas, drought tolerant-demonstration garden, landscaping and perimeter fence. The City has been awarded \$2.4 million in funds from the California Department of Parks and Recreation Land and Water Conservation Fund Grant for the project. The grant requires \$2.5 million in matching funds to complete, and the City currently expects to use a portion of the proceeds of the Series 2024A Bonds for such matching funds.

Indoor Recreation Complex. The City currently expects to use a portion of the Series 2024A Bonds to design and build a new indoor recreation complex to host youth and adult indoor sports programming. The new facility is expected to provide two full size basketball courts, which can double as four volleyball courts, eight pickleball courts, as well as host a multitude of indoor athletic programs. Furthermore, the facility will have the ability to host private rentals for practice and tournaments. The indoor recreation complex is currently expected to cost approximately \$3.5 million to complete.

The Public Art Projects

The City's Parks, Arts, Recreation & Community Services Department is currently in the process of developing and adopting a Public Art Master Plan. Through extensive internal and external community engagement the Master Plan is expected to develop the vision, values and goals for public art; identify clear action strategies; as well as identify cultural opportunities and locations for future art installations. The adoption of the Master Plan is expected to result in the identification of approximately \$3 million in public art to be procured and installed throughout the City and the City currently expects to use a portion of the Series 2024A Bonds to finance such public art projects.

THE AUTHORITY

The Lancaster Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Joint Powers Act") and a Joint Exercise of Powers Agreement, dated September 1, 1989 (the "Joint Powers Agreement"), by and between the City and the Lancaster Redevelopment Agency (the "Agency"). The Authority was formed to assist the City in the financing and refinancing of public capital improvements. Pursuant to the Joint Powers Act, the Authority is authorized to issue lease revenue bonds to provide funds to acquire or construct public capital improvements, such revenue bonds to be repaid from the lease payments for such improvements, such as the lease payments described herein. The Authority is governed by a five-member board whose members are the same as the City Council. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority. The Authority has acted as a conduit issuer for the City for a variety of financings.

THE CITY OF LANCASTER

The City is located in the County of Los Angeles approximately 60 miles northeast of the City of Los Angeles in the southwest portion of the Antelope Valley between the City of Palmdale and Edwards Air Force Base. The City was incorporated on November 22, 1977 as a general law city. On April 13, 2010, the qualified electors within the City voted to convert the City to a charter city. The City maintains a council-manager form of government. The mayor and city council are elected at large for staggered four-year terms.

The City is at an elevation of 2,356 feet and experiences a dry climate. The average annual rainfall is 7.36 inches per year and the average temperature is 62 degrees.

The City provides a broad range of services, including highway, street, drainage, sewer, and infrastructure construction and maintenance; planning and zoning; parks, recreation and cultural activities; and limited police services. Sheriff's and animal control services are provided under contract with the County, whereas fire protection, water, sanitation, school, and library are funded by special districts not under City control.

For financial and demographic information regarding the City, see APPENDIX A—"THE CITY OF LANCASTER."

A copy of the financial statements of the City for the fiscal year ended June 30, 2023 is attached hereto as Appendix C which should be read in its entirety. See APPENDIX C—"ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2024 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2024 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2024 Bonds

The Series 2024 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2024 Bonds. The Authority has no taxing power.

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

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See "CITY FINANCIAL INFORMATION—Indebtedness."

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City's appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Abatements

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of non-delivery of the Stadium Project or by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Abatement.” In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2024 Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2024 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2024 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2024 Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2024 Bond Owners for nonpayment under such circumstances.

Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, up to a maximum of ten years beyond the stated termination date of the Lease Agreement.

As described above under “THE PROJECTS” and “THE PROPERTY,” the Property leased under the Ground Lease and the Lease Agreement includes the Stadium Project. The City has funded capitalized interest on a portion of the Series 2024 Bonds through November 1, 2025, which is calculated to be the portion of the Base Rental Payments attributable to the Stadium Project through the period which is approximately nine months after estimated completion of the Stadium Project, which is currently expected to occur in March 2025. Should the Stadium Project not be timely completed and if the City does not have beneficial use and occupancy of the Stadium Project prior to the period through which capitalized interest has been funded, a portion of the City’s Base Rental Payments under the Lease Agreement may be subject to abatement. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Abatement.”

Natural Disasters

General. The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments.

Seismic. The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. According to the Safety Element contained in the City's General Plan, the City is prone to significant earthquake activity from nearby faults, with the two faults with the highest potential to cause significant shaking in and around the City include the San Andreas Fault (approximately nine miles south of the City's center) and the Garlock Fault (approximately 28 miles north/northwest of the City's center). For more information, see the Safety Element of the City's General Plan on file with the City Clerk.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the City, and could lead to successful appeals for reduction of assessed values of such property.

Should an earthquake occur that results in substantial interference with the use of the Property, under the abatement provisions of the Lease, the City would not be obligated to make the Base Rental Payments. While the City currently maintains earthquake insurance as to the Property in the amount of \$25 million per occurrence, there is no assurance that the City will do so in the future. See "RISK FACTORS – Abatement" above.

Flooding. According to information contained in the Safety Element of the City's General Plan, the City is susceptible to flooding due to a combination of flat topography, the presence of nearby mountains and the surrounding washes (natural flood channels). Flooding is primarily caused by runoff from the San Gabriel and Sierra Pelona mountains to the south. The Antelope Valley drainage basin consists of a series of alluvial fans extending north from these mountains to the dry lake beds at Edwards Air Force Base. The basin has no natural outlet to the sea, which restricts the removal of runoff to percolation or evaporation. Major floods in the Antelope Valley generally coincide with winter storms that occur between November and April. The highest frequency and greatest intensity of winter flooding normally occurs between December and March. Infrequent thunderstorms during the summer and fall may also produce major flash floods.

For more information, see the Safety Element of the City's General Plan on file with the City Clerk. As with seismic hazards, the occurrence of flood damage to property located in the City could lead to successful appeals for reduction of assessed values of such property.

If any portion of the Property is destroyed by a flood or other natural disaster, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest with respect to the Bonds as and when due.

Wildfires. According to information contained in the Safety Element of the City's General Plan, the most common type of natural hazards in California are wildfires, which can burn large areas of undeveloped or natural land in a short amount of time. They often begin as smaller fires caused by lightning strikes, downed power lines, or unattended campfires but may rapidly expand in size if conditions are dry and/or windy. Recent climatic projections suggest increased temperatures and prolonged periods of drought, which will increase the likelihood of wildfire occurrence. Typically, wildfires pose minimal threat to human life and structures in urban areas; however, the growing human infringement into natural areas increases the likelihood of property damage and loss of life. This encroachment occurs in areas called the wildland-urban interface, which is considered an area within the high and very high fire hazard severity zone, as defined by Cal FIRE. Based on current mapping provided by Cal Fire, areas within the City are mapped within Moderate Fire Hazard Severity Zones and a very small portion of the community on the southwestern corner is identified within a very high fire hazard severity zones, largely within the City' sphere of influence (as opposed to the boundaries of the City). For more information, see the Safety Element of the City's General Plan on file with the City Clerk.

Other Natural Disasters. The Property may also be at risk from other events of force majeure, such as damaging storms, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The City cannot predict what force majeure events may occur in the future.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. The City is not aware of any hazardous substances located on the Property.

Other Financial Matters

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See APPENDIX A—"THE CITY OF LANCASTER" for financial and operating information related to the City.

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS— No Consequential Damages; Use of the Property; Substitution or Release." Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2024 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX B—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS— THE LEASE AGREEMENT—No Consequential Damages; Use of the Property; Substitution or Release."

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See APPENDIX B—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE— Issuance of Bonds; Application of Proceeds."

Limited Recourse on Default; No Acceleration of Base Rental

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

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2024 Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2024 Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS” and APPENDIX B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults and Remedies.”

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.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Base Rental Payments for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually

received by the Trustee following payment by the City. The Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease Agreement by the City, the Authority would recover possession of the Property and the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners of the Series 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Series 2024 Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2024 Bonds could be affected by whether the Lease Agreement is determined to be a "true lease" or a loan or other financing arrangement (a "financing lease"), and the Owners' recovery could be reduced in either case. If the Lease Agreement is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the City could choose not to perform under the Lease Agreement by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease Agreement as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2024 Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the City might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Base Rental Payments held by the Trustee. In addition, there can be a substantial disparity in treatment based on the nature of the Property. Whether the Lease Agreement is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Series 2024 Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2024 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.

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2024 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be insured under the Lease Agreement, and therefore, are not carried by the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Insurance."

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS—Series 2024A Bonds," the interest on the Series 2024A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2024A Bonds, as a result of acts or omissions of the Authority or the City in violation of its covenants in the Indenture and the Lease Agreement. Should such an event of

taxability occur, the Series 2024A Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2024 Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Dependence on State for Certain Revenues

On January 10, 2024, the Governor released his proposed State budget for fiscal year 2024-25 (the “Proposed 2024-25 State Budget”). The following is drawn from the Department of Finance (“DOF”) and Legislative Analyst’s Office (“LAO”) summaries of the Proposed 2024-25 State Budget. The Proposed 2024-25 State Budget reports that the State is facing a budgetary shortfall in 2024 of approximately \$37.9 billion. The shortfall is rooted in two separate but related developments that have occurred over the past two fiscal years—a substantial decline in the stock market that drove down revenues and an unprecedented delay in critical income tax collections. The Proposed 2024-25 State Budget indicates that, typically, the bulk of cash data relating to the prior tax year is available by April, leading to a revised May budget informed by actual cash collections. In calendar year 2023, due to federal and state income tax deadline delays resulting from several winter storms, the majority of the State’s revenues did not arrive until October and November. As a result, the corrections that would have been necessary to account for the decline in State revenues that would have normally come as part of last year’s May revision are instead being made in the Proposed 2024-25 State Budget.

The Proposed 2024-25 State Budget also includes multiyear projections of revenues and spending. Under the administration’s projections, the State faces operating deficits in 2025-26 through 2027-28 of \$37 billion, \$30 billion and \$28 billion, respectively. The LAO notes that although these deficits are smaller than the one projected for 2024-25, the State will have fewer options—such as one-time spending and draws on reserves—which could necessitate ongoing spending cuts or revenue increases.

On May 10, 2024, the Governor released his May revision to the Proposed 2024-25 Budget (the “May Revision”). The following information is drawn from the DOF summary of the May Revision.

The May Revision reports that, since the release of the Proposed 2024-25 Budget, fiscal year 2023-24 cash receipts have been weaker than expected and inflation has been slower to cool, resulting in interest rates remaining higher longer than expected. Compared to the Proposed 2024-25 Budget’s revenue forecast, the May Revision reflects a decrease of \$10.5 billion in the State’s three major revenue streams (personal income, corporation and sales taxes), excluding solutions and policy proposals. As a result, the May Revision estimates that the budget shortfall has grown by approximately \$7 billion, bringing the total shortfall to \$44.9 billion.

The May Revision notes that an early action budget package approved by the State legislature in April of 2024 (Assembly Bill 106) implemented approximately \$17 billion of budget solutions included in the Proposed 2024-25 Budget. After accounting for the \$7 billion increase in the budget shortfall and a \$1.2 billion erosion to certain of the Proposed 2024-25 Budget’s solutions, the May Revision includes an additional \$8.2 billion of proposals for fiscal year 2024-25 and \$28.4 billion of proposals for 2025-26.

The City cannot predict the extent of the budgetary problems the State may encounter in future fiscal years, and it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the impact that State budgets will have on the City’s finances and

operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by international, national and State economic conditions and other factors over which the City has no control.

A number of the City's revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

Cybersecurity

The City, like many other public and private entities, relies on a complex tiered approach of security products and processes to protect its network environment, from the backend network infrastructure to the end-users desktop computers. These measures provide a strong presence in combating cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's network or systems for the purposes of malicious activity, such as misappropriation of information or causing operational disruption and damage. The City's Information Technology Division ("IT Division") evaluates the City's security infrastructure annually to assess the current hardware and software tools that are in place, and provide recommendations regarding any further enhancements. The IT Division also conducts periodical testing of the City's information security systems and provides cybersecurity training for City staff.

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

In January 2017, the City experienced a ransomware attack. A user opened an email attachment that triggered the ransomware encryption program. The City's information technology department was able to restore files on several servers including the financial system. The City has replaced the antivirus software since the incident.

The City's current Cyber Security Posture consists of three layers to reduce the City's exposure to unauthorized access, data breach or loss be it unintentional or malicious as well as threats from natural disasters. The City uses network protection devices such as firewalls, routers, switches and email filtering as first layer. This layer monitors all incoming and outgoing traffic for threats and minimizing what traffic is allowed in or out of the network as well as segmenting the network into different virtual LANs for device segmentation. The second layer employs the use of end point protection software installed on all workstations, laptops and servers monitoring the systems for unknown programs and processes that could cause harm. The third layer is user access control using Microsoft Active Directory and role-based security groups that limits user access to only authorized devices, applications and datasets.

The City employs industry leading security products for its firewalls from Barracuda Networks, Sophos Antimalware, antivirus and antiransomware end point management and VMware Workspace One mobile device management for tablet security, Carbonite Evault network backup applicant with cloud storage. The City keeps these programs current with the use of the vendors automatic updates which updates each of the products daily. Attached are statistics and basic overview of each product.

No assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City.

Risks Associated with Bond Insurance

In the event that the Authority defaults in the payment of principal of or interest on the Series 2024 Bonds as a result of the failure of the City to pay the Base Rental Payments when due, the Owners of the Series 2024 Bonds will have a claim under the Insurance Policies for such payments. See the caption "BOND INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to the Series 2024 Bonds, no assurance can be given that such event will not adversely affect the market for Series 2024 Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Series 2024 Bonds when due under the Insurance Policies, the Series 2024 Bonds will be payable solely from Base Rental Payments and amounts held in certain funds and accounts established under the Indenture, as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS."

The Insurer is expected to insure a majority of the Series 2024 Bonds and will therefore have the ability to direct the actions of the Trustee give consents and waivers and take other actions without regard to the views of the owners of the Series 2024 Bonds. As a result, Owners of the Series 2024 Bonds may be limited in the rights and remedies they are able to exercise in the event of a default by the Authority under the Indenture. The Insurer may have different business and other interests than the Owners of the Series 2024 Bonds.

The long-term rating on the Series 2024 Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Series 2024 Bonds. See the caption "RATINGS."

None of the City, the Authority or the Underwriter have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the City, the Authority or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Series 2024 Bonds, potential investors should carefully consider the ability of the City to pay Base Rental Payments, which secure the Series 2024 Bonds, assuming that the Insurance Policies are not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Series 2024 Bonds.

So long as the Insurance Policies remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies for default under the Indenture. The Insurer is not required to obtain the consent of the Owners with respect to the exercise of remedies.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2024 Bonds are payable from Base Rental Payments made from the City's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS." Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

On June 6, 1978, State 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 1% 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 December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 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% 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 2% 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, including a general economic downturn, 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 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% 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 cash 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 taxable 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 that 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 that such 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 and the investment proceeds thereof, 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 as of October 1, 1979, or subsequently authorized by the voters (such as the Bonds), 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 local government'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's appropriations have never exceeded the limitation on appropriations under Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

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 require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

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, such as hearings and stricter and more individualized benefit requirements and findings. 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. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support such activities.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial

owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund.

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

Proposition 62

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

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court’s decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State’s fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides

that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as “The Local Taxpayer, Public Safety, and Transportation Protection Act” (“Proposition 22”). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government’s purposes. Furthermore, Proposition 22 restricts the State’s ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government’s control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City’s financial condition.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits

received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Possible Future Initiatives

General. Articles XIII A, XIII B, XIII C and XIII D and Propositions 218, 111, 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, 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.

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act. A ballot initiative known as the “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”) received the required number of signatures to appear on the November 5, 2024 Statewide ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition “tax” in Article XIII C to include “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge.” Initiative 1935 defines “exempt charge” to mean a “reasonable charge for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the actual costs [as opposed to the reasonable costs] of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIII C by Proposition 26, including property-related fees imposed in accordance with Article XIII D (see “—Articles XIII C and XIII D of the California Constitution – Proposition 218,” above). “Actual costs” is defined as “the minimum amount necessary to reimburse the government for the cost of providing the service or product ... less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIII C to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City’s ability to adopt or increase rates, fees, and charges for the various services provided by the City.

On June 20, 2024, the California Supreme Court issued an opinion directing the California Secretary of State to refrain from taking any steps to place Initiative 1935 on the November 5, 2024 election ballot or to include Initiative 1935 in the voter information guide on the grounds that Initiative 1935 would be an

impermissible revision of the California Constitution. The California Supreme Court's opinion becomes effective by its terms five days from its issuance.

TAX MATTERS

Series 2024A Bonds

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series 2024A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2024A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2024A Bond (the first price at which a substantial amount of the Series 2024A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2024A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Series 2024A Bond.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2024A Bonds is based upon certain representations of fact and certifications made by the Authority and the City and is subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024A Bonds to assure that interest (and original issue discount) on the Series 2024A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority and the City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series 2024A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Series 2024A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series 2024A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2024A Bond to the Beneficial Owner. Purchasers of the Series 2024A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2024A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion

from gross income for federal income tax purposes of interest (or original issue discount) on any Series 2024A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the Series 2024A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2024A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2024A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2024A Bonds.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2024A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2024A Bonds might be affected as a result of such an audit of the Series 2024A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2024A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2024A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2024A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES 2024A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2024A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2024A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2024A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2024A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2024A BONDS.

A copy of the proposed form of opinion of Bond Counsel with respect to the Series 2024 Bonds is attached hereto in APPENDIX D.

Series 2024B Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series 2024B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest (and original issue discount) on the Series 2024B Bonds is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Series 2024B Bond (the first price at which a substantial amount of the Series 2024B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2024B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Series 2024B Bond will increase the Beneficial Owner's basis in the Series 2024B Bond. Beneficial Owners of Series 2024B Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Series 2024B Bonds.

In the event of a legal defeasance of a Series 2024B Bond, such bond might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner of the Series 2024B Bond generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance of the Beneficial Owner’s adjusted tax basis in such bond.

The amount by which a Beneficial Owner’s original basis of a Series 2024B Bond for determining gain or loss on sale or exchange of the applicable Series 2024B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Series 2024B Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Beneficial Owner’s basis in the applicable Series 2024B Bond (and the amount of taxable interest received). The basis reduction as a result of the amortization of bond premium may result in the Beneficial Owner of a Series 2024B Bond realizing a taxable gain when a Series 2024B Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2024B Bond to the Beneficial Owner. The Beneficial Owners of the Series 2024B Bonds that have a basis in the Series 2024B Bonds that is greater than the principal amount of the Series 2024B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and state personal income tax discussion set forth above with respect to the Series 2024B Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner’s particular situation. The ownership and disposition of the Series 2024B Bonds and the accrual or receipt of interest with respect to the Series 2024B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel with respect to the Series 2024 Bonds is attached hereto in APPENDIX D.

CERTAIN LEGAL MATTERS

The validity of the Series 2024 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. Stradling Yocca Carlson & Rauth LLP, is also acting as Disclosure Counsel for the City. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2024 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2024 Bonds. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California and for the Insurer by its counsel. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2024 Bonds.

ABSENCE OF LITIGATION

The City is involved in a variety of litigation from time to time in the normal course of its operations. However, to the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2024 Bonds, the Lease Agreement, the Ground Lease or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing.

See the caption “INFORMATION REGARDING THE CITY OF LANCASTER—Employees and Employee Relations” in Appendix A for a description of certain ongoing litigation between the City and the County of Los Angeles regarding the City’s contract with the County of Los Angeles Sheriff’s Department to provide police services within the City.

UNDERWRITING

The Series 2024 Bonds are being purchased by Piper Sandler & Co. (the “Underwriter”). The Underwriter will purchase the Series 2024A Bonds from the Authority at an aggregate purchase price of \$ _____ (representing the principal amount of the Series 2024A Bonds, [plus/less] a [net] original issue [premium/discount] of \$ _____ and less an Underwriter’s discount of \$ _____) and will purchase the Series 2024B Bonds from the Authority at an aggregate purchase price of \$ _____ (representing the principal amount of the Series 2024B Bonds, less an Underwriter’s discount of \$ _____).

The purchase agreement relating to the Series 2024 Bonds provides that the Underwriter will purchase all of the Series 2024 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial offering prices that are stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2024 Bonds to certain dealers (including dealers depositing Series 2024 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriter has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) has assigned a rating of “AA” to the Series 2024 Bonds based upon the delivery of the Insurance Policies by the Insurer at the time of issuance of the Series 2024 Bonds. S&P has assigned a credit rating of “A+” with a stable outlook to the Series 2024 Bonds without regard to the delivery of the Insurance Policies. Such ratings reflect only the views of S&P and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Series 2024 Bonds. None of the Authority, the City, or the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Series 2024 Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

MUNICIPAL ADVISOR

NHA Advisors, LLC, San Rafael, California (the “Municipal Advisor”), served as municipal advisor to the Authority and the City with respect to the sale of the Series 2024 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2024 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2024 Bonds to provide annually certain financial information and operating data relating to the Series 2024 Bonds and the City (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City’s undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E—“FORM OF CONTINUING DISCLOSURE AGREEMENT.” The Annual Report is to be provided by the City not later than March 31 after the end of the City’s fiscal year, commencing with the report for fiscal year 2023-24. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

Within the past five years, the City and its related entities failed to comply with their prior continuing disclosure undertakings as follows: (i) the annual report filed on March 31, 2021 with respect to a series of lease revenue bonds issued by the Authority omitted certain operating data; when the error was discovered the missing information was filed on May 5, 2021; (ii) a rating change from “A” to “A+” with respect to certain tax allocation bonds of the former Lancaster Redevelopment Agency occurred on June 22, 2021, but the Successor Agency to the Lancaster Redevelopment Agency filed a notice of this rating change on September 16, 2021; and (iii) on December 27, 2021, the City incurred a financial obligation (as defined in Rule 15c2-12); however, the notice of such incurrence was not filed with the Municipal Securities Rulemaking Board until June 2024.

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix C are the audited financial statements of the City for the year ended June 30, 2023, together with the report thereon dated April 9, 2024 of CliftonLarsonAllen LLP, Irvine, California, certified public accountants (the “Auditor”). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The City’s financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement. The Auditor has not undertaken to update the audited financial statements of the City or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated April 9, 2024.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk at the City of Lancaster, 44933 Fern Avenue, Lancaster, California 93534.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2024 Bonds.

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

LANCASTER FINANCING AUTHORITY

By: _____
Executive Director

CITY OF LANCASTER

By: _____
City Manager

APPENDIX A
THE CITY OF LANCASTER

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APPENDIX A

INFORMATION REGARDING THE CITY OF LANCASTER

General

The City is located in the County of Los Angeles (the “County”) approximately 60 miles northeast of the City of Los Angeles in the southwest portion of the Antelope Valley between the City of Palmdale and Edwards Air Force Base. The City was incorporated on November 22, 1977 as a general law city. On April 13, 2010, the qualified electors within the City voted to convert the City to a charter city. The City maintains a council- manager form of government. The mayor and city council are elected at large for staggered four-year terms.

The City is at an elevation of 2,356 feet and experiences a dry climate. The average annual rainfall is 7.36 inches per year and the average temperature is 62 degrees.

The City provides a broad range of services, including highway, street, drainage, sewer, and infrastructure construction and maintenance; planning and zoning; and parks, recreation and cultural activities. Sheriff’s and animal control services are provided under contract with the County, whereas fire protection, water, sanitation, school, and library are funded by special districts not under City control.

City Council

The City operates under a council-manager form of government. The Mayor and members of the City Council are elected at-large for staggered, four-year terms. As the City's legislative and policy entity, the Mayor and four members of the City Council are responsible to the residents of the City for all municipal programs and services as well as any legislative matters concerning the City. The City Council approves and adopts ordinances, resolutions and contracts, and enacts regulations and policies. The members of the City Council and the expiration dates of their respective terms are as follows:

**CITY OF LANCASTER
City Council**

<i>Name</i>	<i>Term Expires</i>
R. Rex Parris, Mayor	April 2028
Marvin Crist, Vice Mayor	April 2026
Ken Mann, Council Member	April 2028
Raj Malhi, Council Member	April 2026
Lauren Hughes-Leslie, Council Member	April 2028

The City Council appoints the City Manager, who heads the executive branch of the government, implements City Council directives and policies and manages the administrative and operational functions through the various departmental heads. The City Council also appoints the City Attorney, as well as members of various commissions and citizen advisory committees that provide broad perspective in the decision-making process.

City Management

A summary of certain City executive staff are described below.

City Manager. Jason Caudle is the City Manager of the City and the Executive Director of the Authority. Mr. Caudle has over 25 years of local government experience, previously serving for five years as a field representative for a Kern County Supervisor and serving ten years as the City Manager of the City of Tehachapi. Prior to joining the City, Mr. Caudle served as a Vice President of Public Sector Finance for Kinsell,

Newcomb, and De Dios, a broker-dealer specializing in municipal bonds. Mr. Caudle holds a bachelor's degree in Political Science and a master's degree in Public Policy and Administration from the California State University at Bakersfield and was a Licensed General Securities Representative. Mr. Caudle has announced his resignation as City Manager and intended transition to the role of Chief Executive Officer of Lancaster Energy effective July 1, 2024. The City Council is expected to consider this matter on June 25, 2024.

Assistant City Manager. Trolis Niebla is the Assistant City Manager of the City. Mr. Niebla is a professional civil engineer with more than 20 years of experience in civil engineering related to land development, grading, drainage, hydrology, geotechnical, street design, traffic engineering, project and construction management, and building and safety review. Mr. Niebla has a bachelor's degree in civil engineering and a master's degree in geotechnical engineering from the University of California, Los Angeles. Mr. Niebla started his career working for Leroy Crandall and Associates in 2000 and then moved into the public sector in 2001. Since that time, Mr. Niebla has worked for the Los Angeles County Department of Public Works, the City of Santa Clarita, and the City, previously serving as the City Engineer for the City.

Finance Director. George Harris is the Finance Director of the City and the Treasurer of the Authority. Mr. Harris has served as Finance Director for four local government agencies since 2008, including the City and the cities of Adelanto, Rialto and Victorville. Mr. Harris also previously served for five years as a Finance Analyst at the City of Rialto and with Willdan Financial Services (formally known as Munifinancial). Mr. Harris previously held a Series 7 and 65 securities licenses during his term as a financial advisor with Ameriprise Financial Advisors (formally known as American Express Financial Advisors). Mr. Harris also serves as the Treasurer for the California Class local government investment pool as a statewide appointed member of the California Class Board of Trustees. Mr. Harris holds a bachelor's degree in business administration from the University of California, Riverside and a master's degree in public administration from California Baptist University.

Employee and Employee Relations

General. As of June 30, 2023, the City had approximately 298.00 full-time equivalent employees. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes is memorialized in memoranda of understanding reached between the City and the City employee associations. The City currently recognizes one employee organization, the California Teamsters, Public, Professional and Medical Employees Union Local 911. The majority (approximately two-thirds) of City employees are unrepresented in a variety of regular full-time and temporary part-time classifications. In particular, the City employs approximately 382 part-time employees, the majority of which are in the City's Parks and Recreation Department. The City has not experienced a major work stoppage by City Employees in the last ten years.

The table below lists the City's employee associations and the approximate membership as of June 30, 2023, as well as the City's unrepresented employees:

<i>Unit/Affiliation</i>	<i>Contract Expiration Date</i>	<i>Number of Members</i>
Teamsters Local 911	June 30, 2026	61
Unrepresented Employees	N/A	237
Part-time/Temporary	N/A	<u>382</u>
Total		680

Source: City of Lancaster.

Police Services Within the City. The City contracts with the Los Angeles County Sheriff's Department ("LASD") to provide police services. The contract with LASD is composed of personnel costs, pension expenses and a liability insurance component, and the City's LASD contract costs has increased less than three percent

per year on average since fiscal year 2013-14. Separate from the LASD contract, the City has developed a hybrid policing model to utilize sworn and non-sworn City staff to handle lower priority calls and provide support for LASD.

On April 3, 2024 the City filed suit against the County regarding the LASD contract. The suit is pending in Los Angeles Superior Court, Case No. 24STCV08440. The suit is brought as a putative class action on behalf of the City and all cities that contract with the County for law enforcement services (the “Contract Cities”). The City alleges the County has been overcharging Contract Cities for law enforcement services, in breach of contract and in violation of California Government Code section 51350. The suit seeks those alleged overcharges as damages. Per Court order the lawsuit is stayed pending a July 26, 2024 initial status conference. No trial date has been set.

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City handles those risks with the purchase of commercial insurance. The City maintains liability insurance coverage up to a limit of \$10,000,000 with \$250,000 self-insurance retention for its general liabilities. Workers’ compensation insurance is provided by Public Risk Innovation, Solutions, and Management, with statutory limit coverage. The City also maintains property coverage including earthquake and flood.

At June 30, 2023, \$2,550,000 had been accrued for general liability claims. This amount represents an estimate of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2023, is dependent on future developments, the City’s claims administrators, and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

For workers’ compensation insurance, the City has transferred all risk of loss with the purchase of commercial insurance policies and has not reported any estimated loss in the financial statements.

There were no significant reductions in insurance coverage from the previous year. In addition, insurance coverage exceeded the amount of settlements for each of the past three fiscal years. For additional information with respect to the City’s risk management program as the changes in claims liability for fiscal year 2021-22 and 2022-23, see Note 12 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (“GAAP”) and the standards established by the Governmental Accounting Standards Board (“GASB”).

All governmental funds are accounted for using the modified accrual basis of accounting. The City’s revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt, which is recognized when due. Some debts and obligations may be payable from self-supporting enterprises or revenue sources other than property taxation. Special assessment bonds are not included in the tabulation; lease revenue obligations payable from the General Fund or equivalent sources are included.

All proprietary funds are accounted for using the accrual basis for accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Receivables are recorded and determined at the time of consumption, and unbilled receivables are not recorded.

The General Fund is the general operating fund of the City and is used to account for resources and expenditures traditionally associated with general government, such as administration, public safety, library, parks, maintenance and recreation. The City expects to pay Base Rental Payments from amounts in the General Fund. Tables 1 through 4 below set forth certain historical and current fiscal year budget information for the General Fund. Information on the other governmental funds of the City as of June 30, 2023 is set forth in Appendix C.

City Blended Component Units and Discrete Component Units

General. Under GASB guidelines, component units of a primary government (i.e. the City) generally include those that are legally separate entities but raise and hold economic resources for the direct benefit of the primary government. Blended component units, although separate legal entities are, in substance, part of the government's operations. Their funds are treated similarly to funds of the primary government (other than the General Fund). Discrete component units do not meet the definition of a blended component unit as they do not share the same governing body and do not only provide services to the primary government unit.

The City's Component units include the Authority, the Lancaster Housing Authority, the Lancaster Community Services Foundation and the Lancaster Power Authority, are described below.

Lancaster Financing Authority. The Authority was formed for the purpose of providing, through the issuance of debt, financing necessary for various capital improvements. The City Council serves as the Board of Authority. Separate financial statements are not available for the Authority. See the caption "THE AUTHORITY" in the Official Statement.

Lancaster Housing Authority. The Lancaster Housing Authority was formed for the purpose of providing affordable, decent housing for lower income residents of the City. The Housing Authority assumed responsibilities for the prior low/moderate Housing Fund. Separate financial statements are not available for the Lancaster Housing Authority.

Lancaster Community Services Foundation. The Lancaster Community Services Foundation (was formed to provide certain community services to the residents of the City. Separate financial statements are not available for the Lancaster Community Services Foundation.

Lancaster Power Authority. The Lancaster Power Authority was formed to own and operate a municipal gas and electric utility, for the benefit of the residents of the City and customers, businesses, and property owners in the City. Separate financial statements are not available for the Lancaster Power Authority.

Financial Policies

General. The City has adopted a comprehensive set of financial policies to serve as a guideline for financial matters as further described below.

Reserve Policy. The City has adopted a reserve policy (the "Reserve Policy") which provides guidance on the establishment and maintenance and reserve levels for operating funds, including the General Fund. With respect to the General Fund, the City's Reserve Policy provides for the following reserve levels.

Working Capital Reserve. The Reserve Policy provides that the City will maintain a minimum fund balance of at least 10% of annual revenues in the Working Capital Fund Reserve. The Working Capital Reserve is intended to ensure sufficient resources to pay budgeted operating expenses, recognizing the timing differences between payment of expenditures and receipt of revenues. The Working Capital Fund Reserve will provide cash flow for the times of the year where cumulative expenditures exceed cumulative revenues.

Emergency Operational Reserves. The Reserve Policy provides the City will maintain a minimum fund balance of at least 15% of annual operating revenues in any given year. Funds in the Emergency Operation

Reserves may be used to fund normal operations related to unforeseen catastrophic events or economic downturns that result in a loss of revenues or a significant increase in expenditures.

Emergency Response Reserves. The Reserve Policy provides the City will maintain a minimum fund balance of at least 5% of annual operating revenues in any given year for emergency response needs that may arise. This amount may be replenished either from surplus revenues that are surplus year-end end or from reimbursement from either Federal, State, or private sources.

Business Opportunity/Pension Resiliency Reserves. The Reserve Policy provides the City will maintain a minimum fund balance of at least 10% of annual operating revenues in any given year to respond to new enterprise opportunities that may arise from time to time. This amount may be replenished either from surplus revenues that are surplus at year end or gains from enterprise opportunities. Additionally, this reserve can be used to fund any significant increases in pension costs caused by poor investment performance of the CalPERS investment pool.

The City met its Reserve Policy targets described above in fiscal year 2022-23. The City currently expects to meet such targets at the end of fiscal year 2023-24, with projected General Fund reserves at approximately \$43.5 million or approximately 40% of General Fund operating revenues included in the adopted budget for fiscal year 2024-25.

Debt Management Policy. The City has adopted a debt management policy (the “Debt Management Policy”) in compliance with California Government Code Section 8855. The Debt Management Policy sets forth the purposes for which long-term debt financings may be undertaken (i.e. for projects that will provide benefit to constituents over multiple years). The Debt Management Policy provides that short-term financings may be undertaken for operational cash flow purposes and for short-lived capital projects (i.e. equipment leases). The City’s Debt Management Policy is implemented in conjunction with annual budgeting and the City’s capital improvement program.

Investment Policy. Funds held by the City are invested in accordance with the City’s Statement of Investment Policy (the “Investment Policy”) prepared by the Treasurer as authorized by Section 53601 of the Government Code of California.

The City believes that its funds are prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the City’s expenditures and other scheduled withdrawals.

The City’s statement of Investment Policy rendered to the City Council by the City Treasurer pursuant to Section 53646 of the California Government Code states that the basic premise underlying the City’s investment philosophy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Hence, safety of principal is the foremost objective of the City, followed by liquidity and yield. Under provisions of the Investment Policy, the City may invest in time deposits, bankers acceptances, money market funds, U.S. Treasury Bills and notes, governmental agency securities, repurchase agreements, reverse repurchase agreements, commercial paper, medium term notes of corporations operating within the United States rated “A” or better by S&P Global Ratings or by Moody’s Investors Services, and State Local Agency Investment Fund (“LAIF”), which is under the oversight of the State Treasurer.

The City Treasurer is required to provide a monthly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council. As of April 30, 2024, the City had an investment portfolio with a market value of approximately \$123.7 million. As of such date, the City had invested approximately 9.51% of its investment portfolio in LAIF, 48.38% in California CLASS, 14.83% in United States Treasury Securities, 7.89% in United States Government Sponsored Agency Securities, 5.29% in Medium-Term Corporate Notes, 2.18% in Municipal Bonds, 0.12% in Certificates of Deposits, and 11.79% of its investment portfolio in cash and money markets. For additional information with respect to the City’s cash and investments,

see Note 3 to the audited financial statements for fiscal year 2022-23 attached to the Official Statement as Appendix C.

Budget Procedure

December - January: The City's operating budget preparation begins with determination of the base budget for the upcoming year. The base budget establishes the current year adopted budget service levels with updated costs, removes one-time revenue and expenses (including grants), and adds ongoing expenditures as approved by the City Council. The capital budget preparation process begins with a department staff meeting to review and discuss potential modifications to the five-year capital plan.

In January, the Finance Department distributes the Budget Guide to departments. The Budget Guide includes budget preparation calendar, budget priorities, instructions, and sample worksheets to be used in budget development. The Finance Department prepares budget worksheets that include base budget amounts and year to date actuals for current year. Various City departments use these worksheets to submit small dollar budget requests and for submitting the current year-end estimates.

February - March: The City departments develop year-end estimates for the current fiscal year and prepare their revenue and expenditure projections for the coming fiscal year.

Early in March, capital improvement project proposals are submitted to the Finance Department, and a meeting is held to review each requested project in detail. A few weeks later, a second meeting is held to determine the highest priority projects.

The selected projects are then incorporated into the budget model, and fund balances are projected for the capital project funds. Since capital projects tend to span more than one fiscal year, the practice is to appropriate the total amount needed to fund the project (or one "self-contained" phase of the project). This ensures there is sufficient funding to complete the project the following year. Any unexpended funds at the end of the current fiscal year automatically roll over to the next fiscal year.

April: The City's budget team and various City departments meet to review and discuss their budget submittals. The budget meetings are interactive and informative in making critical policy and funding decisions, as well as strategic and economic decisions for long-term planning.

Subsequent meetings are held to review capital outlay, capital replacement and information technology needs. The purpose of the meetings is to ensure consistency and accuracy for equipment needs, and to develop funding strategies to meet these needs.

By the end of April, rewrites of the department budgets take place as the program expenditures are brought into alignment with the available resources. During periods of abundant resources, additional improvements may be made, or additional reserves created; during periods of economic downturns, this can be a very hard, frustrating time as budget requests may be reduced substantially, depending on how they align with the overall goals, mission, and vision of the City.

May: Budget briefings are held with the City Council. Special meetings are scheduled individually with each Council member to ask questions and/ or make modifications to the budget. Based on the questions and concerns of the City Council, these meetings may be as few as one or as many as necessary.

June: The City Manager and budget team formally present the budget to the City Council at the first Council meeting in June. This is a noticed, formal hearing for the budget that allows for input from the citizens regarding the budget. Modifications may be made to the budget at this time. At the second City Council meeting in June, the City Council formally adopts the budget with a roll call vote by resolution. The budget then becomes effective at the beginning of the fiscal year, which begins July 1. It is the City's policy to adopt the annual budget prior to the beginning of each fiscal year.

The budget is a flexible document that, once adopted, may be modified to adapt to necessary changes for efficient City operations. The City Manager has the authority to modify line items within each fund as long as the total appropriation for that fund remains the same. An increase to the total budget appropriation requires City Council approval.

Budget Information

Fiscal Year 2023-24 Budget. The fiscal year 2023-24 was approved on June 27, 2023 (the “Adopted Budget”). In the Adopted Budget, the General Fund revenue projection for fiscal year 2022-23 was approximately \$109.6 million, which was approximately 0.2% less than the fiscal year 2022-23 adjusted budget. In the Adopted Budget, General Fund operating expenditures were approximately \$118.5 million, which was approximately 9.5% less than the fiscal year 2022-23 final budget.

Fiscal Year 2023-24 Budget Updates. On March 26, 2024, the City Council adopted the Mid-Year Budget Amendment. After a review of the first seven months of revenue and expenditure activity staff suggested an increase in budgeted operating expenditures of \$1.5 million, which was offset by a savings in expected personnel costs in a similar amount. As a result, there was no notable change for the General Fund as part of the Mid-Year Budget Amendment. There was a total \$5.07 million in budget adjustments affecting other special revenue and enterprise funds. Additionally, a total \$349,730 adjustment was made to revenues.

Preliminary Fiscal Year 2024-25 Budget. The City is in the process of preparing its budget for fiscal year 2024-25. The City currently estimates that revenues for the fiscal year 2024-25 General Fund budget (the “2024-25 Preliminary Budget”) will be approximately \$115.7 million, excluding transfers in. The 2024-25 Preliminary Budget reflects moderate increases in property tax and sales tax revenues. The 2024-25 Preliminary Budget includes approximately \$115.6 million in General Fund expenditures, which is generally in line with the 2023-24 budget, as updated in the Mid-Year Budget Amendment.

The City expects to present the 2024-25 Preliminary Budget to the City Council Study Session on June 11, 2024 and to the City Council for adoption on June 25, 2024. The 2024-25 Preliminary Budget described herein is subject to revision prior to adoption. The Budget will be available after City Council approval on June 25, 2025. The budget document will also include prior year actuals for Fiscal-Year 2022-23 and estimated actual results for current fiscal year 2023-24.

Each year, any unspent capital expenditures or contractually obligated budgeted funds in one year are rolled forward to be spent in the subsequent year. For the fiscal year 2024-25 budget, these adjustments are expected to be made in the September or October 2024 as the City will close out the previous year after receiving final accrued invoicing through June 30, 2024. It is expected at this time, that fiscal year 2023-24 will be closed under budget as there are salary savings in a number of departments, namely in the Public Safety department. As shown in Table 2 below, adjustments to the fiscal year 2023-24 budget based on capital projects which were budgeted in fiscal year 2022-23 and not completed by June 30, 2023 resulted in an increase of approximately \$39.5 million in amounts available for appropriation in fiscal Year 2023-24 and an \$44.9 million in total expenditures. Such unspent capital expenditures are largely attributable to the increase in expenditures over fiscal years 2021-22 and 2022-23 due to the City’s receipt of approximately \$36.3 million in funds under the American Rescue Plan Act in fiscal years 2020-21 and 2021-22.

Historical and Preliminary Budget Information. Set forth in Table 1 below are the final General Fund budgets for fiscal years 2021-22 and 2022-23, and the actual results for fiscal years 2021-22 and 2022-23 (shown on a budgetary basis). Set forth in Table 2 are the Adopted Budget for fiscal year 2023-24, the Revised Budget for fiscal year 2023-24 and the 2024-25 Preliminary Budget. The General Fund budgets and actuals shown in Tables 1 and 2 below do not reflect the application of GAAP and therefore differ in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 3 below.

**TABLE 1
CITY OF LANCASTER
BUDGETARY COMPARISON STATEMENT
GENERAL FUND**

	<i>Fiscal Year 2021-22</i>			<i>Fiscal Year 2022-23</i>		
	<i>Final Budget</i>	<i>Actual</i>	<i>Variance</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance</i>
BUDGETARY FUND BALANCE— BEGINNING OF YEAR	\$ 86,205,564	\$ 86,205,564	--	\$124,911,511	\$ 124,911,511	--
RESOURCES (INFLOWS)						
Taxes	\$ 58,270,984	\$ 63,086,138	\$ 4,815,154	\$ 60,793,486	\$ 92,519,614	\$ 1,726,128
Licenses and Permits	6,434,370	7,472,997	1,038,627	7,761,419	7,876,861	115,442
Intergovernmental	47,257,720	55,404,803	8,147,083	29,762,709	29,158,404	(604,305)
Charges for Services	3,089,008	2,434,116	(654,892)	2,767,312	3,534,972	767,660
Investment Earnings	1,136,337	(1,625,182)	(2,761,519)	918,091	3,059,418	2,141,327
Fines and Forfeitures	646,623	758,010	111,387	623,403	643,406	20,003
Rental Income	525,000	25,613	(499,387)	150,000	--	(150,000)
Miscellaneous	9,445,557	9,466,070	20,513	4,861,192	5,610,062	748,870
Sale of Capital Assets	267,942	576,405	308,463	--	256,272	256,272
Lease Proceeds	--	62,519	62,519	--	888,875	888,875
Transfers In	<u>7,222,470</u>	<u>9,440,627</u>	<u>2,218,157</u>	<u>12,681,499</u>	<u>11,746,051</u>	<u>(935,448)</u>
Amounts Available for Appropriations	\$134,296,011	\$ 147,102,116	\$ 12,806,105	\$120,319,111	\$ 155,293,935	\$ 4,974,824
CHARGES TO APPROPRIATIONS (OUTFLOWS)						
General Government	\$ 37,081,078	\$ 32,756,057	\$ 4,325,021	\$ 37,533,630	\$ 35,243,477	\$ 2,290,153
Public Safety	36,916,992	35,083,490	1,833,502	41,127,070	38,974,589	2,152,481
Park, Recreation, and Arts	23,662,986	20,747,670	2,915,316	26,614,202	22,550,970	4,063,232
Development Services	24,895,879	19,731,144	5,164,735	20,413,221	16,965,701	3,447,520
Capital Outlay	38,772	1,764,793	(1,726,021)	38,772	9,258,605	(9,219,833)
Debt Service						
Principal Retirement	568,876	504,964	63,912	--	2,579,351	(2,579,351)
Interest and Fiscal Charges	64,606	49,280	15,326	--	231,434	(231,434)
Transfers Out	<u>8,806,106</u>	<u>758,771</u>	<u>8,047,335</u>	<u>14,582,688</u>	<u>5,164,867</u>	<u>9,417,821</u>
Total Charges to Appropriations	\$132,035,295	\$ 111,396,169	\$ 20,639,126	\$140,309,583	\$ 130,968,994	\$ 9,340,589
BUDGETARY FUND BALANCE – END OF YEAR	\$ 88,466,280	\$ 121,911,511	\$ 33,445,231	\$104,921,039	\$ 119,236,452	\$14,315,413

Source: City of Lancaster Annual Comprehensive Financial Reports for fiscal years 2021-22 and 2022-23.

**TABLE 2
CITY OF LANCASTER
BUDGETARY COMPARISON STATEMENT
GENERAL FUND BUDGETS
FISCAL YEARS 2023-24 AND 2024-25**

	<i>2023-24 Adopted Budget</i>	<i>2023-24 Final Budget⁽¹⁾</i>	<i>2024-25 Preliminary Budget</i>
BUDGETARY FUND BALANCE, JULY 1	\$ 79,644,614	\$ 118,253,855	\$ 72,574,079
RESOURCES (INFLOWS)			
Taxes	\$ 80,197,899	\$ 80,475,899	\$ 83,368,839
Licenses and Permits	4,338,100	4,338,100	5,456,700
Charges for Services	4,606,885	4,759,491	3,846,165
Fines and Forfeitures	1,174,403	1,743,114	1,434,000
Franchise Fees	9,273,079	9,273,079	9,273,000
Other Revenues and Internal Service Funds	927,772	927,772	1,212,772
Reimbursements from other Funds	7,398,849	7,398,849	7,854,618
Use of Money and Property	<u>1,950,859</u>	<u>1,950,859</u>	<u>3,571,837</u>
Total Revenues	\$ 110,026,697	\$ 110,867,163	\$ 116,017,931
Transfers in	<u>993,851</u>	<u>1,084,324</u>	<u>1,211,989</u>
Amounts Available for Appropriations	\$ 190,665,162	\$ 230,205,342	\$ 189,803,999
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Personnel Services	\$ 35,824,288	\$ 38,923,788	\$ 42,235,494
Operating Expenditures	36,658,419	43,703,537	36,024,918
Sheriff Contract	32,200,496	32,441,022	33,812,284
Debt Service and Capital Outlay	8,005,696	38,444,790	\$3,574,574
Transfers Out	<u>--</u>	<u>4,118,126</u>	<u>999,444</u>
Total	\$ 112,688,899	\$ 157,631,263	\$ 116,646,714
Net Available Resources	\$ 77,976,263	\$ 72,574,079	\$ 73,157,285

⁽¹⁾ Increases between Adopted Budget and Final Budget for fiscal year 2023-24 due to unspent capital expenditures or contractually obligated budgeted funds from fiscal year 2022-23 being rolled forward to be spent in fiscal year 2023-24 following adopted of the Adopted Budget for fiscal year 2023-24. Such unspent capital expenditures are largely attributable to the increase in expenditures over fiscal years 2021-22 and 2022-23 due to the City's receipt of approximately \$36.3 million in funds under the American Rescue Plan Act in fiscal years 2020-21 and 2021-22. See the caption "—Preliminary Fiscal Year 2024-25 Budget" above.

Source: City of Lancaster.

Capital Improvement Program

The City adopts an annual capital improvement program ("CIP") that covers the current and next succeeding four fiscal years and serves as the City's short and long-term plan for capital projects. Development of the CIP involves the Public Works department, input from other department heads and the City Manager in connection with the development of the City's annual budget. The City's adopted fiscal year 2023-24 Budget includes approximately \$28.9 million in new capital projects, approximately \$7.4 million of which is expected to be funded from the City's General Fund. The projects include upgrades and/or new construction of general City facilities, park improvements, storm drain improvements, sanitary sewer projects and street and traffic projects.

The amounts described above do not include the costs of the MARRC Project or the Stadium Project to be funded with a portion of the proceeds of the Series 2024 Bonds. See "THE PROJECTS" in the forepart of this Official Statement for a description of the foregoing projects to be funded with proceeds of the Series 2024 Bonds.

Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for fiscal years 2018-19 through 2022-23.

TABLE 3
CITY OF LANCASTER GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

	2018-19	2019-20	2020-21	2021-22	2022-23
REVENUES					
Taxes ⁽¹⁾	\$ 41,044,283	\$ 35,373,412	\$ 42,460,689	\$ 63,086,138	\$ 62,519,614
Licenses and Permits	5,042,944	4,640,853	7,332,396	7,472,997	7,876,861
Intergovernmental ⁽²⁾	24,989,348	23,223,083	40,330,617	55,404,803	29,158,404
Charges for Services	4,257,414	2,451,513	794,723	2,434,116	3,534,972
Investment Earnings	1,956,653	1,932,646	389,212	(1,625,182)	3,059,418
Fines and Forfeitures	1,016,675	805,740	535,740	758,010	643,406
Rental Income	156,958	128,893	--	25,613	--
Miscellaneous ⁽³⁾	4,061,738	4,513,108	6,934,303	9,466,070	5,610,062
Total Revenues	\$ 82,526,013	\$ 73,069,248	\$ 98,777,680	\$ 137,022,565	\$ 112,402,737
EXPENDITURES					
Current					
General Government	\$ 28,339,704	\$ 25,391,804	\$ 28,827,512	\$ 32,756,057	\$ 35,243,477
Public Safety ⁽⁴⁾	30,290,409	31,325,203	32,319,382	35,083,490	38,974,589
Community Development	1,454,161	231	--	--	--
Parks, Recreation, and Arts ⁽⁵⁾	15,101,506	14,447,241	12,801,400	20,747,670	22,550,970
Development Services ⁽⁶⁾	7,246,112	7,484,481	7,795,380	19,731,144	16,965,701
Capital Outlay	232,545	383,192	273,583	1,764,793	9,258,605
Debt Service					
Principal Retirement	581,675	585,116	568,876	504,964	2,579,351
Interest and Fiscal Charges	84,125	80,685	64,606	49,280	231,434
Total Expenditures	\$ 83,330,237	\$ 79,697,953	\$ 82,650,739	\$ 110,637,398	\$ 125,804,127
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (804,224)	\$ (6,628,705)	\$ 16,126,941	\$ 26,385,167	\$ (13,401,390)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	\$ 202,197	\$ 353,574	\$ 40,457	\$ 576,405	\$ 256,272
Lease Proceeds	232,545	--	--	62,519	888,875
Transfers in ⁽⁷⁾	8,210,825	9,087,949	8,681,059	9,440,627	11,746,051
Transfers out ⁽⁸⁾	(1,116,085)	(438,468)	(1,142,756)	(758,771)	(5,164,867)
Total Other Financing Sources (Uses)	\$ 7,529,482	\$ 9,003,055	\$ 7,578,760	\$ 9,320,780	\$ 7,726,331
NET CHANGE IN FUND BALANCES	\$ 6,725,482	\$ 2,374,350	\$ 23,705,701	\$ 35,705,947	\$ (5,675,059)
Fund Balance (Deficit) – Beginning of Year, As Restated ⁽⁹⁾	\$ 56,182,359	\$ 62,907,617	\$ 62,499,863	\$ 86,205,564	\$ 124,911,511
FUND BALANCES (DEFICIT) –END OF YEAR	\$ 62,907,617	\$ 65,281,967	\$ 86,205,564	\$ 121,911,511	\$ 119,236,452

(1) Includes receipts from property taxes, Measure LC sales tax, franchise taxes, transient occupancy taxes and other miscellaneous taxes. Fiscal year 2021-22 was the first full year the City collected the Measure LC sales tax, which was approved by the voters in November 2020 and authorized an additional 0.75% sales tax within the City. See the caption “—General Fund Tax Revenues.”

(2) Includes the City's share of the sales and use tax distributed by the State. See the caption “—General Fund Tax Revenues.” Increases in fiscal years 2020-21 and 2021-22 due to the receipt of \$18,170,280.50 and \$18,170,280.50, respectively, in funding under the American Rescue Plan Act.

(3) Includes election fees, city property sales, interest income, funds from Internal Service Funds and insurance reimbursements. Increase in fiscal year 2021-22 due to the addition of Internal Service Funds which consist of allocated costs from other City funds which are reimbursed to the General Fund.

(4) Consists of costs of Sheriff's and animal control services are provided under contract with the County.

(5) Increases in fiscal years 2021-22 and 2022-23 due to increased programs and community services being budgeted, which costs were generally funded from the proceeds of the Measure LC sales tax.

(6) Increases in fiscal years 2021-22 and 2022-23 due to increased services and programs being budgeted, which costs were generally funded from the proceeds of the Measure LC sales tax.

(7) Transfers in represents transfers from other Governmental Funds, Special Revenue Funds and Enterprise Funds for administrative and retiree health benefit costs incurred.

(8) Transfers out represents costs to cover Development Services-Engineering Fund and Recycled Water Fund operating costs and to cover ineligible grant expenditures.

(9) Beginning fund balance in fiscal year 2020-21 restated due to the implementation of GASB Statement No. 84, Fiduciary Activities. Beginning fund balance in fiscal year 2022-23 restated due to the reclassification of a land acquisition in the General Fund rather than for the Lancaster Housing Authority.

Source: City of Lancaster Annual Comprehensive Financial Reports for fiscal years 2018-19 through 2022-23.

Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for fiscal years 2018-19 through 2022-23.

TABLE 4
CITY OF LANCASTER
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON

	2018-19	2019-20	2020-21	2021-22	2022-23
ASSETS					
Pooled Cash and Investments	\$ 13,501,351	\$ 22,314,237	\$ 11,647,352	\$ 28,526,918	\$ 61,567,028
Receivables:					
Accounts	4,224,971	3,916,687	2,619,540	2,247,598	4,933,467
Taxes	4,138,262	4,954,959	9,680,642	9,438,627	10,401,996
Accrued Interest	334,226	85,752	190,418	234,140	530,373
Leases	--	--	--	974,371	700,774
Due from Other Governments	2,614,743	313,398	10,688,520	10,717	314,409
Notes and Loans, Net	716,814	1,150,839	820,439	1,039,376	1,048,279
Prepaid Items	37,111	150,277	1,050	507,965	978,157
Due from Other Funds ⁽¹⁾	16,163,504	13,041,586	35,624,019	66,812,094	43,259,191
Inventories	193,718	32,313	26,416	58,392	21,915
Land Held for Resale	2,782,104	2,782,104	--	--	--
Advances to Successor Agency	<u>40,176,918</u>	<u>42,673,865</u>	<u>43,442,156</u>	<u>44,210,447</u>	<u>44,978,738</u>
Total Assets	\$ 84,883,722	\$ 91,416,017	\$ 114,740,552	\$ 154,060,645	\$ 168,734,327
LIABILITIES					
Accounts Payable ⁽²⁾	\$ 5,034,252	\$ 7,378,812	\$ 7,666,617	\$ 7,658,141	\$ 21,416,276
Accrued Liabilities	1,032,414	488,186	1,168,155	2,237,190	2,351,961
Unearned Revenues	67,483	82,260	71,601	95,006	77,909
Deposits Payable	<u>1,241,584</u>	<u>1,070,145</u>	<u>1,263,926</u>	<u>2,075,910</u>	<u>1,812,495</u>
Total Liabilities	\$ 7,375,733	\$ 9,019,403	\$ 10,170,301	\$ 12,066,247	\$ 25,658,641
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows – Leases ⁽³⁾	--	--	--	\$ 945,776	\$ 664,561
Unavailable Revenues	<u>\$ 14,600,372</u>	<u>\$ 17,114,647</u>	<u>\$ 18,364,687</u>	<u>19,137,111</u>	<u>23,174,673</u>
Total Deferred Inflows of Resources	\$ 14,600,372	\$ 17,114,647	\$ 18,364,687	\$ 20,082,887	\$ 23,839,234
FUND BALANCES					
Nonspendable ⁽⁴⁾	\$ 26,480,707	\$ 26,892,647	\$ 26,457,074	\$ 27,214,902	\$ 27,657,520
Committed ⁽⁵⁾	3,365,000	1,614,733	8,083,847	47,957,898	49,046,805
Assigned ⁽⁶⁾	23,159,000	9,055,493	14,132,994	14,132,994	9,418,787
Unassigned	<u>7,120,806</u>	<u>24,936,990</u>	<u>37,531,649</u>	<u>32,605,717</u>	<u>33,113,340</u>
Total Fund Balances (Deficit)	\$ 62,907,617	\$ 65,281,967	\$ 86,205,564	\$ 121,911,511	\$ 119,236,452
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 84,883,722	\$ 91,416,017	\$ 114,740,552	\$ 154,060,645	\$ 168,734,327

⁽¹⁾ Increases in fiscal years 2020-21 through 2022-23 due to \$30.4 million receivable from multiple funds for temporary cash balance deficit General Fund as a result of power purchases for which the General Fund is reimbursed.

⁽²⁾ Increase in fiscal year 2022-23 due to advance of \$12,455,458 to Waste Management for disposal fees associated with property taxes.

⁽³⁾ Effective July 1, 2021, the City implemented GASB Statement No. 87, Leases.

⁽⁴⁾ Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Also includes long-term portion of notes and loans receivable with no constraints on how the eventual proceeds can be spent.

⁽⁵⁾ Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action required to be taken to establish, modify, or rescind a fund balance commitment is a resolution. Consists of the City's Contingency Reserve, which was revised beginning in fiscal year 2021-22. See the caption "Financial Policies."

⁽⁶⁾ Assigned fund balance includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Consists of assigned balances for employee benefits, legal claims, capital projects, and various services.

Source: City of Lancaster Annual Comprehensive Financial Reports for fiscal years 2018-19 through 2022-23.

General Fund Tax Revenues

The City derives its General Fund tax revenues from a variety of sources including *ad valorem* property taxes, sales taxes, franchise taxes, transient occupancy tax and other miscellaneous taxes. The City’s total General Fund tax revenues for the past five fiscal years are set forth below.

**TABLE 5
CITY OF LANCASTER
GENERAL FUND TAX REVENUES BY SOURCE
(AMOUNTS IN THOUSANDS)**

<i>Revenue Category</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23⁽¹⁾</i>
Property Taxes ⁽²⁾	\$ 22,584	\$ 24,297	\$ 26,148	\$ 27,204	\$ 29,762
Sales Taxes ⁽³⁾	23,611	21,961	26,735	28,326	27,547
Measure LC ⁽⁴⁾	--	--	5,071	22,625	21,682
Franchise Taxes ⁽⁵⁾	7,638	7,663	7,732	9,262	7,451
Transient Occupancy Tax ⁽⁶⁾	2,211	1,965	2,013	2,709	2,676
Other Taxes ⁽⁷⁾	<u>1,924</u>	<u>2,080</u>	<u>2,345</u>	<u>2,242</u>	<u>1,989</u>
Total	\$ 57,917	\$ 57,975	\$ 70,044	\$ 92,367	\$ 91,109

(1) The City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C include approximately \$3.2 million in property taxes which represent a GASB Statement No. 34 adjustment for deferred, unavailable revenues. Amounts shown in Table 5 represent property tax receipts in fiscal year 2022-23.

(2) See “—Property Taxes” below.

(3) The general sales tax collected and distributed by the California Department of Tax and Fee Administration is categorized in the City’s audited financial statements, and in Tables 1 and 3 herein, as an intergovernmental revenue. See also the caption “—Sales Taxes.”

(4) The Measure LC sales tax is categorized in the City’s audited financial statements, and in Tables 1 and 3 herein, as a tax revenue. See also the caption “—Sales Taxes.”

(5) Decrease in franchise taxes due to a payment from Waste Management for fiscal year 2022-23 which was made after June 30, 2023.

(6) See the caption “—Other Revenues—*Transient Occupancy Tax*.”

(7) Other taxes consist of contract impact fees charged to Waste Management, property transfer tax, vehicle in-lieu fees, business license taxes, and other miscellaneous taxes.

Source: City of Lancaster.

The following table shows the source of General Fund property taxes for the past five fiscal years.

**TABLE 6
CITY OF LANCASTER
GENERAL FUND PROPERTY TAX REVENUES BY SOURCE
(AMOUNTS IN THOUSANDS)**

<i>Revenue Category⁽¹⁾</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23⁽²⁾</i>
<i>Ad Valorem⁽³⁾</i>	\$ 7,931	\$ 8,505	\$ 9,603	\$ 9,711	\$ 10,692
VLF In-Lieu Property Taxes	<u>14,652</u>	<u>15,792</u>	<u>16,545</u>	<u>17,492</u>	<u>19,070</u>
Total	\$ 22,584	\$ 24,297	\$ 26,148	\$ 27,204	\$ 29,762

(1) See the caption “—Property Taxes” for a description of each of the different sources of General Fund property tax revenues.

(2) The City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C include approximately \$3.2 million in property taxes which represent a GASB Statement No. 34 adjustment for deferred, unavailable revenues. Amounts shown in Table 6 represent property tax receipts in fiscal year 2022-23.

(3) Includes amounts representing previous redevelopment tax increment following the statutory dissolution (effective February 1, 2012) of all redevelopment agencies in the State, including the former Lancaster Redevelopment Agency. See the caption “—Property Taxes.”

Source: City of Lancaster.

Sales Taxes

A sales tax is imposed on retail sales or consumption of personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. Sales tax is collected and distributed by the California Department of Tax and Fee Administration. As of July 2, 1990, the City was authorized to receive an amount equal to one percent (1.00%) of taxable sales within its jurisdiction.

On November 3, 2020, voters in the City approved “Measure LC,” which established a ¾-cent sales tax (increasing the total sales tax rate in the City from 9.5% to 10.25%) within the incorporated territory of the City. Measure LC is intended to protect the City’s long-term financial stability, maintain essential city services, repair streets/potholes, address homelessness, maintain 911 emergency response, keep public areas safe/clean for all, retain local businesses, protect local water sources, maintain veterans, senior, mental health, community programs. Measure LC does not have a termination date; however, the measure may be terminated by lawful vote of the electorate or as required or authorized by law. The measure took effect on April 1, 2021. While the Measure LC sales tax revenues are available to the General Fund for general City projects and services, the City’s current practice for budgetary purposes is to separate such portion of the sales tax from the General Fund.

During fiscal year 2022-23, sales tax receipts of approximately \$49.2 million (which includes approximately \$21.7 million of revenues from the Measure LC Sales Tax) provided the largest General Fund revenue source for the City, contributing approximately 43.8% of total General Fund revenues. The City has budgeted for sales tax receipts of approximately \$47.7 million in fiscal year 2023-24, which includes approximately \$20.8 million of revenues from Measure LC Sales Tax.

The following table shows the General Fund sales tax revenues from the City’s share of the basic sales tax, Measure LC Sales Tax revenues and total sales tax revenues since the 0.75% increase went into effect on April 1, 2021.

TABLE 7
CITY OF LANCASTER
SALES TAX REVENUES

<i>Fiscal Year</i>	<i>General Sales Tax Revenues</i>	<i>Measure LC Sales Tax Revenues</i>	<i>Total Sales Tax Revenues</i>
2018-19	\$23,611,132	--	\$23,611,132
2019-20	21,961,474	--	21,961,474
2020-21	26,734,737	\$ 5,070,608	31,805,345
2021-22	28,325,781	22,625,166	50,950,947
2022-23	27,547,477	21,682,349	49,229,826

Source: City of Lancaster.

The table below provides the top twenty-five sales taxpayers (in alphabetical order) within the City as of June 30, 2023. The top 25 sales tax generators produced approximately 53.48% of total sales tax revenues for the twelve month period ending on June 30, 2023.

**TABLE 8
CITY OF LANCASTER
TOP 25 SALES TAX GENERATORS
(in alphabetical order)**

<i>Property Owner</i>	<i>Property Owner</i>
1. 7 Eleven	14. Hughes Water & Sewer
2. Antelope Valley Chevrolet	15. Lowes
3. Arco	16. Quinn CAT Company
4. Bobby Wayne’s RV	17. Ride Coach & Bus
5. Circle K	18. Ross
6. Conserv Fuel	19. Stater Bros
7. Consolidated Electrical	20. Subaru Antelope Valley
8. Costco	21. Sky Ready Mix
9. Diamond Ford	22. Target
10. G&M Oil	23. Toyota of Lancaster
11. Home Depot	24. United Rental
12. Honda Lancaster	25. Walmart Supercenter
13. Hunter Dodge Chrysler Jeep	

Source: City of Lancaster.

The table below summarizes the annual volume of taxable transactions within the City for the years 2019 through 2023.

**TABLE 9
CITY OF LANCASTER
TOTAL TAXABLE TRANSACTIONS
(Dollars in Thousands)**

<i>Year</i>	<i>Number of Outlets</i>	<i>Total Taxable Transactions Amount</i>
2019	3,761	\$1,950,531
2020	4,114	1,862,311
2021	3,982	2,241,539
2022	4,189	2,338,091
2023	3,929	2,195,411

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

Property Taxes

During fiscal year 2022-23, property tax receipts of approximately \$30.6 million provided the second largest tax revenue source of the City, contributing approximately 29.3% of total General Fund revenues. General Fund property tax revenues of approximately \$29.6 million are budgeted to be received during fiscal year 2023-24. The City also received a portion of Department of Motor Vehicles license fees (“VLF”) collected Statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if

the VLF had not been reduced, known as the “VLF backfill.” The State VLF backfill was phased out, and as of Fiscal Year 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues.

Under current State law, a portion of property tax revenues in each county are transferred to a county account known as the Educational Revenue Augmentation Fund (“ERAF”) to offset a portion of the State’s obligation to fund local K-14 school districts and community college districts. In certain counties, including the County, amounts in the ERAF in each fiscal year have historically exceeded the amount of the State’s obligation to fund such local educational agencies. Such excess amounts are commonly referred to as “excess ERAF.” Under current State law, a portion of the excess ERAF are returned to local agencies, such as the City.

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property are due November 1 and February 1 and become delinquent on the following December 10 and April 10, respectively. Taxes on unsecured property are due July 1, and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment 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, improvement or possessory interest belonging or taxable to the assessee.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1 1/2% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the ten percent penalty, plus interest at the rate of 1 1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 75 *et seq.* of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

The City also receives certain property tax amounts representing previous redevelopment tax increment following the statutory dissolution (effective February 1, 2012) of all redevelopment agencies in the State, including the former Lancaster Redevelopment Agency. Residual amounts of incremental redevelopment project area property taxes, after allocations for tax sharing and enforceable obligation of the former Lancaster Redevelopment Agency and the Successor Agency to the Lancaster Redevelopment Agency and administrative costs of the County and the Successor Agency are distributed to the City in proportion to the City’s share of

property tax revenues in the tax rate are for the applicable fiscal year. As enforceable obligations of the former Lancaster Redevelopment Agency and the Successor Agency are paid and retired, this residual amount distributed to the City is expected to increase over time.

The table below sets forth the secured and unsecured assessed valuations for property in the City for the fiscal years 2014-15 through 2023-24.

**TABLE 10
CITY OF LANCASTER
ASSESSED VALUATION
FISCAL YEARS 2014-15 THROUGH 2023-24**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2014-15	\$ 9,184,033,113	\$2,485,723	\$277,564,641	\$ 9,464,083,477
2015-16	9,821,154,854	2,485,723	284,805,531	10,108,446,108
2016-17	10,369,851,928	2,485,723	308,531,016	10,680,868,667
2017-18	10,879,417,629	2,115,850	281,909,209	11,163,442,688
2018-19	11,518,606,212	1,440,455	279,144,753	11,799,191,420
2019-20	12,356,881,324	1,440,659	358,418,903	12,716,740,886
2020-21	12,914,281,003	1,438,981	407,473,164	13,323,193,148
2021-22	13,708,230,996	1,233,892	376,652,237	14,086,117,125
2022-23	14,926,260,276	1,229,595	429,505,413	15,356,995,284
2023-24	15,729,624,396	1,226,867	464,649,571	16,195,500,834

Source: California Municipal Statistics, Inc.

The twenty largest local secured property taxpayers in the City for fiscal year 2023-24 based on total assessed valuation, the land use and the percentage of the City’s total assessed value attributable to each are shown in the below table. The information in Table 11 has been obtained from third-party sources and is included for general information purposes only. The City has not verified the information in Table 11 and does not guarantee the accuracy of such information.

**TABLE 11
CITY OF LANCASTER
LARGEST 2023-24 LOCAL SECURED TAXPAYERS**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Assessed Valuation</i>	<i>Percentage of Total⁽¹⁾</i>
1.	Westcore Bravo Lancaster LLC	Industrial	\$ 146,072,160	0.93%
2.	AG Cordova Park Owner LP	Apartments	87,815,730	0.56
3.	Rami Darghalli	Commercial and Residential	76,747,046	0.49
4.	Granada Villas REI LLC	Apartments	68,616,621	0.44
5.	AG Sienna Heights Owner LP	Apartments	63,919,303	0.41
6.	Wal Mart Real Estate Business Trust	Shopping Center	62,120,395	0.39
7.	Vereit Real Estate LP	Industrial	49,378,113	0.31
8.	Grandis Land Holding LLC	Undeveloped	42,085,421	0.27
9.	BYD Coach and Bus LLC	Industrial	41,740,938	0.27
10.	CP Antelope Shops LLC	Shopping Center	37,683,438	0.24
11.	B33 Valley Central II LLC	Shopping Center	35,235,312	0.22
12.	AG Sunset Ridge Owner LP	Apartments	33,482,345	0.21
13.	Castleblack Lancaster	Hotel	30,554,058	0.19
14.	Woodlands West REI LLC	Apartments	30,244,379	0.19
15.	Eretz Lancaster Properties LLC	Skilled Nursing Center	28,284,258	0.18
16.	Lancaster Realty Holdings LLC	Apartments	27,928,212	0.18
17.	Sygma Network Inc.	Industrial	25,943,690	0.16
18.	Charter Communications	Communications	25,686,494	0.16
19.	Quartz Hill Station LLC	Shopping Center	24,855,772	0.16
20.	2018-3 IH Borrower LP	Residential Properties	<u>22,720,940</u>	<u>0.14</u>
	Total		\$ 961,114,625	6.11%

⁽¹⁾ 2023-24 Local Secured Assessed Valuation: \$15,729,624,396.
Source: California Municipal Statistics, Inc.

Set forth in the table below are property tax collections (including amounts that do not constitute General Fund moneys) and delinquencies in the City as of June 30 for the last five Fiscal Years.

**TABLE 12
CITY OF LANCASTER
PROPERTY TAX LEVIES AND COLLECTIONS**

<i>Fiscal Year</i>	<i>Secured Tax Charge</i>	<i>Amount Delinquent June 30</i>	<i>Percent Delinquent June 30</i>
2018-19	\$ 8,495,552.83	\$116,908.33	1.38%
2019-20	9,105,371.69	206,837.24	2.27
2020-21	9,492,363.27	162,964.16	1.72
2021-22	9,970,257.24	156,693.33	1.57
2022-23	10,738,764.92	168,981.13	1.57

Source: California Municipal Statistics, Inc.

Franchise Taxes

The City imposes franchise taxes on businesses for the privilege of operating in public rights-of-way within the City, including franchise taxes for natural gas, electricity, cable television and solid waste franchisees. Franchise taxes range from 2% to 17% and the businesses include Southern California Edison, The Gas Company, Time Warner (cable), AT&T U-Verse, Verizon and Waste Management. In fiscal year 2022-23, the City collected approximately \$7.5 million in franchise taxes, providing approximately 7.2% of total General Fund revenues. Franchise taxes of approximately \$9.3 million are currently budgeted to be received during fiscal year 2023-24.

Licenses and Permits

The City collects fees for licenses and permits provided by the City, including, but not limited to, regulatory permits, conditional use permits, development permits, plan check and permitting, building permits and inspections and other development fees. In fiscal year 2022-23, the City collected approximately \$7.9 million, providing approximately 7% of total General Fund revenues. License and permit fees of approximately \$4.3 million are currently budgeted to be received during fiscal year 2023-24.

Other Revenues

Charges for Services. In fiscal year 2022-23, charges of approximately \$3.5 million (approximately 3% of total General Fund revenues) were collected for services including paramedic and basic life support service fees, certain police service fees, charges for recreational classes, day care, and library programs, as well as the General Fund administration fee charged to other funds. Charges for services are currently budgeted at approximately \$4.8 million in fiscal year 2023-24.

Transient Occupancy Tax. A transient occupancy tax of 7.00% is imposed on persons staying 30 days or less in a hotel within the City. In fiscal year 2022-23, transient occupancy tax receipts were approximately \$2.7 million, providing approximately 2.4% of total General Fund revenues. In the Adopted Budget for fiscal year 2023-24, the City projected transient occupancy tax revenues of approximately \$2.7 million for fiscal year 2023-24.

Miscellaneous Other Revenues. Other sources of revenue for the City include investment earnings, fines and forfeitures, grants and other miscellaneous revenue sources.

Appropriations Limit

Section 7910 of the Government Code of the State of California requires the City to adopt a formal appropriations limit for each fiscal year. The City's appropriations limit for Fiscal Year 2023-24 is \$250,768,962. Based on this, the appropriations limit is not expected to have any impact on the ability of the City to continue to budget and appropriate the Base Rental Payments as required by the Lease Agreement.

Indebtedness

Long-Term General Fund Debt.

Lancaster Financing Authority 2018 Lease Revenue Bonds. The Lancaster Financing Authority Lease Revenue Bonds, Series 2018 (Public Improvements Project) (the "2018 Bonds") were issued on December 1, 2018 in the initial aggregate principal amount of \$14,955,000 for the purpose of financing improvements to City facilities. The 2018 Bonds bear interest at rates from 3% to 4% and mature on May 1, 2048. The 2018 Bonds are payable from rental payments made by the City to the Authority. As of June 30, 2023, the 2018 Bonds were outstanding in the aggregate principal amount of \$13,255,000.

Lancaster Power Authority 2021 Bonds. The Lancaster Power Authority Taxable Revenue Refunding Bonds, Series 2021 (Solar Renewable Energy Program) (the “2021 Bonds”) were issued on October 12, 2021 in the initial aggregate principal amount of \$19,305,000 for the purpose of refinancing the cost of prepaying a specified supply of electricity. The 2021 Bonds bear interest at rates from 0.417% to 2.908% and mature on November 1, 2036. The 2021 Bonds are payable from certain solar revenues and, to the extent such solar revenues are insufficient to pay debt service on the 2021 Bonds, from rental payments made by the City to the Lancaster Power Authority. As of June 30, 2023, the 2021 Bonds were outstanding in the aggregate principal amount of \$17,940,000.

Equipment Purchase Agreement. On March 1, 2011, the City entered into an equipment purchase agreement for various capital improvements including lighting upgrades, athletic field lighting upgrades, HVAC system replacement, plumbing fixture upgrades, irrigation weather stations, and solar hot water heating. The total cost of the equipment acquired under the agreement was \$1,600,000. The financing was obtained from Municipal Finance Corporation on March 1, 2011, for \$1,600,000 with an interest rate of 4.35% per annum and annual payments of \$146,341 through the end of the lease (March 2026). The outstanding balance at June 30, 2023, is \$407,431.

Promissory Note. In December 2021, the City entered into a promissory note in the amount of \$5,870,000 for the purchase of land. The note bears interest at 5.9% per annum, with interest due and payable beginning December 2022. The entire principal balance of the note matures on December 27, 2026. The outstanding balance at June 30, 2023 is \$5,870,000.

As of the June 30, 2023, the City also had various other equipment purchase agreements and loans payable from the City’s General Fund in the outstanding aggregate principal amount of \$737,601. See Note 8 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C for a description of the City’s outstanding indebtedness payable from the City’s General Fund.

Other Long-Term Debt. The City also has outstanding obligations payable from sources other than the City’s General Fund, including the Authority’s 2016 Assessment Revenue Bonds (Streetlights Acquisition) payable from certain assessments levied by a street lighting maintenance assessment district formed by the City and the Authority’s Revenue Bonds, Series 2019 (Measure M & R Street Improvements Project), which are payable from sales tax revenues received by the City pursuant to the Countywide sales tax imposed pursuant to Measures M and R.

See Note 8 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C for a description of the City’s outstanding indebtedness payable from sources other than the City’s General Fund.

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

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of May 31, 2024 is set forth in Table 13. The information in Table 13 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 13 and the City, the Authority and the Underwriter do not guarantee its accuracy.

**TABLE 13
CITY OF LANCASTER
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT**

<u>2023-24 Assessed Valuation:</u> \$16,195,500,834		
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
	<u>% Applicable</u>	<u>Debt 6/1/24</u>
Antelope Valley Joint Community College District	34.473%	\$145,615,991
Antelope Valley Union High School District	39.066	9,043,729
Eastside Union School District	63.993	9,435,768
Lancaster School District	97.543	61,905,077
Westside Union School District	29.466	10,467,973
Westside Union School District Community Facilities Districts	100.	20,974,389
City of Lancaster School District Community Facilities District No. 2004-1	100.	9,505,000
City of Lancaster Lighting Maintenance District	100.	10,250,000
California Statewide Community Development Authority Assessment Districts	100.	<u>6,070,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$283,267,927
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.808%	\$20,032,176
Los Angeles County Superintendent of Schools Certificates of Participation	0.808	23,087
Antelope Valley Joint Community College District General Fund Obligations	34.473	3,419,722
Antelope Valley Union High School District General Fund Obligations	39.066	1,976,740
Lancaster School District Certificates of Participation	97.543	5,511,180
City of Lancaster Power Authority Revenue Bonds	100.	<u>33,289,000</u> ⁽¹⁾
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$64,251,905
Less: Lancaster Power Authority Revenue Bonds supported by solar utility revenues		<u>17,155,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$47,096,905
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100. %	\$117,595,000
GROSS COMBINED TOTAL DEBT		\$465,114,832 (2)
NET COMBINED TOTAL DEBT		\$447,959,832
<u>Ratios to 2023-24 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	1.75%	
Total Gross Direct Debt (\$33,289,000).....	0.21%	
Total Net Direct Debt (\$16,134,000).....	0.10%	
Gross Combined Total Debt	2.87%	
Net Combined Total Debt.....	2.77%	
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$10,803,063,802):</u>		
Total Overlapping Tax Increment Debt.....	1.09%	

⁽¹⁾ Excludes general obligation bonds to be sold.

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

Source: California Municipal Statistics, Inc.

Retirement System

This caption contains certain information relating to the California Public Employees Retirement System (“CalPERS”). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any 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 herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. The City contributes to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814..

All qualified regular and probationary employees are eligible to participate in the City’s Miscellaneous Plan, an agent multiemployer defined benefit pension plan administered by CalPERS. Benefit provisions under the Miscellaneous Plan are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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 to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

As described under the caption “INFORMATION REGARDING THE CITY OF LANCASTER—Employee and Employee Relations,” the City has developed a hybrid policing model to utilize sworn and non-sworn City staff to handle lower priority calls and provide support for LASD. The City currently expects to establish a Safety Plan with CalPERS for employees of the City’s police department once eligible employees are hired by the City.

AB 340, Public Employee Pension Reform Act of 2013 (PEPRA). On September 12, 2012, the California Governor signed Assembly Bill 340 (“AB 340”), which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded

liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Pursuant to AB 340, the City established new pension tiers: 2.0% at 62 for Miscellaneous and 2.7% at 62 for employees hired on or after January 1, 2013 who were not previously CalPERS members.

The Miscellaneous Plan’s provisions and benefits in effect at year ended June 30, 2023, are summarized as follows:

	<i>Miscellaneous</i>		
	Classic Members Hired Prior to January 1, 2013	Classic Members Hired On or After January 1, 2013	New Members Hired On or After January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 60	2% @ 62
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	50-55	50-63+	52-67+
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.092% - 2.418%	1.0% - 2.5%
Required Employee Contribution Rates	8%	7%	6.25%
Required Employer Contribution Rates:			
Normal Cost Rate	11.57%	11.57%	11.57%
Payment of Unfunded Liability	\$5,845,814	--	--

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

<i>Description</i>	<i>Miscellaneous Plan</i>
Inactive Employees or Beneficiaries Currently Receiving Benefits	336
Inactive Employees Entitled to But Not Yet Receiving Benefits	508
Active employees	<u>258</u>
Total	1,102

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are 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 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 employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. The City made contributions to the Miscellaneous Plan during fiscal year ended June 30, 2023, of \$8,632,023.

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

The City’s required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City’s required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City’s required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2012-13 through 2022-23 report investment gains (and losses) of approximately 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3%, (6.1%), and 6.1%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City

CalPERS’ discount rate was lowered from 7.00% to 6.80% in fall 2021. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

The tables below are derived from the City of Lancaster Annual Valuation Report with valuation dates as of June 30, 2022 and delivered in July 2023 for the Miscellaneous Plan (the “2023 Report”) and show the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in the 2023 Report. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into AB 340 or other lower cost benefit tiers.

The foregoing projections assumed the investment return for fiscal year 2022-23 would be 6.8%. As described above, CalPERS announced a investment returns of 6.1% for fiscal year 2022-23. As a result, the actual contribution requirements for the fiscal years 2024-25 and the following years shown below can be expected to differ from such projections. No assurance can be provided that the City’s CalPERS plan expenses will not increase significantly in the future.

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Normal Cost %	12.15%	11.9%	11.6%	11.4%	11.2%	11.0%
UAL Payment	\$3,810,700	\$7,259,000	\$7,698,000	\$8,067,000	\$8,824,000	\$9,006,000
Total as a % of Payroll*	39.05%	39.8%	40.4%	40.8%	42.4%	41.9%
Projected Payroll	\$25,322,712	\$26,031,748	\$26,760,638	\$27,509,935	\$28,280,213	\$29,072,059

* Illustrative only and based on the projected payroll shown.
Source: CalPERS’ 2023 Report.

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

The comprehensive annual financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Net Pension Liability. The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Miscellaneous Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.3%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a December 2017 actuarial experience study for the period from 1997 to 2015. For more information regarding the actuarial assumptions used to calculate the City’s net pension liability, see Note 9 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

The following table shows the changes in net pension liability recognized over the measurement period.

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability (Asset)</i>
Balance at June 30, 2021 (Measurement Date)	\$ 206,399,246	\$ 162,484,538	\$ 43,914,708
Changes in the Year			
Service Cost	4,222,786	-	4,222,786
Interest on Total Pension Liability	14,305,083	-	14,305,083
Changes of Assumptions	7,974,044	-	7,974,044
Differences Between Expected and Actual Experience	(4,406,814)	-	(4,406,814)
Contributions – Employer	-	7,691,954	(7,691,954)
Contributions – Employee	-	1,681,343	(1,681,343)
Net Investment Income	-	(12,367,601)	12,367,601
Administrative Expense	--	--	--
Benefit Payments, Including Refunds Of Employee Contributions	(9,515,662)	(9,515,662)	-
Other Miscellaneous Income/(Expense)	-	(101,218)	101,218
Net Changes	<u>12,579,437</u>	<u>(12,611,184)</u>	<u>25,190,621</u>
Balance at: June 30, 2022 (Measurement Date) ⁽¹⁾	\$ 218,978,683	\$ 149,873,354	\$ 69,105,621

On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 (“GASB 68”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for fiscal years 2018-19 and thereafter reflect the application of the GASB 68. GASB 68 is a change in accounting reporting standards but it does not change the City’s CalPERS plan funding obligations.

The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate of the Miscellaneous Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<i>Discount Rate – 1%</i> <i>(5.90%)</i>	<i>Current Discount Rate</i> <i>(6.90%)</i>	<i>Discount Rate + 1%</i> <i>(7.90%)</i>
Net Pension Liability	\$ 99,903,373	\$ 69,105,329	\$ 43,832,485

For the year ended June 30, 2023, the City recognized pension expense of \$9,032,577. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pension Contributions Made Subsequent to Measurement Date	\$ 8,632,023	\$ --
Differences Between Expected and Actual Experience	331,200	(2,711,886)
Change in assumptions	<u>4,907,104</u>	<u>--</u>
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>\$ 7,501,211</u>	<u>\$ --</u>
Total	<u>\$ 21,371,538</u>	<u>\$ (2,711,886)</u>

Deferred outflows of resources of \$8,632,023 that are related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2024	\$ 2,886,999
2025	1,889,212
2026	539,729
2027	4,711,689
2028	--
Thereafter	<u>--</u>
Total	<u>\$ 10,027,629</u>

At June 30, 2023, the City had no outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

Funded Status. The tables below are derived from the 2023 Report and show the funded status of the Miscellaneous Plan as of the valuation dates shown.

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2018	\$179,739,272	\$119,768,294	\$59,970,978	66.6%	\$19,844,295
6/30/2019	190,809,279	127,352,452	63,456,827	66.7	19,488,806
6/30/2020	201,419,561	132,713,326	68,706,235	65.9	20,317,694
6/30/2021	212,660,037	162,474,716	50,185,321	76.4	20,569,696
6/30/2022	230,435,149	149,869,741	80,565,408	65.0	23,309,388

Source: CalPERS' 2021 Report.

Public Agency Retirement System. Until December 29, 2012, the City, pursuant to sections 401(a) and 501(a) of the Internal Revenue Code, the City adopted a tax-qualified single-employer governmental defined benefit plan that is to be administered for the City by Public Agency Retirement Service (“PARS”), a third-party administrator. The PARS plan was established to provide eligible employees supplemental retirement benefits in addition to the benefits employees will receive from CalPERS. The PARS plan has been closed to employees hired on or after January 1, 2013. In 2023, the City discontinued the PARS plan and replaced the PARS plan with a new defined benefit platform managed by Shuster Advisory Group. For more information regarding the City’s defined benefit pension plan, see Note 9 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

Other Post-Employment Benefits

Plan Description. The City provides other postemployment benefits (“OPEB”) through an agent-employer defined benefit health care plan by contributing a portion of premiums charged under the health benefit plan for all eligible employees. These medical, dental, vision, and long-term care benefits are provided per contract between the City and union employee associations and unrepresented employees. The OPEB Plan has been closed to new employees and the future benefit levels were frozen as of January 1, 2016.

The City established a Section 115 Trust administered by Shuster Advisory Group in 2023 to partially pre-fund the City’s OPEB liability. The City has made annual contributions to the Section 115 OPEB Trust since it was established, and the balance in the Section 115 OPEB Trust as of April 30, 2024 was approximately \$18.2 million.

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Inactive Employees, Spouses or Beneficiaries Currently Receiving Benefit Payments	138
Inactive Employees Entitled to But Not Receiving Benefits	1
Active Employees	<u>246</u>
Total	<u>385</u>

Source: City Annual Comprehensive Financial Report for fiscal year 2022-23.

Contributions. Contribution requirements are established by City policy and may be amended by the City Council. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2023, the City’s cash contributions were \$2,813,547 in payments to the trust and the estimated implicit subsidy was \$224,887, resulting in total contributions of \$3,038,434.

Net OPEB Liability. The City’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by using an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. For the actuarial assumptions used to determine the City’s total OPEB liability as of June 30, 2020, see Note 10 to the audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

In June 2015, GASB issued Statement No. 75, which became effective for fiscal years beginning after June 15, 2017. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (i.e. OPEB). Statement No. 75 is also intended to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement No. 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement No. 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

The changes in the net OPEB liability are as follows.

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability</i>
Balance at June 30, 2021 (Measurement Date)	\$ 23,129,441	\$ 14,420,652	\$ 8,708,789
Changes in the Year:			
Service Cost	416,520	-	416,520
Interest on the Total OPEB Liability	1,262,548	-	1,262,548
Difference Between Actual and Expected Experience			
Changes in Assumptions	(643,491)	-	(643,491)
Changes in Benefit Terms	--		--
Changes of Assumptions	(1,858,796)	-	(1,858,796)
Contributions—Employer		3,027,605	(3,027,605)
Net Investment Income	-	(2,062,879)	2,062,879
Administrative Expenses	-	(4,093)	4,093
Benefit Payments	(1,181,090)	(1,181,090)	-
Net Changes	<u>(145,513)</u>	<u>(220,457)</u>	<u>74,944</u>
Balance at June 30, 2022 (Measurement Date)	\$ 22,983,928	\$ 14,200,195	\$ 8,783,733

Sensitivity of the Net OPEB Liability to Changes in Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate for the OPEB Plan, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<i>1% Decrease (4.75%)</i>	<i>Discount Rate (5.75%)</i>	<i>1% Increase (6.75%)</i>
\$11,540,245	\$8,783,733	\$6,472,014

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower (5.5% Non-Medicare, 4.65% Medicare (Non-Kaiser) and 3.60% Medicare (Kaiser)) or one percentage point higher (7.5% Non-Medicare, 6.65% Medicare (Non-Kaiser) and 5.60% Medicare (Kaiser)) than current health-care cost trend rates.

Plan's Total OPEB Liability/(Asset)

<i>1% Decrease</i>	<i>Current Healthcare Cost Trend Rates</i>	<i>1% Increase</i>
\$6,141,633	\$8,783,733	\$11,955,534

For additional information with respect to the City's OPEB plan, see Note 10 to the audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The City’s population as of January 1, 2023 was approximately 173,376. This represents a decrease of approximately 0.7 percent from January 1, 2022. The following table shows the population for the City, the County and the State of California from 2019 through 2023.

POPULATION For Years 2019 through 2023

<i>Year (January 1)</i>	<i>City of Lancaster</i>	<i>County of Los Angeles</i>	<i>State of California</i>
2019	161,880	10,163,139	39,605,361
2020	176,499	10,014,009	39,538,223
2021	175,962	9,942,011	39,286,510
2022	174,590	9,834,503	39,078,674
2023	173,376	9,761,210	38,940,231

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark*. Sacramento, California, May 2022, for 2019; State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark*, Sacramento, California, May 2023, for 2020 through 2023.

Education

K-12 public instruction in the City is provided by the Antelope Valley Union High School District, the Eastside Union School District, Lancaster School District and Westside Union School District.

Building Activity

Residential and nonresidential building activity for 2018 through 2022 for the City is shown in the following tables.

NEW HOUSING UNITS BUILDING PERMITS City of Lancaster For Years 2018 through 2022

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Single Family Units	103	206	438	490	345
Multifamily Units	<u>51</u>	<u>51</u>	<u>0</u>	<u>414</u>	<u>72</u>
Total Units	154	257	438	904	417

Source: Construction Industry Research Board and California Homebuilding Foundation.

BUILDING PERMIT VALUATIONS
City of Lancaster
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Residential					
New Single Family	\$ 43,104	\$ 53,900	\$ 105,638	\$ 104,921	\$ 75,138
New Multifamily	2,726	2,726	0	43,545	8,177
Res. Alt. & Adds	<u>472</u>	<u>219</u>	<u>730</u>	<u>3,126</u>	<u>3,183</u>
Total Residential	\$ 46,302	\$ 56,845	\$ 106,368	\$ 151,592	\$ 86,498
Nonresidential					
New Commercial	\$ 0	\$ 1,866	\$ 30,472	\$ 13,032	\$ 9,589
New Industrial	6,352	2,271	8,763	35,104	8,212
New Other ⁽¹⁾	31	3,446	8,714	19,345	14,513
Alters. & Adds.	<u>6,588</u>	<u>2,177</u>	<u>5,516</u>	<u>16,077</u>	<u>10,687</u>
Total Non-Residential	\$ 12,971	\$ 9,760	\$ 53,465	\$ 83,558	\$ 43,001
Total All Building	<u>\$ 59,273</u>	<u>\$ 66,605</u>	<u>\$ 159,833</u>	<u>\$ 235,150</u>	<u>\$ 129,499</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sum because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the County, the State of California and the United States for the years 2013 through 2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Los Angeles, State of California, and United States
2013-2022

<i>Year</i>	<i>County of Los Angeles</i>	<i>California</i>	<i>United States</i>
2013	\$47,541	\$48,549	\$44,894
2014	50,052	51,332	47,017
2015	53,067	54,632	48,891
2016	54,750	56,667	49,812
2017	56,635	58,942	51,811
2018	59,004	61,663	54,098
2019	62,573	64,513	56,047
2020	67,383	70,192	59,510
2021	73,385	76,991	64,143
2022	74,142	77,036	65,470

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the annual average labor force, employment and unemployment figures from 2019 to 2023 for the City, the County, the State of California and the nation as a whole.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Years 2019 through 2023

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
<u>2019</u>				
City of Lancaster	65,500	61,200	4,300	6.5%
Los Angeles County	5,148,600	4,917,700	230,900	4.5
State of California	19,409,400	18,612,600	796,800	4.1
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of Lancaster	63,400	54,200	9,100	14.4%
Los Angeles County	4,974,700	4,363,300	611,300	12.3
State of California	18,931,100	16,996,700	1,934,500	10.2
United States ⁽⁴⁾	160,742,000	147,798,000	12,947,000	8.1
<u>2021</u>				
City of Lancaster	64,700	56,600	8,100	12.4%
Los Angeles County	5,007,600	4,558,900	448,700	9.0
State of California	18,923,200	17,541,900	1,381,200	7.3
United States ⁽⁴⁾	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Lancaster	63,900	59,200	4,700	7.3%
Los Angeles County	5,013,400	4,764,500	248,800	5.0
State of California	19,169,300	18,348,900	820,400	4.3
United States ⁽⁴⁾	164,287,000	158,291,000	5,996,000	3.6
<u>2023</u>				
City of Lancaster	63,400	59,200	4,200	6.7%
Los Angeles County	5,015,600	4,763,600	252,000	5.0
State of California	19,308,300	18,388,300	920,000	4.8
United States ⁽⁴⁾	167,116,000	161,037,000	6,080,000	3.6

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

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

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

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

Note: Data is not seasonally adjusted.

Source: California Employment Development Department, based on March 2023 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in the Los Angeles Long Beach Glendale Metropolitan Division from 2019 to 2023.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2019-2023
Los Angeles Long Beach Glendale Metropolitan Division
(Los Angeles County)

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Total Farm	4,400	4,400	4,600	4,800	4,700
Total Nonfarm	4,562,600	4,168,100	4,305,100	4,533,000	4,543,500
Total, All Industries	4,566,900	4,172,500	4,309,700	4,537,900	4,548,200
Goods Producing	493,000	463,700	463,800	474,700	471,900
Natural Resources, Mining and Construction	151,800	148,300	150,700	153,000	152,700
Manufacturing	341,200	315,400	313,100	321,700	319,200
Service Providing	4,069,500	3,704,400	3,841,300	4,058,300	4,071,600
Trade, Transportation and Utilities	848,600	784,600	814,000	834,500	826,400
Wholesale Trade	221,900	201,100	202,600	204,400	200,400
Retail Trade	413,600	375,700	396,100	406,500	407,200
Transportation, Warehousing and Utilities	213,100	207,900	215,200	223,600	218,800
Information	215,600	191,100	208,800	234,900	193,000
Financial Activities	224,300	213,200	213,200	215,700	211,000
Professional and Business Services	648,400	601,000	630,800	666,900	652,500
Educational and Health Services	840,100	821,700	844,400	871,100	914,500
Leisure and Hospitality	547,300	393,700	434,200	512,400	534,100
Other Services	158,400	128,800	135,700	153,000	157,800
Government	586,900	570,200	560,200	570,000	582,300

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles Long Beach Glendale Metropolitan Division (Los Angeles County) Annual Average Labor Force and Industry Employment, March 2023 Benchmark.

Industry

The City serves as a primary commercial center of the Greater Antelope Valley, which covers 3,514.2 square miles of area and includes the City, Edwards Air Force Base, certain unincorporated areas of the County and the cities of Palmdale, Tehachapi, Mojave and Ridgecrest. The table below lists the ten largest employers in the Greater Antelope Valley area for 2020. Major private employers in the area include those in the military, health care and retail industries. Major public sector employers include the County and several local school districts.

MAJOR EMPLOYERS City of Lancaster 2023

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Percentage of Total Valley Employment⁽¹⁾</i>
1.	Edwards Air Force Base	10,000	11.54%
2.	Northrop Grumman	8,000	9.23
3.	China Lake NWD	7,100	3.46
4.	Palmdale School District	3,000	3.00
5.	Antelope Valley Hospital Medical Center	2,600	8.19
6.	Walmart	2,075	2.36
7.	County of Los Angeles	2,045	2.39
8.	Antelope Valley Union High School District	1,087	1.25%
9.	BYD	750	0.87
10.	Lancaster School District	<u>638</u>	<u>0.74</u>
	Total Top 10 Employers	<u>37,295</u>	<u>43.02%</u>
	Total Employment	<u>86,688</u>	100%

⁽¹⁾ Total employment as used above may represent figures from total employment located within the Greater Antelope Valley region. The Greater Antelope Valley is considered to be the City's economic region and covers 3,514.2 square miles of area and includes Lancaster, Palmdale, Tehachapi, Mojave, Edwards Air Force Base, and Ridgecrest.

Source: City of Lancaster Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023.

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APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following statements are summaries of the Ground Lease (“the Ground Lease”), the Lease Agreement (the “Lease Agreement”), the Indenture (the “Indenture”) and the Assignment Agreement (the “Assignment Agreement”). **These statements are qualified in their entirety by reference to the full terms of the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement, copies of which may be obtained from the City.**

DEFINITIONS OF CERTAIN TERMS

The following sets forth the definitions of certain words and terms used in this Summary of the Principal Legal Documents.

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“**Additional Bonds**” means Bonds other than the Series 2024 Bonds issued under the Indenture in accordance with the provisions thereof.

“**Additional Rental Payments**” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“**Administrative Costs**” has the meaning given to such term in the Indenture.

“**Alternative Credit Instrument**” shall have the meaning given to such term in the Indenture.

“**Annual Debt Service**” means, with respect to a Series or multiple series of Bonds, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds of such Series in such Bond Year, and (b) the principal amount of the Outstanding Bonds of such Series scheduled to be paid in such Bond Year.

“**Assignment Agreement**” means the Assignment Agreement, by and between the Authority and the Trustee, dated as of July 1, 2024, as the same may be amended or supplemented pursuant to the provisions thereof.

“**Authority**” means the Lancaster Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

“**Authorized Authority Representative**” means the Chair, the Vice Chair, the Executive Director, the Treasurer and the Secretary of the Authority, or any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“**Authorized City Representative**” means the Mayor of the City, the Mayor Pro Tem of the City, the City Manager of the City, the Director of Administrative Services of the City or the City Clerk, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

“**Authorized Denominations**” means \$5,000 or any integral multiple thereof.

“**Base Rental Deposit Date**” means the second Business Day preceding each Interest Payment Date.

“Base Rental Payment Fund” means the fund by that name established in accordance with the Indenture.

“Base Rental Payments” means any of the Series 2024A Base Rental Payments or the Series 2024B Base Rental Payments payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Lease Agreement and attached thereto as Exhibit B.

“Bonds” means the Series 2024 Bonds and any Additional Bonds issued under the Indenture.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Capitalized Interest Fund” means the fund by that name established in accordance with the Indenture.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“City” means the City of Lancaster, a municipal corporation and charter city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Claim” has the meaning given to such term in the Indenture.

“Closing Date” means _____, 2024.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement executed by the City in connection with the issuance of the Bonds, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Costs” means, with respect to the Stadium Project, together with any other proper item of cost not specifically mentioned herein, (a) costs of payment of, or reimbursement for, acquisition, design, construction, rehabilitation, installation, delivery and financing of the Stadium Project, including, but not limited to, the payment of real property rental, administrative costs and capital expenditures relating to acquisition, construction, installation, and demolition, inspection costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee pursuant to the Indenture and other financing documents, legal fees and charges, financial, accounting and other professional consultant fees, costs of rating agencies or credit ratings, fees for the printing, execution, transportation and safekeeping of the Series 2024 Bonds; (b) all other costs which the City shall be required to pay under the terms of any contract or contracts for the acquisition, construction, delivery and installation of the Stadium Project, and demolition work required for the Stadium Project, including, but not limited to, the cost of insurance; (c) any sums required to reimburse the City for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the Stadium Project; (d) any costs paid from the Net Insurance Proceeds to

repair, restore or replace the Stadium Project; and (e) such other expenses not specified herein as may be necessary or incidental to the acquisition, construction, delivery and installation of the Stadium Project, the financing thereof and the placing of the same in use and operation. Costs, as defined herein, shall be deemed to include the cost and expenses incurred by any agent of the City for any of the above mentioned items.

“**Costs of Issuance**” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

“**Costs of Issuance Fund**” means the fund by that name established in accordance with the Indenture.

“**Delivery Date**” means _____, 2024.

“**DTC**” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“**Federal Securities**” means (a) 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), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“**Ground Lease**” means the Ground Lease, dated as of July 1, 2024, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“**Indenture**” means the Indenture, dated as of July 1, 2024, by and among the Authority, the City and the Trustee, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“**Information Services**” means Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“**Insolvency Proceeding**” has the meaning given to such term in the Indenture.

“**Insurance Policies**” means, collectively, the Series 2024A Insurance Policy and the Series 2024B Insurance Policy.

“**Insurer**” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“**Insurer Reimbursement Amounts**” has the meaning given to such term in the Indenture.

“**Insurer Default**” means: (i) the Insurer has failed to make any payment under either of the Insurance Policies when due and owing in accordance with their respective terms; (ii) the Insurer shall: (a) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any

other Federal, state or foreign bankruptcy, insolvency or similar law; (b) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition; (c) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property; (d) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (e) make a general assignment for the benefit of creditors; or (f) take action for the purpose of effecting any of the foregoing; or (iii) any state or federal agency or instrumentality shall order the suspension of payments on either of the Insurance Policies or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Interest Fund” means the fund by that name established in accordance with the Indenture.

“Interest Payment Date” means May 1 and November 1 of each year, commencing on November 1, 2024.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated September 1, 1989, by and between the City and the Lancaster Redevelopment Agency, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Series 2024A Bonds or the Series 2024B Bonds, as applicable, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Lease Agreement” means the Lease Agreement, dated as of July 1, 2024, by and between the City and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

“Maximum Annual Debt Service” means, with respect to a Series or multiple Series of Bonds, as of the date of calculation, the largest amount of principal and interest payments due with respect to the current or any future Bond Year payable in such Bond Year. For purposes of such calculation, there will be excluded payments with respect to each Series of Bonds to the extent that amounts due with respect to such Series of Bonds are prepaid or otherwise discharged in accordance with the Indenture.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation will no longer perform the function of a securities rating agency for any reason, the term “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Museum Property” means the property described in Exhibit A to the Lease Agreement and commonly referred to as the Lancaster Museum of Art and History, located on assessor’s parcel number 3134-009-031.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“**Office of the Trustee**” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency will be conducted as specified to the Authority and the City by the Trustee in writing.

“**Opinion of Counsel**” means a written opinion of Stradling Yocca Carlson & Rauth LLP, or other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City and which written opinion is satisfactory to the Trustee.

“**Outstanding**,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture; and
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“**Owner**” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“**Participant**” means any entity which is recognized as a participant by DTC in DTC’s book-entry system of maintaining records with respect to Book-Entry Bonds.

“**Participating Underwriter**” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“**Permitted Encumbrances**” means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the City, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, and (h) all of the exceptions to title listed in the title insurance policy relating to the Series 2024 Bonds and dated the Delivery Date.

“**Permitted Investments**” means any of the following to the extent then permitted by the general laws of the State of California:

- (1) (a) Direct obligations (other than an obligation subject to—variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and

unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
 - All direct or fully guaranteed obligations
- Farmers Home Administration
 - Certificates of beneficial ownership
- General Services Administration
 - Participation certificates
- U.S. Maritime Administration
 - Guaranteed Title XI financing
- Small Business Administration
 - Guaranteed participation certificates
 - Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
 - GNMA-guaranteed mortgage-backed securities
 - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
 - Local authority bonds
- Washington Metropolitan Area Transit Authority
 - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
 - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated systemwide bonds and notes
- Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
 - Debt obligations
- Resolution Funding Corporation (REFCORP)
 - Debt obligations

(4) Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or "A-2" without regard to qualifier by a nationally recognized rating agency service.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "A-1" or better by S&P and "Prime-1" by Moody's.

(7) Money market mutual funds rated "AAM" or "AAM-G" by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

(8) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank or any non-bank financial institution or primary dealer as designated by the Federal Reserve the long term debt of which is rated at least "BBB+" by Standard & Poor's or Moody's (including the Trustee or any of its affiliates); or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "BBB+" by Standard & Poor's or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "BBB+" or better by Standard & Poor's or Moody's, provided that:

(a) The collateral shall be securities described in clause 1(a), (b) or (c) of this subsection, and the market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee or the City to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the City (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "BBB" by Standard & Poor's or "Baa2" by Moody's, as appropriate, the provider must, at the direction of Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee or the City.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by Standard & Poor’s or Moody’s, respectively.

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A2” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(10) Local Agency Investment Fund of the State of California.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability of the guarantor, is rated at least “A+” by S&P and “A1” by Moody’s; provided, that prior written notice of an investment in the investment agreement is provided to S&P and, provided, further, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in this Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the City to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the City receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) the investment agreement shall provide that if during its term (A) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "A+" or "A1", respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the City or the Trustee (acting at the direction of the City) within 10 days of receipt of such direction, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee, the City or a Holder of the Collateral, United States Treasury Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (2) repay the principal of and accrued but unpaid interest on the investment (the choice of (1) or (2) above shall be that of the City or Trustee (acting at the direction of the City), as appropriate), and (B) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "BBB" or "Baa2," or, with respect to a foreign bank, below "A+" or "A1" by S&P or Moody's, as appropriate, the provider must, at the direction of the City or the Trustee (acting at the direction of the City), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

(g) the investment agreement shall state, and an opinion of counsel shall be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider shall default in its payment obligations, the provider's obligation under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(12) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments.

“**Person**” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Policy Costs**” has the meaning given to such term in the Indenture.

“**Principal Fund**” means the fund by that name established in accordance with the Indenture.

“**Projects**” means the acquisition, construction and installation of certain capital improvements, including but not limited to the Multi-Agency Regional Resiliency Center, the conversion of the existing minor league baseball stadium for use as a minor league soccer stadium, certain parks and recreation improvements within the City, certain public art projects located within the City, and other improvements, facilities and equipment.

“**Project Fund**” means the fund of that name established pursuant to the Indenture.

“**Property**” means the real property described in the Lease Agreement and the improvements located thereon or, from and after each substitution of any alternate property for all or any portion of the Property pursuant to the Lease Agreement, such alternate property together with any portion of the Property that is not released from the provisions of the Lease Agreement in connection therewith.

“**Rebate Fund**” means the fund by that name established in accordance with the Indenture.

“**Rebate Requirement**” has the meaning ascribed thereto in the Tax Certificate.

“**Record Date**” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“**Redemption Fund**” means the fund by that name established in accordance with the Indenture.

“**Redemption Price**” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“**Registration Books**” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“**Rental Payments**” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“**Rental Period**” means the period from the Closing Date through April 30, 2025 and, thereafter, the twelve-month period commencing on May 1 of each year during the term of the Lease Agreement.

“Representation Letter” means the Letter of Representations from the Authority to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Fund Requirement” means (a) with respect to the Series 2024 Bonds, the lesser of (i) 125% of the average Annual Debt Service with respect to the Series 2024 Bonds, (ii) Maximum Annual Debt Service with respect to the Series 2024 Bonds, or (iii) 10% of the original principal amount of the Series 2024 Bonds (or, if the Series 2024 Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of the Series 2024 Bonds); and (b) with respect to any Additional Bonds, such amounts as shall be determined in accordance with the Supplemental Indenture.

“Reserve Surety Policy” means the municipal bond debt service reserve insurance policy No. _____ issued by the Insurer and deposited in the Series 2024 Account of the Reserve Fund to satisfy the Reserve Fund Requirement for the Series 2024 Bonds.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity will no longer perform the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Securities Depositories” means The Depository Trust Company, New York, New York 10041-0099, Fax-(212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Series” means the Series 2024A Bonds and the Series 2024B Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to the Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2024 Bonds” means collectively, the Series 2024A Bonds and the Series 2024B Bonds.

“Series 2024A Base Rental Payments” means any of the Series 2024A Base Rental Payments payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“Series 2024A Bonds” means the Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt) issued under the Indenture.

“Series 2024A Insurance Policy” means the Series 2024A Insurance Policy No. _____ issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2024A Bonds when due.

“Series 2024A Prepayment” means any payment made by the City pursuant to the Lease Agreement as a prepayment of the 2024A Base Rental Payments.

“Series 2024B Base Rental Payments” means any of the Series 2024B Base Rental Payments payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“Series 2024B Bonds” means the Lancaster Financing Authority Lease Revenue Bonds, Series 2024B (Federally Taxable) issued under the Indenture.

“**Series 2024B Insurance Policy**” means the Series 2024A Insurance Policy No. _____ issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2024B Bonds when due.

“**Series 2024B Prepayment**” means any payment made by the City pursuant to the Lease Agreement as a prepayment of the 2024B Base Rental Payments.

“**Stadium Project**” means the conversion of the existing City-owned minor league baseball stadium for use as a minor league soccer stadium.

“**Stadium Project Subaccounts**” means, collectively, the Stadium Project Subaccount of the Series 2024A Account of the Project Fund created pursuant to the Indenture and the Stadium Project Subaccount of the Series 2024B Account of the Project Fund created pursuant to the Indenture.

“**Stadium Property**” means the portion of the Property on which the Stadium Project is located, as identified in Exhibit A to the Lease Agreement and commonly referred to as the Lancaster Municipal Stadium, located on assessor’s parcel numbers 3153-015-940 and 3153-015-941.

“**Supplemental Indenture**” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“**Tax Certificate**” means the Tax Certificate executed by the Authority and the City at the time of issuance of the Series 2024A Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“**Term Bonds**” means the Series 2024A Bonds maturing on May 1, 20__ and May 1, 20__ and the Series 2024B Bonds maturing on May 1, 20__, and any term maturities of an issue of Additional Bonds as specified in a Supplemental Indenture.

“**Termination Date**” means May 1, 2054, unless extended or sooner terminated as provided in the Lease Agreement.

“**Trustee**” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“**Written Certificate of the Authority**” and “**Written Request of the Authority**” mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument

“**Written Certificate of the City**” and “**Written Request of the City**” mean, respectively, a written certificate or written request signed in the name of the City by an Authorized City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

THE GROUND LEASE

The City leases to the Authority, and the Authority leases from the City, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances for the term of the Ground Lease. The parties intend that the Property will be leased back to the City pursuant to the Lease Agreement. The parties

further intend that, to the extent provided in the Ground Lease and the Lease Agreement, if an event of default occurs under the Lease Agreement, the Authority, or its assignee, will have the right for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. The Ground Lease may be sold or assigned, and the Property may be subleased, as a whole or in part, by the Authority without the necessity of obtaining the consent of the City, if an event of default occurs under the Lease Agreement. The Authority will, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the City a true and correct copy of such assignment, sale or sublease, as the case may be. The City agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

The term of the Ground Lease commences on the Delivery Date, and will remain in full force and effect from such date to and including May 1, 2054, unless such term is sooner extended or terminated as provided in the Ground Lease. If, on May 1, 2054, the Bonds will not have been fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not have been discharged by its terms, or if the Rental Payments payable under the Lease Agreement will have been abated at any time, then the term of the Ground Lease will be automatically extended until the date upon which all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, except that the term of the Ground Lease will in no event be extended more than ten years. If prior to May 1, 2054, all Bonds will be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, the term of the Ground Lease will end simultaneously therewith.

THE LEASE AGREEMENT

Lease of Property

The Authority has leased to the City and the City has leased from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

Rental Payments

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

Payment Provisions. Each installment of Base Rental Payments payable under the Lease Agreement will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal office of the Trustee in Los Angeles, California, or such other place or entity as the Trustee designates. Each Base Rental Payment will be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which is not paid by the City when due and payable under the terms of the Lease Agreement will bear interest from the date when the same is due thereunder until the same is paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the Lease Agreement on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

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

Rental Abatement In the Event of Non-Delivery of the Stadium Project. To the extent described below, the amount of Rental Payments due under the Lease Agreement will be partially abated during any period in which by reason of delay in the completion of the Stadium Project there is substantial interference with the City's use and occupancy of the Stadium Property; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority will calculate such abatement and provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue until the substantial completion of the Stadium Project, and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended beyond May 1, 2064. Notwithstanding the foregoing, the City will remain obligated to make Rental Payments under the Lease Agreement, as an obligation of the City payable from a special fund, (i) to the extent there are proceeds of any completion or performance bonds or moneys paid to the City by the contractors or any other person as liquidated damages as a result of any defect or delay in completion of the Stadium Project, or (ii) to the extent that amounts in the Series 2024 Account of the Reserve Fund or the Capitalized Interest Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. Any amounts received by the City as liquidated damages will be deposited by the City immediately upon receipt in the Base Rental Payment Fund.

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

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Acquisition, Construction and Improvement of the Stadium Project

Deposit of Bond Proceeds; City Deposit. Upon the issuance of the Series 2024 Bonds, all proceeds of the Series 2024 Bonds will be paid to the Trustee and such moneys will be deposited with the Trustee and be applied as provided in the Indenture.

Acquisition, Construction and Improvement of the Stadium Project. The City agrees in the Lease Agreement to acquire, construct, deliver and install any portion of the Stadium Project to be financed with the proceeds of the Series 2024 Bonds, or to cause such portion to be acquired, constructed, delivered and installed, with the proceeds of Series 2024 Bonds paid to the City by the Authority pursuant to the Indenture and the Authority will have no responsibility with respect thereto.

Compliance with Law. The City will comply with all applicable provisions for bids and contracts prescribed by law with respect to the Stadium Project, including, without limitation, any applicable environmental review and approvals, Sections 20110 et seq. of the Public Contracts Code and Article 42 (commencing with Section 20670) of Part 3 of Division 2 of the Public Contracts Code. The City acknowledges and agrees that specific expenditures for all or any portion of the Stadium Project, as currently or later designated, are expressly subject to compliance with such requirements..

Payment of Costs. Payment of Costs of the Stadium Project will be made from the moneys deposited with the Trustee in the Stadium Project Subaccounts of the Project Fund as provided in the Indenture, which will be disbursed from the Stadium Project Subaccounts of the Project Fund in accordance and upon compliance with the Indenture.

Time of Completion and Liquidated Damages. The Lease Agreement provides that the construction and equipping of the Stadium Project will be completed on or prior to November 1, 2025, subject to excused delays pursuant to standard City procedures. The Lease Agreement provides that, if the City does not cause the completion of the acquisition, construction, equipping and installation of the Stadium Project by its completion date specified above by construction contractors or a construction manager, whichever the City deems appropriate, liquidated damages will be assessed against the construction contractor for each day of unexcused delay in completion (in accordance with standard City procedure). The City will cause to be paid to the Trustee all amounts received as liquidated damages for application toward the Base Rental Payments. Each construction contractor hired by the City will be required to provide payment and performance bonds in amounts equal to the maximum price under its contract.

Construction and Acquisition of the Stadium Project. The City agrees in the Lease Agreement to oversee the construction, acquisition, delivery and installation of the Stadium Project in accordance with the following terms:

Construction and Completion. The City agrees to proceed with all due diligence to complete the construction, acquisition, delivery and installation of the Stadium Project, all in accordance with the plans and specifications for the Stadium Project (the “Plans and Specifications”) approved by the City Engineer. The City will comply with all statutes and laws applicable to the performance of its obligations under the Lease Agreement, including all public laws applicable thereto and all laws regarding the approval, acquisition and construction of public projects by cities in the State of California. The City will make certain that each contract relating to the Stadium Project is awarded in accordance with applicable law and contains a scheduled completion date which requires completion on or before the scheduled Completion Date;

Change Orders. Subject to any other restrictions imposed upon the City, the City may approve any changes to the Plans and Specifications so long as any change does not, and all such changes as a whole do not, (i) substantially alter the nature of the Project, (ii) delay the completion of the Stadium Project beyond November 1, 2025 (iii) reduce the fair rental value of the Stadium Property, or (iv) increase the total Costs of the Stadium Project to an amount in excess of the amount in the Stadium Project Subaccounts of the Project

Fund unless there has been deposited with the City an amount equal to such excess or unless there has been deposited with the City a certificate of an Authorized Representative of the City, together with a revised construction budget demonstrating that the total amount on deposit to pay for the Stadium Project is adequate to allow the completion of the Stadium Project as planned;

Payment of Costs of the Stadium Project. Payment of the portion of the Costs of the Stadium Project being financed by the City will be made from moneys deposited in the Stadium Project Subaccounts of the Project Fund, and will be disbursed for such purpose in accordance and upon compliance with the Indenture. Neither the Authority nor the City will be liable for the payment of Costs of the Stadium Project other than from amounts on deposit in the Stadium Project Subaccounts of the Project Fund; and

Unexpended Monies. The City agrees in the Lease Agreement that unexpended moneys remaining in the Stadium Project Subaccounts of the Project Fund will, upon payment in full of all Costs of the Stadium Project, be applied solely in accordance with the provisions of the Indenture.

Completion Date; Certification. Upon the completion of acquisition, construction, delivery and installation of the portion of the Stadium Project to be financed with the proceeds of the Series 2024 Bonds, the City will deliver to the Trustee a Completion Certificate with respect thereto. On the date of filing a Completion Certificate concerning that portion of the Stadium Project financed with proceeds of Series 2024 Bonds, all excess moneys remaining in the Stadium Project Subaccounts of the Project Fund for the Series 2024 Bonds for which such Completion Certificate is delivered will be applied in accordance with the provisions of the Indenture

Maintenance, Alterations and Additions

Maintenance and Utilities. Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property will be the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property. Subject to the covenant described under the heading “Covenants — Liens” below, the City and any sublessee will, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements will remain the sole property of the City or such sublessee, and neither the Authority nor the Trustee will have any interest therein. Such additions, modifications and improvements will not in any way cause permanent and material damage to the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease Agreement, will be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Installation of City’s Equipment. The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items will remain the sole property of the City or such sublessee, and neither the Authority nor the Trustee will have any interest therein. The City or such sublessee may remove or modify such equipment or other personal property at any time, provided such party will repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement will prevent the City or any sublessee from purchasing items to

be installed pursuant to the Lease Agreement under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest will attach to any part of the Property.

Insurance

Commercial General Liability and Property Damage Insurance; Workers' Compensation Insurance. The City will maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease Agreement. The Net Insurance Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance will have been paid.

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

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

The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by the insurance described in the preceding paragraph in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City's obligations described under this heading may be satisfied by self-insurance, provided such self-insurance complies with the self-insurance requirements described under the heading "— Self-Insurance" below.

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

Title Insurance. The City will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal

amount of the Bonds. Said policy or policies will insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or the Lease or required by the Indenture or the Lease Agreement will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Bond Owners.

Additional Insurance Provision; Form of Policies. The City will pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement, and will promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies will provide that the Trustee will be given 30 days' notice of the expiration thereof or any intended cancellation thereof. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City will cause to be delivered to the Trustee on or before August 15 each year, commencing August 15, 2025, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the requirements of the Lease Agreement. The Trustee will be entitled to rely upon said Certificate of the City as to the City's compliance with the Lease Agreement. The Trustee will not be responsible for the sufficiency of coverage or amounts of such policies.

Self Insurance. Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance will be deemed to be self-insurance for purposes of the Lease Agreement. Any self-insurance maintained by the City pursuant to the Lease Agreement will comply with the following terms:

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

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

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

Defaults and Remedies

Defaults and Remedies. (a) (i) If the City will fail (A) to pay any Base Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Lease Agreement or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events specified in this paragraph or in paragraph (b) below, the City will be deemed to be in default under the Lease Agreement and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. The City will in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the City will have failed, for a period of 30 days or (so long as the Insurer is not in default on

any obligation under the Insurance Policies) such additional time as is reasonably required, with the written approval of the Insurer, to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner described in the Lease Agreement on account of default by the City, notwithstanding any re-entry or re-letting of the Property as described in paragraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease Agreement will of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Authority will have given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Lease Agreement, (a) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Lease Agreement in the manner described in paragraph (1) above, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as described above for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Lease Agreement, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City, and the City indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the

Authority in effecting such re-letting will constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement will vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (1) above. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, and as described below, or (ii) the City or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to elect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City will make a general assignment for the benefit of the City's creditors, or (iii) the City will abandon or vacate the Property, then the City will be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Authority and its assignee will be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees will be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee will have the right to bring the following actions:

(i) *Accounting*. By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Lease Agreement.

Each and all of the remedies given to the Authority under the Lease Agreement or by any law now or later enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease Agreement will not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" includes, but is not limited to, re-letting by means of the operation by the Authority of the Property. If any statute or rule of law validly limits

the remedies given to the Authority under the Indenture, the Authority nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Authority will have no right upon a default thereunder by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Authority and its assignees on account of a default by the City thereunder will not effect or result in a termination of the Ground Lease.

Waiver. Failure of the Authority to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Authority on account of such default. A waiver of a particular default will not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement will not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

Control by Insurer Upon Default. Anything in the Lease Agreement or in the Indenture to the contrary notwithstanding, so long as the Insurance Policies are in full force and effect and the Insurer has not defaulted on its obligations thereunder, upon the occurrence and continuance of a default or an event of default, the Insurer will be: (a) deemed to be the sole and exclusive Owner of the Series 2024A Bonds and the Series 2024B Bonds, as applicable, for purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies and (ii) entitled to direct and control the enforcement of all remedies granted under the Ground Lease and the Lease Agreement.

Eminent Domain; Prepayment

Eminent Domain. If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) will be taken under the power of eminent domain, the term of the Lease Agreement will cease as of the day that possession will be so taken. If less than all of the Property will be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Bonds will be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture, and in the corresponding provisions of any Supplement Indenture pursuant to which Additional Bonds are issued. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Lease Agreement, have been fully paid, will be paid to the Authority and to the City as their respective interests may appear.

Prepayment. (a) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2024A Bonds which are payable on or after May 1, 20__, from any source of available funds, on any date on or after May 1, 20__, by paying (i) all or a portion, as selected by the City, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2024B Bonds which are payable on or after May 1, 20__ from any source of available funds, on any date on or after May 1, 20__ by paying (i) all or a portion, as selected by the City, or the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(c) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2024 Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth in the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments pursuant to the Lease Agreement, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the Lease Agreement.

(d) If less than all of the Base Rental Payments attributable to the Series 2024 Bonds are prepaid pursuant to the Lease Agreement then, as of the date of such prepayment pursuant to the Lease Agreement, or the date of a deposit pursuant to the Lease Agreement, the principal and interest components of such Base Rental Payments will be recalculated in order to take such prepayment into account. The City agrees that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City will not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City will not be entitled to any reimbursement of such Base Rental Payments.

(e) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to the Lease Agreement and, if applicable, the corresponding provisions thereof relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or deposit pursuant to the Lease Agreement and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Lease Agreement have been made, the term of the Lease Agreement will be terminated.

(f) Prepayments of Base Rental Payments attributable to the Series 2024 Bonds made pursuant to the Lease Agreement will be applied to the redemption of Series 2024 Bonds as directed by the City and as provided in the Indenture.

(g) Before making any prepayment pursuant to the Lease Agreement, the City will give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date will be not less than 45 nor more than 60 days from the date such notice is given to the Authority.

Covenants

Right of Entry. The Authority and its assignees have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease Agreement, and for all other lawful purposes.

Liens. In the event the City will at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the City will pay, when due, all sums of money that may become due for, or purporting to be due for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as such

contestment is in good faith. If any such lien will be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City will forthwith pay and discharge said judgment.

Quiet Enjoyment. The parties have mutually covenanted that the City, by keeping and performing the covenants and agreements contained in the Lease Agreement, will at all times during the term of the Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Authority Not Liable. The Authority and its directors, officers, agents and employees, will not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the City will, at its expense, indemnify and hold the Authority and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The City also covenants and agrees, at its expense, to pay and indemnify and save the Authority and the Trustee and all directors, officers and employees thereof harmless - against and from any and -all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the City in the performance of any covenant or agreement to be performed by the City pursuant to the Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or Operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this paragraph, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Authority or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the City, upon notice from the Authority or the Trustee or such director, member, officer employee thereof, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Authority or the Trustee or such director, member, officer or employee thereof.

To the extent the Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of the Lease Agreement, the Trustee is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

Assignment and Subleasing. Neither the Lease Agreement nor any interest of the City thereunder will be sold, mortgaged, pledged, assigned, or transferred by the City by voluntary act or by operation by law or otherwise. Any such sublease is subject to all of the following conditions:

- (a) the Lease Agreement and the obligation of the City to make all Rental Payments thereunder will remain the primary obligation of the City;
- (b) the City will, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) any sublease of the Property by the City will explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(d) the City will furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Title to Property. Upon the termination or expiration of the Lease Agreement (other than as described under the captions “Defaults and Remedies” and “Eminent Domain” in this summary), and the first date upon which the Bonds are no longer Outstanding, all right, title and interest in and to the Property will vest in the City. Upon any such termination or expiration, the Authority will execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Authority’s Purpose. The Authority covenants that, prior to the discharge of the Lease Agreement and the Bonds, it will not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the Joint Powers Agreement.

Representations of the City. The City represents and warrants to the Authority that (a) the City has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Indenture, and to perform all of its duties and obligations under the Lease Agreement and under the Indenture, and has duly authorized the execution and delivery of the Lease Agreement and the Indenture, and (b) the Property will be used in the performance of essential governmental functions.

Representations of the Authority. The Authority represents and warrants to the City that the Authority has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Assignment Agreement and the Indenture, and to perform all of its duties and obligations under the Lease Agreement, the Assignment Agreement and the Indenture, and has duly authorized the execution and delivery of the Lease Agreement, the Assignment Agreement and the Indenture.

Hazardous Substances. The City covenants and agrees in the Lease Agreement to comply in all material respects with all laws applicable to the Property or any portion thereof, including without limitation all local, State and federal environmental and Hazardous Substances laws, rules and regulations, and with any order of any jurisdiction over the Property. For purposes of this paragraph of the Lease Agreement, “Hazardous Substances” means any substances, pollutants, wastes and contaminants now or hereafter included in such (or any similar) term under any federal, state or local ordinance, code or regulation now existing or hereafter enacted or amended.

No Additional Obligations. Without the written consent of the Insurer, the City will not issue or incur, directly or indirectly, any additional certificates, notes, bonds or other indebtedness in addition to the Series 2024 Bonds that are (i) payable from or secured by the Base Rental Payments payable under the Lease Agreement or (ii) secured by, or granted a lien on, the Property.

Flood Plain. The City represents, warrants and covenants that the Property is not located in the FEMA 100 year flood plain.

No Consequential Damages; Use of the Property; Substitution or Release

No Consequential Damages. In no event will the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the City’s use of the Property.

Use of the Property. The City will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over

the Property; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Lease Agreement.

Substitution or Release of, or Addition to, the Property. The City will have the right, with the written consent of the Insurer (so long as the Insurer is not in default on any obligation under the Insurance Policies and subject to the provisions of the Lease Agreement described below under the caption “Release of Museum Property Upon Completion of Stadium Project”) to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement or to add additional property to the encumbrance of the Lease Agreement. All costs and expenses incurred in connection with such substitution, release or addition will be borne by the City. Notwithstanding any such substitution or release of, or addition to, Property described in this paragraph, there will be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution, release or addition. Any such substitution or release of any portion of the Property, or addition to the Property, will be subject to the following specific conditions, which are made conditions precedent to such substitution, release or addition:

(i) a Written Certificate of the City to the effect that the Property, as constituted after such substitution, release or addition, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(ii) with respect to any substituted or added property, the City will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to the Property (as such term will be defined after such substitution or addition) in an amount (when added to other title insurance policies insuring the Property) at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;

(iii) the City, the Authority and the Trustee will have executed, and the City will have caused to be recorded with the Los Angeles County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted or added real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(iv) the City will have provided notice of such release, substitution or addition to each rating agency then rating the Bonds.

Release of Museum Property Upon Completion of Stadium Project. Upon completion of the Stadium Project, the Museum Property may be released from the Lease Agreement and the Ground Lease; provided, however, that no such release occurs until there is delivered to the Trustee and the Insurer a Written Certificate of the City to effect that: (i) the Stadium Project has been completed and the City has beneficial use and occupancy of the Stadium Property; and (ii) the conditions set forth in paragraphs (i) and (iii) under the caption “Substitution or Release of, or Addition to, the Property”, above, have been satisfied.

Miscellaneous

Law Governing. THE LEASE AGREEMENT IS GOVERNED EXCLUSIVELY BY THE PROVISIONS THEREOF AND BY THE LAWS OF THE STATE OF CALIFORNIA AS THE SAME FROM TIME TO TIME EXIST.

Validity and Severability. If for any reason the Lease Agreement is held by a court of competent jurisdiction to be void, voidable or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City thereunder, including the covenant to pay Rental Payments, is unenforceable for the full term of the Lease Agreement; then and in such event the Lease

Agreement is and will be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Property, and all of the terms, provisions and conditions of the Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, will remain in full force and effect.

Net-Net-Net Lease. The Lease Agreement will be deemed and construed to be a “net-net-net lease” and the City has agreed that the Rental Payments will be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the City and the Authority.

Taxes. The City will pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

The City or any sublessee may, at the City’s or such sublessee’s expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee will notify the City or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or such sublessee will promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Amendments. The Lease Agreement and the Ground Lease may be amended and the rights and obligations of the Authority and the City thereunder may be amended at any time by an amendment thereto which will become binding upon execution and delivery by the Authority and the City but only with the prior written consent of the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture and the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policies), provided that no such amendment will (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease.

The Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City thereunder may also be amended at any time by an amendment thereto which will become binding upon execution by the Authority and the City, with the written consent of the Insurer but without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease Agreement or other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case will not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which will not materially adversely affect the interests of the Owners;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(d) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement:

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture; or

(f) to make such other changes therein or modifications thereto as the Authority or the City may deem desirable or necessary, and which will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel.

Assignment. The City and the Authority acknowledge the assignment of the Lease Agreement (except for the Authority's obligation and its rights to give consents or approvals pursuant to the Lease Agreement), and the Base Rental Payments payable thereunder, to the Trustee pursuant to the Assignment Agreement.

Insurer as Third-Party Beneficiary. The Insurer is a third-party beneficiary under the Lease Agreement and may enforce any right, remedy or claim conferred upon, given or granted thereunder.

THE INDENTURE

The Bonds

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which will be open to inspection during regular business hours and upon reasonable notice by the City; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, will be of such authorized denominations as may be determined by the Authority, will be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it will execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series, may be surrendered, for cancellation, at the Office of the Trustee and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series will be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered thereunder.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and Series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it and delivered to, or in accordance with the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and Series in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond will have matured or will have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the

actual cost of preparing each replacement Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture in lieu of any Bond of such Series alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Issuance of Bonds; Application of Proceeds

Costs of Issuance Fund. The Trustee will establish and maintain a separate fund designated the “Costs of Issuance Fund” and will establish a 2024A Account and a 2024B Account therein. On the Closing Date, there will be deposited in the Costs of Issuance Fund the amount specified in the Indenture. There will additionally be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount 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 disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request of the Authority will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. On the date that is one hundred eighty (180) days after the Closing Date, or earlier upon the Written Request of the Authority, all amounts, if any, remaining in the Costs of Issuance Fund will be withdrawn therefrom by the Trustee and transferred to the Project Fund and the Costs of Issuance Fund will be closed.

Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the “Project Fund.” Within the Project Fund, the Trustee will establish a “2024A Account” and a “2024B Account.” Within the 2024A Account of the Project Fund the Trustee will established a Stadium Project Subaccount and within the 2024B Account of the Project Fund the Trustee will established a Stadium Project Subaccount.

The moneys in the Project Fund or the accounts therein will be disbursed by the Trustee on behalf of the City as specified in a Written Request of the City in the form attached to the Indenture. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. On the date on which the City determines that amounts in the Project Fund are no longer necessary for payment of the cost of the Project, the City will submit a Written Request to the Trustee to transfer any remaining balance in the Project Fund not needed for Project Fund purposes, at the City’s sole discretion, either (a) to the Base Rental Payment Fund for application in accordance with the Indenture, or (b) to the City for use on eligible capital facilities, or other lawful use of such moneys in compliance with the Indenture and the Tax Certificate, and the Project Fund will be closed.

Notwithstanding the foregoing, the City will not request funds be disbursed from the Stadium Project Subaccounts for any purpose other than paying Costs of the Stadium Project until the Stadium Project has been completed, as evidenced by a Written Certificate of the City. Furthermore, following the issuance of the Series 2024 Bonds, the City will not transfer any proceeds of the Series 2024 Bonds to either of the Stadium Project Subaccounts without an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2024A Bonds will not be adversely affected.

Investment earnings on amounts on deposit in the Project Fund will remain on deposit in the Project Fund (and the accounts or subaccounts therein) for application in accordance with the Indenture.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2024 Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds will have been authorized under and pursuant to the Indenture and will have been provided for by a Supplemental Indenture which will specify the following:

(1) The application of the proceeds of the sale of such Additional Bonds;

(2) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds will be payable as to principal annually on May 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds will have annual mandatory sinking fund redemptions on May 1, (ii) the Additional Bonds will be payable as to Interest semiannually November 1 and May 1 of each year, except that the first installment of interest may be payable on either November 1 or May 1 and will be for a period of not longer than twelve months and the interest will be payable thereafter semiannually on November 1 and May 1, (iii) all Additional Bonds of a Series of like maturity will be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, will be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Additional Bonds;

(5) The form of such Additional Bonds;

(6) If necessary; that from such proceeds or other sources an amount shall be deposited in the Reserve Fund (or a subaccount therein) so that following such deposit there will be on deposit in the Reserve Fund (or a subaccount therein) an amount at least equal to the Reserve Fund Requirement for such Series of Additional Bonds, if any, after issuance of the Additional Bonds; and

(7) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

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

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

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

account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition will be made by a Written Certificate of the City).

(e) The City has provided the Insurer written notice of the proposed issuance of such Additional Bonds and received prior written consent of the Insurer with respect to such Additional Bonds.

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

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds will be executed by the Authority for issuance under the Indenture and will be delivered to the Trustee and thereupon will be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by the Indenture and the amendment to the Ground Lease, if any, required by the Indenture, together with satisfactory evidence that such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, have been (or will be immediately upon issuance of such Additional Bonds) duly recorded;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by the Indenture) and the Ground Lease (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California); and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on any tax-exempt Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of the Indenture have been met;

(e) a Written Certificate of the City that the requirements of the Indenture and the Lease Agreement have been met, and a Written Certificate of the City as to the fair rental value of the Property, after giving effect to the execution and delivery of the Additional Bonds, and to the use of proceeds received therefrom; and

(f) Such further documents as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

So long as any of the Bonds remain Outstanding, the Authority will not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the Indenture.

Security for Bonds; Flow of Funds; Investments

Pledge; Special Obligations. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Capitalized Interest Fund, the Principal Fund, the Reserve Fund (provided, however, that only amounts in the Series 2024 Account of the Reserve Fund will secure the Series 2024 Bonds and amounts in any other subaccount of the Reserve Fund created in connection with the issuance of Additional Bonds will secure only such Additional Bonds) and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

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

Flow of Funds. The Trustee will establish and maintain separate funds designated the “Base Rental Payment Fund,” the “Interest Fund,” the “Principal Fund,” the “Redemption Fund” (and within the Redemption Fund a “2024A Account” and a “2024B Account”), the “Reserve Fund” (and within the Reserve Fund, a “Series 2024 Account”) and the “Capitalized Interest Fund” (and within the Capitalized Interest Fund, a “2024A Account” and a “2024B Account”)

All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Series 2024A Base Rental Payments received by the Trustee will be deposited by the Trustee in the Series 2024A Base Rental Payment Fund. All Series 2024B Base Rental Payments received by the Trustee will be deposited by the Trustee in the Series 2024B Base Rental Payment Fund.

The Trustee will transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds:

Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

Principal Fund. On the Business Day immediately preceding each May 1, commencing May 1, 2026, the Trustee will transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such May 1, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

Redemption Fund. The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, will deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee will deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2024 Bonds redeemed pursuant to the Indenture and Additional Bonds redeemed

pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Reserve Fund. All amounts on deposit in the Base Rental Payment Fund on November 2, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, will be transferred to the Reserve Fund, to the extent necessary to satisfy the Reserve Fund Requirement, to the extent such amounts are due and payable.

Insurer Reimbursement Amounts. The Authority will from the remaining moneys in the Base Rental Payment Fund pay Insurer Reimbursement Amounts to the Insurer not payable from the Interest Fund or Principal Fund, to the extent such amounts are due and payable.

Capitalized Interest Fund. On the second Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the Capitalized Interest Fund to the Interest Fund, the amounts described in the Indenture. All amounts remaining in the Capitalized Interest Fund following November 1, 2025 shall be transferred to the Interest Fund.

Application of Net Insurance Proceeds. If the Property or any portion thereof will be damaged or destroyed, subject to the further requirements of the Indenture, the City will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof will as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund entitled the "Insurance and Condemnation Fund" and made available for and, to the extent necessary, will be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Each such Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City will, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City will deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted a substantial interference with the City's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction pursuant to the Lease Agreement, then the City will be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption, as set forth in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction. Funds to be applied to the redemption of Bonds in accordance with clause (b) above will be deposited in the Redemption Fund. If the City is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds will, if there is first delivered to the Trustee a

Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

The proceeds of any award in eminent domain received in respect to the Property will be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property will be applied and disbursed by the Trustee as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, upon Written Request of the City, such proceeds will be remitted to the City and used for any lawful purpose thereof; or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Rental Payments payable by the City under the Lease Agreement, then, upon Written Request of the City, the Trustee will immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Reserve Fund. As long as the Reserve Surety Policy is in full force and effect the Authority, the City and the Trustee agree in the Indenture to comply with the following provisions:

(i) In the event and to the extent that moneys on deposit in the Base Rental Payment Fund, plus all amounts on deposit in and credited to the Series 2024 Account of the Reserve Fund in excess of the amount of the Reserve Surety Policy are insufficient to pay the amount of principal and interest coming due on the Series 2024 Bonds, then upon the later of: (i) the Interest Payment Date on which such principal and interest becomes due and (ii) the first Business Day following the Business Day on which the Insurer shall have received a completed Notice of Nonpayment (as defined in the Reserve Surety Policy) in a form reasonably satisfactory to it, the Insurer will make a deposit of funds in an account with the Trustee or its successor sufficient for the payment to the Trustee of amounts which are then due to the Trustee under the Indenture up to but not in excess of the Policy Limit (as defined in the Reserve Surety Policy); provided, however, that in the event that the amount on deposit in, or credited to, the Series 2024 Account of the Reserve Fund, in addition to the amount available under the Reserve Surety Policy, includes amounts available under a letter of credit, insurance policy, reserve surety policy or other such funding instrument (an "Alternative Credit Instrument"), draws on the Reserve Surety Policy and any Alternative Credit Instrument will be made on a pro rata basis to fund the insufficiency.

(ii) The Authority will repay from Base Rental Payments any draws under the Reserve Surety Policy and pay all related reasonable expenses incurred by the Insurer. Interest will accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate.

If the interest provisions described above result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question will, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the

Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess will be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event will any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(iii) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") will commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs (as calculated by the Authority and certified to the Trustee in writing) related to such draw.

(iv) Amounts in respect of Policy Costs paid to the Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Surety Policy will be reinstated by a like amount, subject to the terms of the Reserve Surety Policy.

(v) All cash and investments in the Series 2024 Account of the Reserve Fund will be transferred to the Base Rental Payment Fund for payment of the principal of and interest on the Series 2024 Bonds and the before any drawing may be made on the Reserve Surety Policy or any Alternative Credit Instrument. Payment of any Policy Costs will be made prior to replenishment of any such cash amounts. Draws on all Alternative Credit Instruments (including the Reserve Surety Policy) on which there is available coverage will be made on a pro-rata basis (calculated by reference to the coverage then available under each such Alternative Credit Instrument) after applying all available cash and investments in the Series 2024 Account of the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Alternative Credit Instruments will be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2024 Account of the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(vi) If the Authority or the City fail to pay any Policy Costs in accordance with the requirements of paragraphs (ii)-(v) described above, the Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, the Ground Lease and the Lease Agreement other than: (A) acceleration of the maturity of the payments of principal of and interest on the Series 2024 Bonds; or (B) remedies which would adversely affect Owners of the Series 2024 Bonds.

(vii) The Trustee will ascertain the necessity for a claim upon the Reserve Surety Policy in accordance with the provisions of paragraphs (i)-(v) described above and provide notice to the Insurer in accordance with the terms of the Reserve Surety Policy at least five Business Days prior to an Interest Payment Date. Where deposits are required to be made by the City with the Trustee to the Base Rental Payment Fund for the payment of principal of and interest on the Series 2024 Bonds more often than semi-annually, the Trustee will be instructed to give notice to the Insurer of any failure of the City to make timely payment in full of such deposits within two Business Days of the date due.

(viii) The obligation to pay Policy Costs will be secured by a valid lien on the Base Rental Payments, subject to the priority of payments set forth in the Indenture.

(ix) So long as the Reserve Surety Policy is in full force and effect, future deposits of an Alternative Credit Instrument in the Series 2024 of the Reserve Fund will require the prior written consent of the Insurer. Notwithstanding anything in the Indenture to the contrary, amounts on deposit in the Series 2024 Account will be applied solely to the payment of principal of and interest on the Series 2024 Bonds.

(x) Draws on the Reserve Surety Policy may only be used to make payments on the Series 2024 Bonds (and for the avoidance of doubt, not any other obligations of the Authority, whether issued on parity with the Series 2024 Bonds, or otherwise).

(xi) The Reserve Surety Policy will expire on the earlier of the date the Series 2024 Bonds are no longer Outstanding and the final maturity date of the Series 2024 Bonds.

(xii) Neither the Indenture, the Ground Lease, the Lease Agreement nor the Assignment Agreement will be discharged until all Policy Costs owing to the Insurer as issuer of the Reserve Surety Policy have been paid in full. The City's obligation to pay such amounts will expressly survive payment in full of the Series 2024 Bonds.

Rebate Fund.

(a) *Establishment.* The Trustee will establish a fund for the Bonds designated the "Rebate Fund" when required in accordance with the Indenture. Absent an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2024A Bonds will not be adversely affected, the Authority will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Series 2024A Bonds will be governed by the Indenture and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the Indenture or in the Tax Certificate, the Trustee: (1) will be deemed conclusively to have complied with the provisions thereof if it follows all Written Requests of the Authority or Written Requests of the City; (2) will have no liability or responsibility to enforce compliance by the Authority or the City with the terms of the Tax Certificate and will not be deemed to have knowledge of the terms thereof; (3) may rely conclusively on the Authority's or the City's calculations and determinations and certifications relating to rebate matters; and (4) will have no responsibility to independently make any calculations or determinations or to review the Authority's or the City's calculations or determinations thereunder.

(i) *Computation.* Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the Authority will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Authority will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Indenture.

(ii) *Transfer.* Within 55 days of the end of each fifth Bond Year, upon the Written Request of the Authority or Written Request of the City, an amount will be deposited to the Rebate Fund by the Trustee from any Rental Payments legally available for such purpose (as specified by the Authority or the City in the aforesaid Written Request), if and to the extent required, so that the balance in the Rebate Fund will equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Authority or Written Request of the City, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Base Rental Payment Fund.

(iii) *Payment to the Treasury.* The Trustee will pay, as directed by Written Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund:

(1) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebateable Arbitrage calculated as of the end of such Bond Year; and

(2) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebateable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebateable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038 T (prepared by the Authority), or will be made in such other manner as provided under the Code.

(b) *Disposition of Unexpended Funds.* Any funds remaining in the Rebate Fund after redemption and payment of the Series 2024A Bonds and the payments described in paragraph (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.

(c) *Survival of Defeasance.* Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the Indenture will survive the defeasance or payment in full of the Series 2024A Bonds.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. Moneys in all funds and accounts held by the Trustee will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date. Absent timely written direction from the Authority, the Trustee will hold any funds held by it uninvested.

Subject to the provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be retained therein.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued by the Trustee at cost thereof.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee will sell or present for redemption any Permitted Investments so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Trustee may make any investments under the Indenture through the bond or investment department or trust investment department of the entity acting as Trustee thereunder, or those of such entity's

parent or any affiliate, and such entity, or its parent or affiliate, as applicable, will be entitled to its normal, customary and reasonable compensation for such services.

The entity acting as Trustee under the Indenture, or any of its affiliates, may act as sponsor, advisor or manager in connection with any investments made by the Trustee thereunder and such entity, or its affiliate, as applicable, will be entitled to its normal, customary and reasonable compensation for such services.

The Authority and the City acknowledge that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law.

Payment Procedure Under the Series 2024A Insurance Policy. In the event that principal and/or interest due on the Series 2024A Bonds is paid by the Insurer pursuant to the Series 2024A Insurance Policy, the Series 2024A Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered Owners will continue to exist and run to the benefit of the Insurer, and the Insurer will be subrogated to the rights of such registered owners.

In the event that on the second Business Day prior to any Interest Payment Date on the Series 2024A Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 2024A Bonds due on such payment date, the Trustee will immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee will so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Series 2024A Bonds has been required to disgorge payments of principal of or interest on the Series 2024A Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee will notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee will irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Series 2024A Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Series 2024A Bonds, the Trustee will: (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Owners of the Series 2024A Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Series 2024A Bonds; (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Series 2024A Insurance Policy payment from the Insurer with respect to the claims for interest so assigned; (iii) segregate all such payments in a separate account established pursuant to the Indenture and held by the Trustee (the "Insurer 2024A Policy Payment Account"), to be used only to make scheduled payments of principal of and interest on the Series 2024A Bonds; and (iv) disburse the same to such Owners of the Series 2024A Bonds.

(b) If there is a deficiency in amounts required to pay principal of the Series 2024A Bonds, the Trustee will: (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Series 2024A Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Series 2024A Bonds surrendered to the Insurer; (ii) receive as designee of the respective Owners of Insured the Series 2024A Bonds (and not as Trustee) in accordance with the tenor of the Series 2024A Insurance Policy payment therefor from the Insurer; (iii) segregate all such payments in the Insurer 2024A Policy Payment Account to

only be used to make scheduled payments of principal of and interest on the Series 2024A Bonds; and (iv) disburse the same to such Owners of the Series 2024A Bonds.

The Trustee will designate any portion of payment of principal on Series 2024A Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2024A Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and issue a replacement Series 2024A Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2024A Bonds will have no effect on the amount of principal or interest payable by the Authority on any Series 2024A Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Series 2024A Bonds disbursed by the Trustee from proceeds of the Series 2024A Insurance Policy will not be considered to discharge the obligation of the Authority with respect to such Series 2024A Bonds, and the Insurer will become the owner of such unpaid Series 2024A Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Indenture, the Ground Lease, the Lease Agreement and the Assignment Agreement will not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Authority, the City and the Trustee agree in the Indenture for the benefit of the Insurer that:

(1) They recognize that to the extent that the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2024A Bonds, the Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Indenture, the Lease Agreement and the Series 2024A Bonds.

(2) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Series 2024A Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Series 2024A Bonds to Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Payment Procedure Under the Series 2024B Insurance Policy. In the event that principal and/or interest due on the Series 2024B Bonds is paid by the Insurer pursuant to the Series 2024B Insurance Policy, the Series 2024B Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered Owners will continue to exist and run to the benefit of the Insurer, and the Insurer will be subrogated to the rights of such registered owners.

In the event that on the second Business Day prior to any Interest Payment Date on the Series 2024B Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 2024B Bonds due on such payment date, the Trustee will immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee will so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Series 2024B Bonds has been required to disgorge payments of principal of or interest on the Series 2024B Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee will notify the Insurer or its designee of

such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee will irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Series 2024B Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Series 2024B Bonds, the Trustee will: (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Owners of the Series 2024B Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Series 2024B Bonds; (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Series 2024B Insurance Policy payment from the Insurer with respect to the claims for interest so assigned; (iii) segregate all such payments in a separate account established pursuant to the Indenture and held by the Trustee (the “Insurer 2024B Policy Payment Account”), to be used only to make scheduled payments of principal of and interest on the Series 2024B Bonds; and (iv) disburse the same to such Owners of the Series 2024B Bonds.

(b) If there is a deficiency in amounts required to pay principal of the Series 2024B Bonds, the Trustee will: (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Series 2024B Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Series 2024B Bonds surrendered to the Insurer; (ii) receive as designee of the respective Owners of Insured the Series 2024B Bonds (and not as Trustee) in accordance with the tenor of the Series 2024B Insurance Policy payment therefor from the Insurer; (iii) segregate all such payments in the Insurer 2024B Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Series 2024B Bonds; and (iv) disburse the same to such Owners of the Series 2024B Bonds.

The Trustee will designate any portion of payment of principal on Series 2024B Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2024B Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and issue a replacement Series 2024B Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Series 2024B Bonds will have no effect on the amount of principal or interest payable by the Authority on any Series 2024B Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Series 2024B Bonds disbursed by the Trustee from proceeds of the Series 2024B Insurance Policy will not be considered to discharge the obligation of the Authority with respect to such Series 2024B Bonds, and the Insurer will become the owner of such unpaid Series 2024B Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Indenture, the Ground Lease, the Lease Agreement and the Assignment Agreement will not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Authority, the City and the Trustee agree in the Indenture for the benefit of the Insurer that:

(1) They recognize that to the extent that the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2024B Bonds, the Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Indenture, the Lease Agreement and the Series 2024B Bonds.

(2) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Series 2024B Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Series 2024B Bonds to Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Payments by the Insurer as a Result of Nonpayment. The Insurer will be entitled to pay principal or interest on the Series 2024 Bonds that become Due for Payment but are unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policies), whether or not the Insurer has received a claim upon the Insurance Policies.

Covenants

Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any matter other than in accordance with the provisions of the Indenture, and the Authority and the City will not suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Ground Lease and Lease Agreement. The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or subsequently imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or subsequently acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Other Liens. The City will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City will create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien as provided for or permitted under the Indenture.

The Authority, the City and the Trustee will not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee (which request the Trustee is not required to make), take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or subsequently developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees and expenses, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries will be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records will be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions.

Recordation and Filing. The City will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an Opinion of Counsel that the exclusion from gross income of the interest on the Series 2024A Bonds will not be adversely affected for federal income tax purposes, the City and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the Series 2024A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) *Private Activity.* The City and the Authority will not take any action or refrain from taking any action or make any use of the proceeds of the Series 2024A Bonds or of any other moneys or property which would cause the Series 2024A Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) *Arbitrage.* The City and the Authority will make no use of the proceeds of the Series 2024A Bonds or of any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action which would cause the Series 2024A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) *Federal Guarantee.* The City and the Authority will make no use of the proceeds of the Series 2024A Bonds and will not take or omit to take any action that would cause the Series 2024A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) *Information Reporting.* The City and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the Series 2024A Bonds pursuant to Section 103(a) of the Code;

(e) *Hedge Bonds.* The City and the Authority will make no use of the proceeds of the Series 2024A Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the Series 2024A Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Series 2024A Bonds for federal income tax purposes; and

(f) *Miscellaneous.* The City and the Authority will not take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

The tax covenants set forth in the Indenture will not be applicable to, and nothing contained therein will be deemed to prevent the City and the Authority from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the Series 2024A Bonds, the interest with respect to which has been determined by an Opinion of Counsel to be subject to federal income taxation.

Continuing Disclosure. The City will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, will) or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture, the Assignment Agreement, the Ground Lease or the Lease Agreement.

Default and Limitations of Liability

Action on Default. If an event of default (within the meaning of the Lease Agreement) will happen, then such event of default will constitute an event of default under the Indenture. The Trustee will give notice, as assignee of the Authority, of an event of default under the Lease Agreement to the City. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, will, upon notice in writing to the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee. Subject to the provisions of the Indenture, the Trustee will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the City or any member, director, officer or employee thereof, and to compel the Authority or the City or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the Authority and the City to account as the trustee of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting

the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Notwithstanding any provision of the Indenture to the contrary, no event of default under the Indenture or under the Lease Agreement by the Authority or the City will result in acceleration of debt service on the Bonds under the Indenture.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee will deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Indenture, no remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or subsequently existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the City to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Indenture, the City will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability of the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the Authority or the City of the other agreements and covenants required to be performed by them contained in the Lease Agreement, the Ground Lease or the Indenture.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, will be deposited into the

Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under the Indenture; and
- (b) to the payment of all amounts then due for interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable;
- (c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable; and
- (d) to the extent Policy Costs or Insurer Reimbursement Amounts are due and payable to the Insurer, to the payment of such amounts.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee will be brought in its own name as trustee of an express trust, and any recovery of judgment will, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy under the Indenture, unless (a) such Owner has previously given written notice to the Trustee of a continuing event of default, (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding will have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture, (c) such Owner or Owners will have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity will have failed to institute any such proceedings, and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners.

Insurer Rights. The Insurer will be deemed to be the sole holder of the Series 2024 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Series 2024 Bond Owners are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Series 2024 Bond, the Trustee (solely with respect to the Series 2024 Bonds) and each Series 2024 Bond Owner appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Authority or the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of

any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner of the Series 2024 Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of the Series 2024 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners expressly include mandamus. Any reorganization or liquidation plan with respect to the Authority or the City must be acceptable to the Insurer, so long as the Insurance Policies are in full force and effect and the Insurer has not defaulted on its obligations thereunder.

Control by the Insurer Upon Default. Anything in the Indenture or in the Lease Agreement to the contrary notwithstanding, so long as the Insurance Policies are in full force and effect and the Insurer has not defaulted on its obligations thereunder, upon the occurrence and continuance of an event of default under the Indenture or under the Lease Agreement; (a) the Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2024 Bonds or the Trustee for the benefit of the holders of the Series 2024 Bonds under the Indenture or to the Trustee for the benefit of the Owners of the Series 2024 Bonds; (b) no event of default may be waived without the Insurer's written consent; and (c) the Insurer will be deemed to be the sole Owner of the Series 2024 Bonds for all purposes under the Indenture and under the Lease Agreement, including, without limitations, for purposes of exercising remedies and approving amendments.

The Trustee

Employment of the Trustee. The Authority appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture, all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The Authority may, by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor thereto unless an event of default has occurred and is continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee ceases to be eligible in accordance with the following sentence, and appoint a successor Trustee. The Trustee and any successor Trustee will be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing. If such national banking association or state-chartered commercial bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such national banking association or state-chartered commercial bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority will

promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and the Insurer will receive prior written notice of any name change of the Trustee.

Notwithstanding the foregoing, no removal, resignation or termination of the Trustee will take effect until a successor, meeting the requirements described above or acceptable to the Insurer, shall be qualified and appointed.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the Indenture, ipso facto, will be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding..

Compensation of the Trustee. The City will from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which will not include “overhead expenses” except as such expenses are included as a component of the Trustee’s stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture. The Trustee may take whatever legal actions are lawfully available to it directly against the Authority or the City.

The City will, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture, under the Lease Agreement, or in connection with any document or transaction contemplated under the Indenture or under the Lease Agreement, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its misconduct. The duty of the City to compensate and indemnify the Trustee will survive the termination and discharge of the Indenture and the earlier removal or resignation of the Trustee.

No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers thereunder.

Upon an event of default under the Indenture, and only upon an event of default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it. When the Trustee incurs expenses or renders services after the occurrence of an event of default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Protection of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it will in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the

provisions of the Indenture, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners will have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee will not be responsible for the sufficiency of the Bonds or the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or for statements made in any preliminary or final official statement relating to the Bonds, or of the title to the Property.

Whenever in the administration of its rights and obligations under the Indenture the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect of the Indenture be therein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City or a Written Certificate of the Authority, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith of the Indenture, but in its discretion the Trustee may, in lieu of the Indenture, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture, The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and will be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee will not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee will in a commercially reasonable manner pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee will not be liable for any error of judgment made by it in good faith unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct, negligence or breach of an obligation under the Indenture.

The Trustee will not be deemed to have knowledge of an event of default unless it has actual knowledge of the Indenture.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the City is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and will do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee will have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses will survive its resignation or removal and final payment or defeasance of the Bonds.

All indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, officers, employees and agents of the Trustee.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty, and the Trustee will not be answerable for other than its negligence or willful default. The Trustee will have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. The Trustee will not be accountable for the use or application by the City or the Authority of any of the Bonds or the proceeds of the Indenture or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Indenture or for the use and application of money received by any paying agent.

In acting or omitting to act pursuant to the Lease Agreement or Ground Lease, the Trustee will be entitled to all of the rights, immunities and indemnities accorded to it under the Indenture and the Lease Agreement.

The Trustee will have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" will mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture); provided, however, that the Authority and City will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the Authority and City whenever a person is to be added or deleted from the listing. If the Authority and City elect to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The Authority and City understand and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and City. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee will not be liable to the parties to the Indenture or deemed in breach or default under the Indenture if and to the extent its performance under the Indenture is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been

avoided by exercising due care. Force majeure will include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

Notification to Insurer by Trustee. The Trustee will notify the Insurer of any failure of the Authority to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge pursuant to the Indenture.

Modification or Amendments

(a) Modifications and Amendments Permitted. This Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and the written consent of the Insurer, so long as the Insurer is not in default on any obligation under the Insurance Policies, which have been filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) eliminate the aforesaid consent of the Insurer or reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent approves the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, the City, the Trustee, and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners or the Insurer for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the City;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to grant or confer upon the Owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners of the Bonds; and

(iv) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed.

(c) The Indenture and the rights and obligations of the Authority, the City, the Trustee, and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners but with the consent of the Insurer for any one or more of the following purposes:

(i) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(ii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iii) to modify, amend or supplement the Indenture in such manner as to cause interest on the Series 2024A Bonds and Additional Bonds issued on a tax-exempt basis to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(iv) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture.

Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee will mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

No Supplemental Indenture may modify any of the rights or obligations of the Trustee without its prior written consent.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the City, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The City will notify the rating agencies in accordance with the Indenture upon the execution of any Supplemental Indenture.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds. The provisions of the Indenture will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Execution of Supplemental Indenture. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee will be provided, and will be fully protected in relying upon, an Opinion Of Counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and complies with the terms of the Indenture. The Trustee may, but will not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Defeasance

Discharge of Indenture. If the Authority will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds will cease to be entitled to the pledge of the Base Rental and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the City all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds will have been paid and if, at the time of such payment, the Authority and the City will have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority and the City under the Indenture will cease, terminate, become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee will remain in effect and will be binding upon the Trustee, the City, and the Authority.

Bonds Deemed To Have Been Paid. If moneys have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds will be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority has given to the Trustee in form satisfactory to it irrevocable instructions to give, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there has been deposited with the Trustee either (i) money in an amount which is sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, will, as verified by an independent certified public accountant in a report (the

“Verification Report”) (acceptable to the Insurer) filed with the Authority, the City, the Insurer and the Trustee, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, (c) the Authority will have delivered or cause to be delivered an (i) escrow agreement (which is acceptable in form and substance to the Insurer, so long as the Insurer is not in default on any obligation under the Insurance Policies); and (ii) an opinion of Bond Counsel addressed to the Authority, the City, the Trustee and the Insurer regarding the validity and enforceability of the escrow agreement and to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the independent certified public accountant report referred to above) and (d) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit described in clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

At least three Business Days prior to any defeasance with respect to the Series 2024 Bonds, the Authority will deliver to the Insurer draft copies of an escrow agreement, an opinion of Bond Counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Series 2024 Bonds and a Verification Report regarding the sufficiency of the escrow fund. Such opinion and Verification Report will be addressed to the Insurer and in form and substance satisfactory to the Insurer. In addition, the escrow agreement must provide that any substitution of securities following the execution and delivery of the escrow agreement will require the delivery of: (I) a Verification Report; (II) an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the holders of the Series 2024A Bonds of the interest on the Series 2024A Bonds for federal income tax purposes; and (III) the prior written consent of the Insurer, which consent will not be unreasonably withheld.

The Authority will not exercise any prior optional redemption of Series 2024 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless: (1) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement, if any, for the refunding bonds; and (2) as a condition to any such redemption there will be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

The City and the Authority will not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

The Indenture will not be discharged with respect to the Series 2024 Bonds until all Policy Costs and Insurer Reimbursement Amounts and any other amounts due to the Insurer payable pursuant to the Indenture have been paid. The obligation to pay such amounts will expressly survive the payment in full of the Series 2024 Bonds.

The Series 2024 Bonds will be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, will be repaid to the Authority (without liability for interest) free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed

appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the Authority, the City, the Trustee and the Owners any claim, remedy or right under or pursuant thereto, and any agreement, condition, covenant or term required therein to be observed or performed by or on behalf of the Authority or the City will be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the City or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference is deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the City or the Trustee, or such officer, and all agreements, conditions, covenants and terms required thereby to be observed or performed by or on behalf of the Authority, the City or the Trustee, or any officer thereof, will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, request or other instrument or of any 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 or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bonds and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

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

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the City will be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained therein will relieve any member, officer or employee of the City or the Authority from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or by the Indenture.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds.

Funds and Accounts. Any fund or account required to be established and maintained in the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts will at an times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee will account separately for the moneys in each fund or account established pursuant to the Indenture. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the Authority, the City or the Trustee will be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms will be null and void to the extent contrary to law and will be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and will in no way affect the validity of the Indenture or of the Bonds, and the Owners will retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority, the City and the Trustee have declared that they would have executed the Indenture, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase of the Indenture and would have authorized the execution and delivery of the Bonds pursuant to the Indenture irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

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 the Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, will be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that, in determining whether the Trustee will be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, will be disregarded unless all Bonds are so owned or held, in which case such Bonds will be considered Outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request of the Trustee, the Authority and the City will specify in a certificate to the Trustee those Bonds disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture but without any liability for interest thereon.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment will be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

California Law. The Indenture will be construed and governed in accordance with the laws of the State of California.

Notice to Rating Agencies. The Trustee will provide S&P, if the Bonds are then rated by S&P, and Moody's, if the Bonds are then rated by Moody's, with prompt notice of any substitution or release of property pursuant to the Lease Agreement or the execution of any Supplemental Indenture pursuant to the Indenture.

Execution in Counterparts. The Indenture may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to the Indenture and may enforce the provisions of the Indenture as if it were a party thereto.

Impairment of Insurer's Rights. No contract may be entered into or any action taken by which the rights of the Insurer or security for or source of payment of the Series 2024 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Consent of the Insurer in Addition to Bondholder Consent. Notwithstanding anything to the contrary set forth in the Indenture or in the Lease Agreement, whenever any provision of the Indenture requires the consent of Owners of Series 2024 Bonds, the Insurer's consent will also be required so long as the Insurance Policies are in full force and effect and the Insurer has not defaulted on its obligations thereunder. In addition, any amendment, supplement, modification to, or waiver of, any provision of the Indenture that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

Insurer Consideration. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policies. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Series 2024 Bonds Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Series 2024 Bonds Owners or any other person is required in addition to the consent of the Insurer.

Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policies and the Reserve Surety Policy will not be deemed paid for purposes of the Indenture and the Series 2024 Bonds relating to such payments will remain Outstanding and continue to be due and owing until paid by the City and the Authority in accordance with the Indenture. The Indenture will not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Additional Payments. The City agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Ground Lease, the Lease Agreement and the Indenture ("Administrative Costs"). For purposes of the foregoing, costs and expenses will include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The City agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full. Notwithstanding anything in the Indenture to the contrary, the City agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policies ("the Insurer Policy Payment"); and (ii) interest on such Insurer Policy Payments from the date paid by the Insurer until payment thereof in full by the City, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts") compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, the Insurer Reimbursement Amounts will be, and the City covenants and agrees that the Insurer Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Series 2024 Bonds on a parity with debt service due on the Series 2024 Bonds.

Lease or Transfer of the Property. Other than the release of the Museum Property in accordance with the Lease Agreement, so long as the Series 2024 Bonds are outstanding or any amounts are due and payable to

the Insurer, the Authority and the City will not sell, lease, transfer, encumber or otherwise dispose of the Property or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

Special Provisions for Insurer Default. If an Insurer Default occurs and is continuing, then, notwithstanding anything in the Indenture or in the Lease Agreement to the contrary: (a) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policies, to the extent of such payment the Insurer will be treated like any other Owner of the Series 2024 Bonds for all purposes, including giving of consents; and (b) if the Insurer has not made any payment under the Insurance Policies, the Insurer will have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policies, in which event, the foregoing clause (a) will control.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority, for good and valuable consideration, the receipt of which is acknowledged, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments will be applied and the rights so assigned will be exercised by the Trustee as provided in the Lease Agreement and the Indenture.

APPENDIX C

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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CITY OF LANCASTER
ANNUAL COMPREHENSIVE FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

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INTRODUCTORY SECTION



R. REX PARRIS
MAYOR

MARVIN CRIST
VICE MAYOR

KEN MANN
COUNCIL MEMBER

RAJ MAHLI
COUNCIL MEMBER

LAUREN HUGHES-LESLIE
COUNCIL MEMBER

JASON CAUDLE
CITY MANAGER

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April 9, 2024

Honorable Mayor and Members of the City Council:

We are pleased to submit for your consideration the Annual Comprehensive Financial Report (ACFR) of the City of Lancaster, California, for the fiscal year which ended June 30, 2023. This document has been prepared by the City's Finance Department, and responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with City staff. To provide a reasonable basis for making these representations, City of Lancaster management has established a comprehensive internal control framework designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information to prepare Lancaster's financial statements.

The cost of internal controls should not outweigh their benefits; therefore, Lancaster's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. To the best of our knowledge and belief, management asserts that this financial report is complete and reliable in all material respects. This report includes the annual audit report of the City's independent auditors, Clifton Larson Allen LLP. All disclosures necessary to understand the City's financial activities have been included.

The data is designed to factually report the City's financial condition and to present the results of City operations as measured by activity among the various fund groups in an easily readable and understandable style. All disclosures necessary for the reader to gain an understanding of the City's financial affairs have been included. Financial statements are prepared in accordance with GAAP, as promulgated by the Government Accounting Standards Board.

The ACFR is presented in three sections: introduction, finances, and statistics. The introduction includes this transmittal letter, the City's organizational chart, and a list of principal officers. The financial section includes the basic financial statements, including the management's discussion and analysis, the combined and individual fund statements and schedules, and the auditor's report on the financial statements and schedules. The statistical section includes selected multi-year financial and demographic information.

This ACFR incorporates all City funds, including the separate entities under the direction of the City Council. These separate entities include the Lancaster Successor Agency and California CHOICE. Additionally, contained in the governmental funds section are the component units of the Lancaster Housing Authority, Lancaster Community Services Foundation, Lancaster Public Financing Authority, and Lancaster Power Authority.

The City provides a broad range of services associated with a municipality. These services include highway, street, drainage, sewer, electricity, and infrastructure construction and maintenance; planning and zoning; and parks, recreation, and cultural activities. Law enforcement, fire protection, the library, and animal control services are provided under contract with Los Angeles County. Water, sanitation, and schools are funded by special districts, not under City control.



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City of Lancaster Profile

Lancaster is located north of Los Angeles County in the Antelope Valley, about seventy miles from downtown Los Angeles. The Antelope Valley is separated from the Los Angeles Basin by the Angeles National Forest. The City is bordered by several unincorporated Los Angeles County communities and the City of Palmdale. Lancaster is served by state route 14 and by two major grade-separated east-west thoroughfares: Avenue H and Avenue L. With 94 square miles of residential communities, recreation and art venues, hi-tech industry, retail businesses, and open, natural space, Lancaster fosters an exciting atmosphere for living and a place of limitless opportunity for business.

The City was incorporated on November 22, 1977, and on April 13, 2010, voters approved Measure C which granted the City its Charter City status. The Mayor and City Council are elected at large. Lancaster has grown significantly in size and diversity over the last 42 years. According to the 2010 Census, Lancaster's population was 156,633, an increase of nearly thirty-two percent over the 2000 Census total. The 2022 US Census showed the population remaining steady at a population of 169,185.

As the first three-time recognized "Most Business Friendly City" by the Los Angeles County Economic Development Corporation, Lancaster understands that communities and families thrive when good jobs are created. Because many businesses can choose to locate those jobs anywhere, job creation depends on business-friendly practices. The City today attracts national and local companies from a diverse field of industries. Affordable housing prices attract families to our close-knit community.

In fact, even as Lancaster grows, we have retained a family-focused, hometown spirit. Thousands of visitors come to Lancaster in the spring to enjoy our beautiful poppy and wildflower fields among the world-famous Joshua trees. The film industry has captured the essence of the Antelope Valley in multitudes of movies, television shows, and music videos shot here each year, bringing many additional visitors to patronize our hotels and retail establishments.



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Strategic Initiatives

Public Safety Enhancements

The safety and well-being of our residents remain a top priority. In 2024, we are enhancing our hybrid policing model and expanding community policing efforts to ensure Lancaster remains a safe place to live and work. The Lancaster Police Safety Department, in collaboration with the LA Sheriff's Department, will introduce new initiatives focused on crime prevention and community engagement. With the introduction of Lancaster's first Chief of Police, new officers are in the process of being hired, police vehicles are online, and the police station is under construction. Completion is expected in FY 25.



Hydrogen City Advancements

Lancaster is proud to continue its leadership in the hydrogen energy sector. Building upon our leadership role in the hydrogen sector, we will expand partnerships and pursue additional funding opportunities to enhance Lancaster's position as a pioneer in green hydrogen production. Our continued collaboration with industry leaders and the success of the Pacific Hydrogen Alliance, as well as our involvement with ARCHES, underscores our dedication to clean energy innovation.

Economic and Community Development

Inspired by the successful launch of the 1st Time Home Buyer Program and the vitality of our business community, as evidenced by numerous ribbon cuttings and special events, we aim to further stimulate economic growth and housing affordability. Our focus will include supporting local businesses, attracting new investments, and implementing housing initiatives that meet the diverse needs of Lancaster residents.





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Environmental Sustainability and Resiliency

Recognizing the critical importance of environmental stewardship, our strategies will include continuing clean energy ventures, supporting sustainable transit solutions through AVTA, and promoting renewable energy projects that benefit our community and the planet. The City also completed plans for MARRC, a Multi-Agency Regional Resiliency Center, which includes a 140,000 SF event center, emergency operations center, culinary kitchen and energy center.

Enhancing Quality of Life Through Technology and Innovation

In the coming year, we will leverage technology to improve city services, enhance the quality of life for our residents, and make Lancaster a model for smart city initiatives nationwide. This includes further development of smart infrastructure, improving connectivity, and advancing our smart city initiatives to create a more livable, efficient, and sustainable community. PoppyFi, a free public Wi-Fi network, was launched this year and will be rolled out at all City parks.



Public Engagement and Inclusivity

Reflecting on the success of our community engagement efforts and special events, we are committed to fostering a more connected and inclusive Lancaster. Our initiatives will focus on expanding community outreach, supporting local events celebrating our city's diversity, and creating opportunities for meaningful public participation in city governance. City events surpassed previous years and are targeted to continue growing. Our Lancaster Community Center served over 12,000 community members. Rawley Duntley Park, Mariposa Park, El Dorado Park, and more are undergoing major renovations. This year, the City unveiled new hardcourts at Sgt. Steve Owen Memorial Park and a new recording studio – Studio 606.



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Measure LC

With the passing of Measure LC, the City's 0.75% sales tax increase, residents and staff demonstrated their commitment to the long-term fiscal health of their City. The measure was passed by voters on November 3, 2020, and was estimated to provide approximately \$12,000,000 in revenues annually. The City received \$21,682,348 in Fiscal Year 22-23. All additional revenues created by this sales tax will remain in the City. The goals of this additional funding: community safety, facilities development and maintenance, and services for the highest risk populations, is overseen by a Citizens' Oversight Committee.



OTHER INFORMATION

Independent Audit

The City requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. This report was prepared with the assistance of the auditor, the independent certified public accounting firm of Clifton Larson Allen LLP. The auditor's opinion is included in this report.

Acknowledgments

The preparation of this document is the result of the hard work of the entire Finance Department staff. Their efforts, coupled with the assistance of our auditors, have culminated in the completion of this report. We are pleased with the product and wish to thank all involved. Special appreciation goes to the members of the City Council for their continuing engagement and support of the City's financial activities. The financial success of the City of Lancaster is directly attributable to the City Council's progressive and responsible manner of addressing the business of this municipality.

Respectfully,

George Harris

George Harris
Finance and Information Technology Director

City of Lancaster

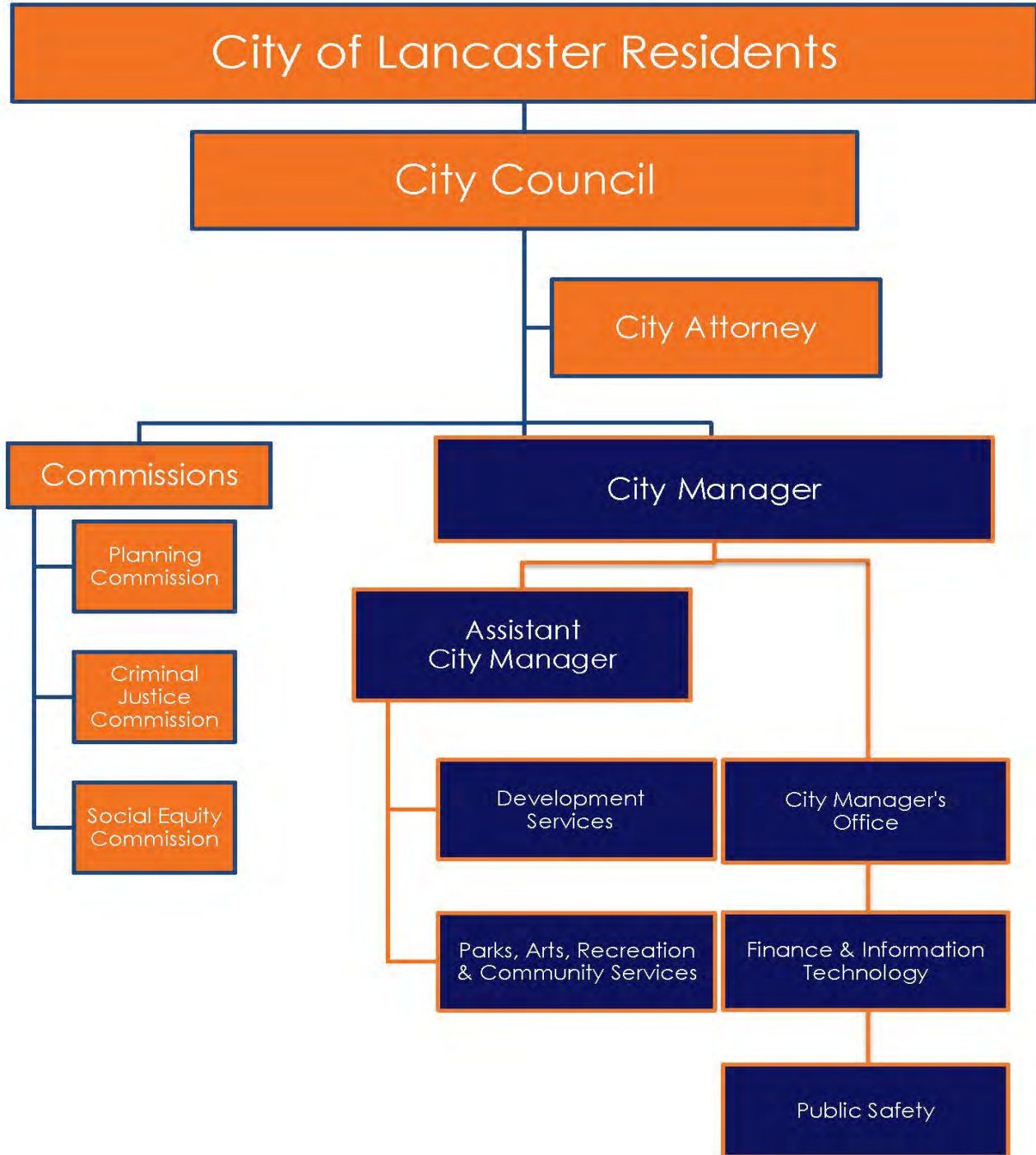
CITY COUNCIL

R. Rex Parris – Mayor
Marvin E. Crist – Vice Mayor
Raj Malhi – Council Member
Kenneth Mann – Council Member
Darrell Dorris – Council Member

CITY DIRECTORS/MANAGERS

Jason D. Caudle – City Manager
Trolis Niebla – Assistant City Manager
Allison E. Burns – City Attorney
Jeff Hogan – Development Services
Director
George N. Harris II – Finance Director
Sonya Patterson – Parks, Recreation,
Arts & Community Services Director
Rodrick Armalin – Public Safety Director

CITY OF LANCASTER
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2023



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Lancaster
Lancaster, California

Report on the audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, the Lancaster Housing Authority Special Revenue Fund, and the Transportation Development Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1D to the financial statements, effective July 1, 2022, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Restatement for Correction of Errors

As discussed in Note 20 to the financial statements, the City made restatements to beginning fund balance/net position to correct prior period misstatements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios and the schedules of contributions for the CalPERS and PARS pensions plans, and the schedule of changes in net OPEB liability and related ratios, and the schedule of contributions - OPEB identified as required supplementary information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

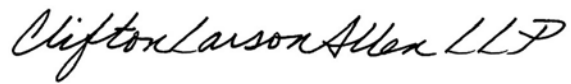
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and Members of the City Council
City of Lancaster

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
April 9, 2024

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

As management of the City of Lancaster, we offer readers of the City of Lancaster's financial statements this narrative overview and analysis of the financial activities of the City of Lancaster for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The General Fund revenues were \$112,402,737
- The cost of the General Fund was \$125,804,127
- The General Fund reported revenues in deficit of expenditures of \$13,401,390
- For the General Fund, actual resources available for appropriation (revenue inflows and fund balance) was greater than final budget by \$4,974,824; while actual appropriations (outflows) were less than the final budget by \$9,340,589

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lancaster's basic financial statements. The City of Lancaster's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Lancaster's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Lancaster's assets, deferred outflows, liabilities, and deferred inflow of resources with the net difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lancaster is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lancaster that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lancaster include General Government, Public Safety, Community Development, Parks, Recreation and Arts, Development Services, and Housing and Neighborhood Revitalization. The business-type activities include the Lancaster Power Authority, Lancaster Choice Energy and the California Choice Energy Authority.

The government-wide financial statements include the blending of separate legal entities: Lancaster Housing Authority, Lancaster Community Services Foundation, Lancaster Financing Authority, Lancaster Power Authority, and California Choice Energy Authority. Although legally separate, these "component units" are important because the City of Lancaster is financially accountable for them. Separate statements are provided for the fiduciary activities of the Custodial Funds and Private Purpose Fund of the Lancaster Successor Agency.

CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lancaster, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lancaster can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lancaster maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, one debt service fund, and two special revenue funds, all of which are considered to be major funds. Data from the other thirty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Lancaster adopts an annual budget for its governmental funds. A fiscal year (FY) 22/23 budgetary comparison statement has been provided for each individual fund to demonstrate compliance with its budget appropriations.

Proprietary Funds. A Proprietary or Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lancaster uses enterprise funds to account for the activities of the Lancaster Power Authority, Lancaster Choice Energy, and California Choice Energy Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Lancaster Power Authority, Lancaster Choice Energy, and California Choice Energy Authority.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lancaster's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement.

Combining Statements. The combining statements referred to earlier in connection with non-major governmental are presented immediately following the notes.

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Government-wide Financial Analysis

Our analysis focuses on the net position and changes in net position of the City's governmental activities.

Governmental Activities. Governmental activities decreased the City of Lancaster's net position by \$2,423,690.

	<u>Fiscal Year</u>	
	<u>2022</u>	<u>2023</u>
Expenses		
Governmental activities:		
General Government	\$ 27,689,637	\$ 37,100,475
Public Safety	35,132,514	38,988,488
Community Development	664,521	1,297,964
Parks, Recreation and Arts	25,614,746	24,557,617
Development Services	65,722,004	82,016,861
Housing and Neighborhood Revitalization	7,758,697	1,001,945
Interest on long-term debt	2,551,057	3,036,813
Total primary governmental activities expenses	<u>\$ 165,133,176</u>	<u>\$ 188,000,163</u>
Program Revenues (see Schedule 3)		
Governmental activities:		
Charges for services:		
General Government	\$ 287,009	\$ 1,156,517
Public Safety	802,251	681,722
Community Development	653,198	816,687
Parks, Recreation and Arts	2,499,106	3,415,139
Development Services	20,552,067	20,662,559
Housing and Neighborhood Revitalization	12	3,276
Operating grants and contributions	60,297,493	54,094,552
Capital grants and contributions	10,047,212	2,997,354
Total governmental activities program revenues	<u>\$ 95,138,348</u>	<u>\$ 83,827,806</u>
Governmental activities	\$ (69,994,828)	\$ (104,172,357)
Other Changes in Net Assets		
Governmental activities:		
Taxes:		
Property taxes	27,184,193	33,007,795
Franchise taxes	9,261,656	7,451,316
Transient occupancy taxes	2,709,026	2,676,338
Business licenses taxes	1,364,377	855,151
Other taxes	1,027,933	851,184
Intergovernmental	186,425	180,915
Intergovernmental - state shared sales taxes	50,950,947	49,229,826
Investment Earnings	(1,397,099)	3,977,989
Miscellaneous	9,577,174	2,157,473
Gain on sale property	801,949	433,995
Transfers	946,797	926,685
Total governmental activities	<u>\$ 102,613,378</u>	<u>\$ 101,748,667</u>
Change in Net Assets		
Governmental activities	\$ 32,618,550	\$ (2,423,690)

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Business-Type Activities. Business-type activities increased the City of Lancaster's net position by \$4,807,987 primarily due to increased power revenue as a result of rate increases and major heat event during summer months that caused a huge increase in energy consumption and sales.

	<u>2022</u>	<u>2023</u>
Expenses		
Business-type activities:		
Lancaster Power Authority	\$ 1,947,106	\$ 1,348,432
Lancaster Choice Energy	51,194,116	67,149,222
California Choice Energy Authority	7,081,730	7,517,372
Total business-type activities expenses	<u>60,222,952</u>	<u>76,015,026</u>
 Program Revenues (see Schedule 3)		
Business-type activities:		
Charges for services:		
Lancaster Power Authority	\$ 1,911,332	\$ 1,910,499
Lancaster Choice Energy	51,692,560	68,549,854
California Choice Energy Authority	7,206,199	8,015,547
Total business-type activities program revenues	<u>\$ 60,810,091</u>	<u>\$ 78,475,900</u>
 Business-type activities:	 587,139	 2,460,874
 Other Changes in Net Assets		
Business-type activities:		
Investment Earnings	\$ 182	\$ 313
Miscellaneous	551,588	3,273,485
Transfers	(946,797)	(926,685)
Total business-type activities	<u>\$ (395,027)</u>	<u>\$ 2,347,113</u>
 Total Primary Government Revenues, Contributions, and Transfers	 <u>\$ 60,415,064</u>	 <u>\$ 80,823,013</u>
 Change in Net Assets		
Business-type activities	192,112	4,807,987

The following presents the cost of each of the City's five largest programs – general government, public safety, parks, recreation and arts, development services, and community development - as well as each program's *net* cost (total cost less revenues generated by the activities).

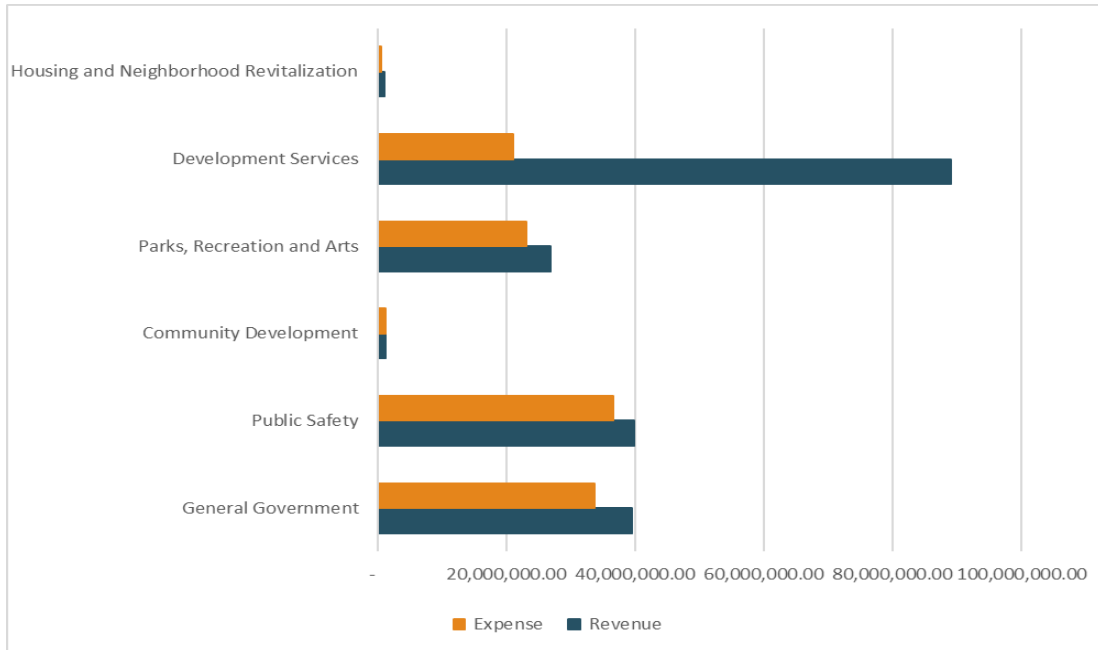
The net cost of services indicates that the overall cost of government is more than the revenues generated to support it. The City is not fully recovering the cost of these services with program revenues from user fees and other contributions. See the Statement of Activities for further detail on program revenues and general revenues.

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

**City of Lancaster- Cost of Services
(in thousands)**

	Total Cost of Services	Net Cost of Services
	2023	2023
General Government	\$ 37,100	\$ (31,304)
Public Safety	38,988	(35,776)
Community Development	1,297	1,300
Parks, Recreation and Arts	24,557	(20,761)
Development Services	82,016	(14,058)
Housing and Neighborhood Revitalization	1,001	(534)
Totals	\$ 184,959	\$ (101,133)

**City of Lancaster Governmental Activities
REVENUE & EXPENSE BY SOURCE**



**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Analysis of the City's Funds

The City of Lancaster uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Lancaster's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lancaster's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$230,734,242. This is a decrease of \$31,570,675 from last fiscal year mostly due to significant increase in capital outlay for projects during the year.

The General Fund is the chief operating fund of the City of Lancaster. At the end of the current fiscal year, including transfers, the General Fund reported revenues and transfers-in in excess of expenditures and transfers-out resulting in a fund balance of \$119,236,452. This is a decrease of \$2,675,059 from last fiscal year in fund balance due to increases of transfers to internal service funds like Information Technology for needed upgrades.

The Transportation Development Authority Fund is a special revenue fund used for local street and road improvements, congestion relief and traffic safety. At the end of the current fiscal year, Transportation Development Authority Fund reported expenditures and transfers out in excess of revenues and transfer-in of \$11,843,657.

The Lancaster Housing Authority Fund is a special revenue fund used to capture activities performed by the Lancaster Housing Authority. At the end of the current fiscal year, the Lancaster Housing Authority Fund reported revenues and transfer-in in excess expenditures and transfers-out of \$73,120,880. The services provided to the community by the Housing and Neighborhood revitalization staff will yield beautiful, family-friendly, new housing tracts in formerly blighted areas of the City.

The Lancaster Financing Authority is a debt service fund used to account for the various Lease Revenue Financings. At the end of the current fiscal year, Lancaster Financing Authority Fund reported revenues and transfers-in in excess of expenditures and transfer-out of \$5,068,468.

Proprietary Funds. The City of Lancaster's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The City of Lancaster has three funds of this type: Lancaster Power Authority, Lancaster Choice Energy, and California Choice Energy Authority.

The net position of the Lancaster Power Authority, Lancaster Choice Energy, and California Choice Energy Authority at the end of the year was \$10,762,536, an increase over last year of \$4,807,987. This is primarily due to higher power sales for Lancaster Choice Energy as a result of rate increases and high heat events during the summer months that increased energy consumption and sales.

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Budgetary Highlights

The actual amount of expenditures for the General Fund at year-end were \$9,340,589 less than the final budget to include transfers. Management works very hard to control expenditures, ensuring the city is fiscally sound. Managers citywide diligently tracked division and departmental budgets to ensure overruns did not occur. As a result of the decreased spending and increased revenues, the City was still able to see a net positive \$14,315,413 in actuals over appropriations.

Capital Asset and Debt Administration

Capital Assets. At the end of FY 2023, the City had \$897.5 million invested in a broad range of capital assets, including land, buildings, infrastructure, equipment, and intangible assets net of accumulated depreciation.

The City's Capital Improvement Plan requested \$43 million in new capital projects through fiscal year 2022-23 on new projects. Funding will come from current fund balances and projected revenues. The most significant projects include SR 14 interchange projects, City Hall facelift, pavement management program, and other citywide facility upgrades.

Capital Assets (in Thousands)			
	Governmental Activities	Business-type Activities	Total Capital Assets
Land	\$ 44,412		\$ 44,412
Structures and Improvements	88,043		88,043
Furniture and Equipment	20,426		20,426
Infrastructure	1,793,618		1,793,618
Construction in Progress	60,485		60,485
Right of Use Assets	4,903		4,903
Intangible Assets	-	23,487	23,487
Accumulated Depreciation	(1,114,313)	(10,803)	(1,125,116)
Net Capital Assets	\$ 897,577	\$ 12,682	\$ 910,258

Note 6 provides a detailed analysis of the Capital Assets.

Long-term Debt. At the end of the current fiscal year, the City of Lancaster's total long-term debt increased by \$5.3 Million from the prior year. This is due to a new property acquisition and the implementation of GASB 96. As of June 30, 2023, the City of Lancaster had accrued employee benefits outstanding of \$3,822,670.

The City's AA credit rating remained unchanged for FY 22/23.

Economic Factors and Next Year's Budgets and Rates

**CITY OF LANCASTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

On June 27, 2023, the City Council adopted and approved the budget for FY 23/24 along with the Five-Year Capital Improvement Program. Appropriations (including transfers) of \$272.5 million were adopted for the 23/24 fiscal year. Adequate resources are available to fund the proposed expenditures. Consistent with the City's policy, General Fund operating revenues fully cover on-going operating expenses with Fund Balance funding one-time expenses. The ending General Fund balance exceeds the City's policy minimum of 35% of operating expenditures. This is split into Working Capital, Emergency Operational, Emergency Response, and Business Opportunity/Investment reserves.

Budgetary revenue estimates have been prepared using a variety of methods. Certain revenue sources, such as federal and state grants and transportation funds are relatively fixed and known. Others, such as sales tax and development related revenues are more difficult to estimate. In those cases, a cautiously optimistic economic outlook has been assumed.

Current economic conditions allow the City to maintain core services, and to maintain current levels of public safety. However, prudent long-term fiscal planning dictates that we remain conservative, focus on the highest priorities, and fund only those enhancements we can sustain financially.

The two largest sources of revenue for the City's Funds are property tax and sales tax. Taxes overall represent 25.0% of total revenues for the upcoming fiscal year. The revenue and expenditure projections for development related activity are based upon local and regional economic forecasts and trends. Overall, the budget is based on the information supplied by outside agencies, such as the State Department of Finance, California Department of Tax & Fee Administration, and the Los Angeles County Assessor's Office, to predict revenues. The revenue and expenditure projections are intended to serve as a guide in planning for the future.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact George Harris, Director of Finance or Viridiana Iguaran, Assistant Director of Finance, at the City of Lancaster, 44933 Fern Avenue, Lancaster, CA 93534, or by phone at (661)723-6037.

BASIC FINANCIAL STATEMENTS

CITY OF LANCASTER
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 139,093,297	\$ 5,355,749	\$ 144,449,046
Cash and Investments - Held Separately by CCEA	-	4,526,555	4,526,555
Receivables:			
Accounts	14,395,929	24,541,792	38,937,721
Taxes	12,149,540	-	12,149,540
Accrued Interest	571,634	-	571,634
Leases	700,774	-	700,774
Due from Other Governments	17,251,189	1,684,797	18,935,986
Notes and Loans	5,399,779	-	5,399,779
Deposits	-	147,000	147,000
Prepaid Items	1,152,241	4,288,480	5,440,721
Internal Balances	11,991,715	(11,991,715)	-
Inventories	21,915	-	21,915
Land Held for Resale	42,433,996	-	42,433,996
Advances to Successor Agency	64,135,866	-	64,135,866
Restricted Assets:			
Cash and Investments	14,978,559	380	14,978,939
Capital Assets:			
Nondepreciable	104,898,048	-	104,898,048
Depreciable	792,679,469	12,682,858	805,362,327
Total Assets	<u>1,221,853,951</u>	<u>41,235,896</u>	<u>1,263,089,847</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Pension Plan	22,039,119	-	22,039,119
Deferred Amounts on OPEB	5,082,209	-	5,082,209
Total Deferred Outflows of Resources	<u>27,121,328</u>	<u>-</u>	<u>27,121,328</u>
LIABILITIES			
Accounts Payable	31,686,883	7,068,230	38,755,113
Accrued Liabilities	4,915,044	32,417	4,947,461
Accrued Interest	723,745	63,484	787,229
Unearned Revenues	1,001,987	2,295,424	3,297,411
Deposits Payable	1,862,495	2,187,050	4,049,545
Due to Other Governments	-	1,210,682	1,210,682
Noncurrent Liabilities:			
Due Within One Year - Other	7,134,637	785,000	7,919,637
Due in More than One Year:			
Other	85,225,270	16,831,073	102,056,343
Net Pension Liability	73,211,155	-	73,211,155
Net OPEB Liability	8,783,733	-	8,783,733
Total Liabilities	<u>214,544,949</u>	<u>30,473,360</u>	<u>245,018,309</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Leases	664,561	-	664,561
Deferred Amounts on Pension Plan	2,711,886	-	2,711,886
Deferred Amounts on OPEB	5,863,022	-	5,863,022
Total Deferred Inflows of Resources	<u>9,239,469</u>	<u>-</u>	<u>9,239,469</u>
NET POSITION			
Net Investment in Capital Assets	820,612,473	(4,933,215)	815,679,258
Restricted for:			
Community Development Projects	3,187,028	-	3,187,028
Public Safety	284,928	-	284,928
Parks, Recreation, and Arts	2,350,257	-	2,350,257
Development Services	47,255,465	-	47,255,465
Housing and Neighborhood Revitalization	79,582,845	-	79,582,845
Capital Projects	19,848,420	-	19,848,420
Unrestricted	<u>52,069,445</u>	<u>15,695,751</u>	<u>67,765,196</u>
Total Net Position	<u>\$ 1,025,190,861</u>	<u>\$ 10,762,536</u>	<u>\$ 1,035,953,397</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 37,100,475	\$ 1,156,517	\$ 4,639,365	\$ -
Public Safety	38,988,488	681,722	2,530,369	-
Community Development	1,297,964	816,687	1,781,722	-
Parks, Recreation, and Arts	24,557,617	3,415,139	380,780	-
Development Services	82,016,861	20,662,559	44,298,206	2,997,354
Housing and Neighborhood Revitalization	1,001,945	3,276	464,110	-
Interest and Other Charges	3,036,813	-	-	-
Total Governmental Activities	<u>188,000,163</u>	<u>26,735,900</u>	<u>54,094,552</u>	<u>2,997,354</u>
BUSINESS-TYPE ACTIVITIES				
Lancaster Power Authority	1,348,432	1,910,499	-	-
Lancaster Choice Energy	67,149,222	68,549,854	-	-
California Choice Energy Authority	7,517,372	8,015,547	-	-
Total Business-Type Activities	<u>76,015,026</u>	<u>78,475,900</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 264,015,189</u>	<u>\$ 105,211,800</u>	<u>\$ 54,094,552</u>	<u>\$ 2,997,354</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023

Functions/Programs	Net (Expenses) Revenue and Changes in Net Position Primary Government		
	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES			
General Government	\$ (31,304,593)	\$ -	\$ (31,304,593)
Public Safety	(35,776,397)	-	(35,776,397)
Community Development	1,300,445	-	1,300,445
Parks, Recreation, and Arts	(20,761,698)	-	(20,761,698)
Development Services	(14,058,742)	-	(14,058,742)
Housing and Neighborhood Revitalization	(534,559)	-	(534,559)
Interest and Other Charges	(3,036,813)	-	(3,036,813)
Total Governmental Activities	(104,172,357)	-	(104,172,357)
BUSINESS-TYPE ACTIVITIES			
Lancaster Power Authority	-	562,067	562,067
Lancaster Choice Energy	-	1,400,632	1,400,632
California Choice Energy Authority	-	498,175	498,175
Total Business-Type Activities	-	2,460,874	2,460,874
Total Government	(104,172,357)	2,460,874	(101,711,483)
GENERAL REVENUES AND TRANSFERS			
Taxes:			
Property Taxes, Levied for General Purposes	33,007,795	-	33,007,795
Franchise Taxes	7,451,316	-	7,451,316
Transient Occupancy Taxes	2,676,338	-	2,676,338
Business Licenses Taxes	855,151	-	855,151
Other Taxes	851,184	-	851,184
Intergovernmental	180,915	-	180,915
Intergovernmental - State Shared Sales Tax	49,229,826	-	49,229,826
Investment Earnings	3,977,989	313	3,978,302
Miscellaneous	2,157,473	3,273,485	5,430,958
Gain on Sale of Property	433,995	-	433,995
Transfers	926,685	(926,685)	-
Total General Revenues and Transfers	101,748,667	2,347,113	104,095,780
CHANGE IN NET POSITION	(2,423,690)	4,807,987	2,384,297
Net Position - Beginning of Year	1,027,614,551	5,954,549	1,033,569,100
NET POSITION - END OF YEAR	<u>\$ 1,025,190,861</u>	<u>\$ 10,762,536</u>	<u>\$ 1,035,953,397</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Special Revenue Funds		Debt Service Fund
		Lancaster Housing Authority	Transportation Development Authority	Lancaster Financing Authority
ASSETS				
Pooled Cash and Investments	\$ 61,567,028	\$ 12,958,420	\$ -	\$ -
Receivables:				
Accounts	4,933,467	23	-	172,647
Taxes	10,401,996	-	-	-
Accrued Interest	530,373	-	-	-
Leases	700,774	-	-	-
Due from Other Governments	314,409	-	8,971,543	-
Notes and Loans, Net	1,048,279	3,761,440	-	-
Prepaid Items	978,157	1,545	-	-
Due from Other Funds	43,259,191	-	-	-
Inventories	21,915	-	-	-
Land Held for Resale	-	42,209,230	-	-
Advances to Successor Agency	44,978,738	19,157,128	-	-
Restricted Assets:				
Cash and Investments with Fiscal Agents	-	-	-	14,978,559
Total Assets	<u>\$ 168,734,327</u>	<u>\$ 78,087,786</u>	<u>\$ 8,971,543</u>	<u>\$ 15,151,206</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 21,416,276	\$ 62,064	\$ 4,995	\$ -
Accrued Liabilities	2,351,961	12,449	-	-
Unearned Revenues	77,909	-	-	-
Deposits Payable	1,812,495	50,000	-	-
Due to Other Funds	-	-	11,838,662	9,910,091
Total Liabilities	<u>25,658,641</u>	<u>124,513</u>	<u>11,843,657</u>	<u>9,910,091</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Leases	664,561	-	-	-
Unavailable Revenues	23,174,673	4,842,393	8,971,543	172,647
Total Deferred Inflows of Resources	<u>23,839,234</u>	<u>4,842,393</u>	<u>8,971,543</u>	<u>172,647</u>
FUND BALANCES				
Nonspendable:				
Notes and Loans	1,048,279	-	-	-
Prepaid Items	978,157	1,545	-	-
Inventories	21,915	-	-	-
Advances to Successor Agency	25,609,169	-	-	-
Restricted:				
Community Development Projects	-	-	-	-
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	-	-	-
Housing and Neighborhood Revitalization	-	73,119,335	-	-
Capital Projects	-	-	-	5,068,468
Committed:				
Contingency Reserve	49,046,805	-	-	-
Assigned:				
Employee Benefits	3,822,671	-	-	-
Legal Claims	2,550,000	-	-	-
Capital Projects	3,046,116	-	-	-
Unassigned	33,113,340	-	(11,843,657)	-
Total Fund Balances (Deficit)	<u>119,236,452</u>	<u>73,120,880</u>	<u>(11,843,657)</u>	<u>5,068,468</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 168,734,327</u>	<u>\$ 78,087,786</u>	<u>\$ 8,971,543</u>	<u>\$ 15,151,206</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Pooled Cash and Investments	\$ 64,567,849	\$ 139,093,297
Receivables:		
Accounts	9,289,792	14,395,929
Taxes	1,747,544	12,149,540
Accrued Interest	41,261	571,634
Leases	-	700,774
Due from Other Governments	7,965,237	17,251,189
Notes and Loans, Net	590,060	5,399,779
Prepaid Items	172,539	1,152,241
Due from Other Funds	-	43,259,191
Inventories	-	21,915
Land Held for Resale	224,766	42,433,996
Advances to Successor Agency	-	64,135,866
Restricted Assets:		
Cash and Investments with Fiscal Agents	-	14,978,559
Total Assets	\$ 84,599,048	\$ 355,543,910
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 10,203,548	\$ 31,686,883
Accrued Liabilities	2,550,634	4,915,044
Unearned Revenues	924,078	1,001,987
Deposits Payable	-	1,862,495
Due to Other Funds	9,518,723	31,267,476
Total Liabilities	23,196,983	70,733,885
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Leases	-	664,561
Unavailable Revenues	16,249,966	53,411,222
	16,249,966	54,075,783
FUND BALANCES		
Nonspendable:		
Notes and Loans	-	1,048,279
Prepaid Items	172,539	1,152,241
Inventories	-	21,915
Advances to Successor Agency	-	25,609,169
Restricted:		
Community Development Projects	2,998,559	2,998,559
Public Safety	284,928	284,928
Parks, Recreation, and Arts	2,350,257	2,350,257
Development Services	47,255,465	47,255,465
Housing and Neighborhood Revitalization	1,621,117	74,740,452
Capital Projects	1,882,051	6,950,519
Committed:		
Contingency Reserve	-	49,046,805
Assigned:		
Employee Benefits	-	3,822,671
Legal Claims	-	2,550,000
Capital Projects	-	3,046,116
Unassigned	(11,412,817)	9,856,866
Total Fund Balances (Deficit)	45,152,099	230,734,242
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 84,599,048	\$ 355,543,910

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Fund Balances - Total Governmental Funds \$ 230,734,242

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds balance sheet:

Capital Assets	2,011,890,630
Accumulated Depreciation	(1,114,313,113)
	897,577,517

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2023, are:

Bonds, Notes, Loans, Leases and Subscriptions Payable	(85,987,237)
Claims and Judgments	(2,550,000)
Compensated Absences	(3,822,670)
	(92,359,907)

The net pension liability applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts affect only the government-wide statements for governmental activities:

Deferred Outflows of Resources	22,039,119
Deferred Inflows of Resources	(2,711,886)
Net Pension Liability	(73,211,155)
	(53,883,922)

The net OPEB liability applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and inflows related to OPEB are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.

Deferred Outflows of Resources	5,082,209
Deferred Inflows of Resources	(5,863,022)
Net OPEB Liability	(8,783,733)
	(9,564,546)

Accrued interest payable for the current portion of interest due on bonds is not reported in the governmental funds

(723,745)

Long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund financial statements:

Unavailable Revenues	53,411,222
	53,411,222

Net Position of Governmental Activities **\$ 1,025,190,861**

CITY OF LANCASTER
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General	Special Revenue Funds		Debt Service Fund
		Lancaster Housing Authority	Transportation Development Authority	Lancaster Financing Authority
REVENUES				
Taxes	\$ 62,519,614	\$ -	\$ -	\$ -
Licenses and Permits	7,876,861	-	-	-
Intergovernmental	29,158,404	-	-	-
Charges for Services	3,534,972	-	-	-
Investment Earnings	3,059,418	25,164	-	735,093
Fines and Forfeitures	643,406	-	-	-
Contributions	-	-	-	-
Gain from Sale of Land Held for Resale	-	433,995	-	-
Miscellaneous	5,610,062	119,273	-	-
Total Revenues	112,402,737	578,432	-	735,093
EXPENDITURES				
Current:				
General Government	35,243,477	-	-	83,470
Public Safety	38,974,589	-	-	-
Community Development	-	-	-	-
Parks, Recreation, and Arts	22,550,970	-	-	-
Development Services	16,965,701	-	-	-
Housing and Neighborhood Revitalization	-	879,263	-	-
Capital Outlay	9,258,605	4,400	746,808	9,350,070
Debt Service:				
Principal Retirement	2,579,351	-	-	1,075,000
Interest and Fiscal Charges	231,434	-	-	2,477,431
Total Expenditures	125,804,127	883,663	746,808	12,985,971
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(13,401,390)	(305,231)	(746,808)	(12,250,878)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	256,272	-	-	-
Lease Proceeds	888,875	-	-	-
Transfers In	11,746,051	-	-	3,484,048
Transfers Out	(5,164,867)	(560,103)	(8,220,390)	-
Total Other Financing Sources (Uses)	7,726,331	(560,103)	(8,220,390)	3,484,048
NET CHANGE IN FUND BALANCES	(5,675,059)	(865,334)	(8,967,198)	(8,766,830)
Fund Balances (Deficit) - Beginning of Year, As Restated	124,911,511	73,986,214	(2,876,459)	13,835,298
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 119,236,452</u>	<u>\$ 73,120,880</u>	<u>\$ (11,843,657)</u>	<u>\$ 5,068,468</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Other Governmental Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 4,416,380	\$ 66,935,994
Licenses and Permits	2,771,320	10,648,181
Intergovernmental	28,798,158	57,956,562
Charges for Services	10,534,852	14,069,824
Investment Earnings	518,793	4,338,468
Fines and Forfeitures	211,113	854,519
Contributions	57,632	57,632
Gain from Sale of Land Held for Resale	-	433,995
Miscellaneous	474,673	6,204,008
Total Revenues	47,782,921	161,499,183
EXPENDITURES		
Current:		
General Government	3,017,878	38,344,825
Public Safety	-	38,974,589
Community Development	871,273	871,273
Parks, Recreation, and Arts	119,866	22,670,836
Development Services	23,521,187	40,486,888
Housing and Neighborhood Revitalization	132,457	1,011,720
Capital Outlay	25,819,702	45,179,585
Debt Service:		
Principal Retirement	836,767	4,491,118
Interest and Fiscal Charges	401,991	3,110,856
Total Expenditures	54,721,121	195,141,690
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(6,938,200)	(33,642,507)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	-	256,272
Lease Proceeds	-	888,875
Transfers In	9,084,810	24,314,909
Transfers Out	(9,442,864)	(23,388,224)
Total Other Financing Sources (Uses)	(358,054)	2,071,832
NET CHANGE IN FUND BALANCES	(7,296,254)	(31,570,675)
Fund Balances (Deficit) - Beginning of Year, As Restated	52,448,353	262,304,917
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 45,152,099	\$ 230,734,242

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (31,570,675)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.

Capital Outlays	36,878,576
Disposals	(26,002)
Depreciation Expense	(39,429,961)
	(2,577,387)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Payments	4,491,118
Leases	(888,875)
Amortization of Bond Premium	401,388
	4,003,631

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Accrued Employee Benefits	(45,822)
Change in Claims Payable	504,000
	458,178

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

(327,345)

OPEB expenditures reported in the governmental funds includes the actuarial determined contributions. In the statement of activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

2,863,487

Pension expenditures reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense included the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

(574,527)

Revenues are deferred in the governmental funds when they are not received soon after year-end to be considered to be available. The availability criteria does not apply to the statement of net position and therefore the revenue is recognized.

25,300,948

Change in Net Position of Governmental Activities **\$ (2,423,690)**

**CITY OF LANCASTER
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	\$ 124,911,511	\$ 124,911,511	\$ 124,911,511	\$ -
RESOURCES (INFLOWS)				
Taxes	60,793,486	60,793,486	62,519,614	1,726,128
Licenses and Permits	6,346,399	7,761,419	7,876,861	115,442
Intergovernmental	29,543,065	29,762,709	29,158,404	(604,305)
Charges for Services	2,778,302	2,767,312	3,534,972	767,660
Investment Earnings	882,091	918,091	3,059,418	2,141,327
Fine and Forfeitures	646,623	623,403	643,406	20,003
Rental Income	150,000	150,000	-	(150,000)
Miscellaneous	4,001,867	4,861,192	5,610,062	748,870
Sale of Capital Assets	-	-	256,272	256,272
Lease Proceeds	-	-	888,875	888,875
Transfers In	9,816,400	12,681,499	11,746,051	(935,448)
Amounts Available for Appropriations	<u>114,958,233</u>	<u>120,319,111</u>	<u>125,293,935</u>	<u>4,974,824</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	28,302,077	37,533,630	35,243,477	2,290,153
Public Safety	41,200,743	41,127,070	38,974,589	2,152,481
Parks, Recreation, and Arts	23,710,735	26,614,202	22,550,970	4,063,232
Development Services	17,195,875	20,413,221	16,965,701	3,447,520
Capital Outlay	-	38,772	9,258,605	(9,219,833)
Debt Service:				
Principal Retirement	-	-	2,579,351	(2,579,351)
Interest and Fiscal Charges	-	-	231,434	(231,434)
Transfers Out	1,359,409	14,582,688	5,164,867	9,417,821
Total Charges to Appropriations	<u>111,768,839</u>	<u>140,309,583</u>	<u>130,968,994</u>	<u>9,340,589</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 128,100,905</u>	<u>\$ 104,921,039</u>	<u>\$ 119,236,452</u>	<u>\$ 14,315,413</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
BUDGETARY COMPARISON STATEMENT
LANCASTER HOUSING AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	\$ 73,986,214	\$ 73,986,214	\$ 73,986,214	\$ -
RESOURCES (INFLOWS)				
Investment Earnings	-	-	25,164	25,164
Gain from Sale of Land Held for Resale	10,000	10,000	433,995	423,995
Miscellaneous	190,378	190,378	119,273	(71,105)
Amounts Available for Appropriations	<u>74,186,592</u>	<u>74,186,592</u>	<u>74,564,646</u>	<u>378,054</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Housing and Neighborhood Revitalization	1,306,781	1,413,641	879,263	534,378
Capital Outlay	-	-	4,400	(4,400)
Transfers Out	560,103	700,068	560,103	139,965
Total Charges to Appropriations	<u>1,866,884</u>	<u>2,113,709</u>	<u>1,443,766</u>	<u>669,943</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 72,319,708</u>	<u>\$ 72,072,883</u>	<u>\$ 73,120,880</u>	<u>\$ 1,047,997</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
 BUDGETARY COMPARISON STATEMENT
 TRANSPORTATION DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (2,876,459)	\$ (2,876,459)	\$ (2,876,459)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	20,300,130	20,300,130	-	(20,300,130)
Amounts Available for Appropriations	<u>17,423,671</u>	<u>17,423,671</u>	<u>(2,876,459)</u>	<u>(20,300,130)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	746,808	(746,808)
Transfers Out	12,276,847	15,934,515	8,220,390	7,714,125
Total Charges to Appropriations	<u>12,276,847</u>	<u>15,934,515</u>	<u>8,967,198</u>	<u>6,967,317</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 5,146,824</u>	<u>\$ 1,489,156</u>	<u>\$ (11,843,657)</u>	<u>\$ (13,332,813)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	Business-Type Activities Enterprise Funds			Total
	Lancaster Power Authority	Lancaster Choice Energy	Nonmajor California Choice Energy Authority	
ASSETS				
Current Assets:				
Cash and Investments - Pooled with City	\$ 5,355,749	\$ -	\$ -	\$ 5,355,749
Cash and Investments	-	-	4,526,555	4,526,555
Receivables:				
Accounts	430,392	23,227,843	883,557	24,541,792
Due from Other Governments	-	1,684,797	-	1,684,797
Deposits	-	147,000	-	147,000
Prepaid Items	-	4,261,145	27,335	4,288,480
Restricted Assets:				
Cash and Investments	380	-	-	380
Total Current Assets	<u>5,786,521</u>	<u>29,320,785</u>	<u>5,437,447</u>	<u>40,544,753</u>
Noncurrent Assets:				
Capital Assets:				
Depreciable, Net	12,682,858	-	-	12,682,858
Total Noncurrent Assets	<u>12,682,858</u>	<u>-</u>	<u>-</u>	<u>12,682,858</u>
Total Assets	<u>18,469,379</u>	<u>29,320,785</u>	<u>5,437,447</u>	<u>53,227,611</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	6,491,635	576,595	7,068,230
Accrued Liabilities	-	32,417	-	32,417
Interest Payable	63,484	-	-	63,484
Unearned Revenues	15,105	1,727,150	553,169	2,295,424
Due to Other Governments	-	-	1,210,682	1,210,682
Due to Other Funds	-	11,991,715	-	11,991,715
Deposits	-	100,000	2,087,050	2,187,050
Current Portion of Long-Term Liabilities	785,000	-	-	785,000
Total Current Liabilities	<u>863,589</u>	<u>20,342,917</u>	<u>4,427,496</u>	<u>25,634,002</u>
Long-Term Liabilities:				
Noncurrent Portion of Long-Term Liabilities	16,831,073	-	-	16,831,073
Total Long-Term Liabilities	<u>16,831,073</u>	<u>-</u>	<u>-</u>	<u>16,831,073</u>
Total Liabilities	<u>17,694,662</u>	<u>20,342,917</u>	<u>4,427,496</u>	<u>42,465,075</u>
NET POSITION				
Net Investment in Capital Assets	(4,933,215)	-	-	(4,933,215)
Unrestricted	5,707,932	8,977,868	1,009,951	15,695,751
Total Net Position	<u>\$ 774,717</u>	<u>\$ 8,977,868</u>	<u>\$ 1,009,951</u>	<u>\$ 10,762,536</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Total
	Lancaster Power Authority	Lancaster Choice Energy	Nonmajor California Choice Energy Authority	
OPERATING REVENUES				
Sales and Service Charges	\$ 1,910,499	\$ 68,549,854	\$ 8,015,547	\$ 78,475,900
Total Operating Revenues	<u>1,910,499</u>	<u>68,549,854</u>	<u>8,015,547</u>	<u>78,475,900</u>
OPERATING EXPENSES				
Purchased Power	-	59,104,631	-	59,104,631
Administration and General	4,451	8,044,591	7,517,372	15,566,414
Depreciation Expense	939,471	-	-	939,471
Total Operating Expenses	<u>943,922</u>	<u>67,149,222</u>	<u>7,517,372</u>	<u>75,610,516</u>
OPERATING INCOME	966,577	1,400,632	498,175	2,865,384
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	313	-	-	313
Other Nonoperating Income	-	3,273,485	-	3,273,485
Interest Expense	(404,510)	-	-	(404,510)
Total Nonoperating Revenue (Expenses)	<u>(404,197)</u>	<u>3,273,485</u>	<u>-</u>	<u>2,869,288</u>
INCOME BEFORE TRANSFERS	562,380	4,674,117	498,175	5,734,672
TRANSFERS				
Transfers Out	(11,505)	(915,180)	-	(926,685)
Total Transfers	<u>(11,505)</u>	<u>(915,180)</u>	<u>-</u>	<u>(926,685)</u>
CHANGE IN NET POSITION	550,875	3,758,937	498,175	4,807,987
Net Position - Beginning of Year	<u>223,842</u>	<u>5,218,931</u>	<u>511,776</u>	<u>5,954,549</u>
NET POSITION - END OF YEAR	<u>\$ 774,717</u>	<u>\$ 8,977,868</u>	<u>\$ 1,009,951</u>	<u>\$ 10,762,536</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			Total
	Enterprise Funds			
	Lancaster Power Authority	Lancaster Choice Energy	Nonmajor California Choice Energy Authority	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers and Users	\$ 2,299,031	\$ 65,520,911	\$ 10,034,688	\$ 77,854,630
Cash Paid to Suppliers for Goods and Services	(42,713)	(71,861,056)	(7,321,834)	(79,225,603)
Net Cash Provided (Used) by Operating Activities	<u>2,256,318</u>	<u>(6,340,145)</u>	<u>2,712,854</u>	<u>(1,370,973)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received From Other Funds	-	2,259,104	-	2,259,104
Cash Paid to Other Funds	(11,505)	(915,180)	-	(926,685)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(11,505)</u>	<u>1,343,924</u>	<u>-</u>	<u>1,332,419</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Capital Debt	(735,000)	-	-	(735,000)
Interest Paid on Capital Debt	(381,602)	-	-	(381,602)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,116,602)</u>	<u>-</u>	<u>-</u>	<u>(1,116,602)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	313	-	-	313
Net Cash Provided by Investing Activities	<u>313</u>	<u>-</u>	<u>-</u>	<u>313</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,128,524	(4,996,221)	2,712,854	(1,154,843)
Cash and Cash Equivalents - Beginning of Year	<u>4,227,605</u>	<u>4,996,221</u>	<u>1,813,701</u>	<u>11,037,527</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,356,129</u>	<u>\$ -</u>	<u>\$ 4,526,555</u>	<u>\$ 9,882,684</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 966,577	\$ 1,400,632	\$ 498,175	\$ 2,865,384
Adjustments to Reconcile Operating Income (Loss)				
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	388,532	(6,054,497)	(79,676)	(5,745,641)
(Increase) Decrease in Due from Other Governments	-	(1,335,081)	-	(1,335,081)
(Increase) Decrease in Prepaid Items	-	(1,150,137)	22,106	(1,128,031)
Increase (Decrease) in Accounts Payable	(38,262)	(3,524,758)	(89,310)	(3,652,330)
Increase (Decrease) in Accrued Liabilities	-	(36,939)	-	(36,939)
Increase (Decrease) in Due to Other Governments	-	-	699,136	699,136
Increase (Decrease) in Unearned Revenues	-	1,087,150	530,976	1,618,126
Increase (Decrease) in Deposits	-	-	1,131,447	1,131,447
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,256,318</u>	<u>\$ (6,340,145)</u>	<u>\$ 2,712,854</u>	<u>\$ (1,370,973)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Private-Purpose Trust Fund	Custodial Funds
	Successor Agency of the Former RDA	
ASSETS		
Pooled Cash and Investments	\$ 17,928,370	\$ 342,383
Receivables:		
Accounts	14,538	82,611
Taxes	-	1,847
Notes and Loans, Net	87,391	-
Accrued Interest	3,459	-
Restricted Assets:		
Cash and Investments with Fiscal Agents	2,686,073	2,185
Total Assets	20,719,831	429,026
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Losses on Debt Refundings	4,312,258	-
LIABILITIES		
Accounts Payable	3,282	25,661
Interest Payable	2,131,328	53,138
Deposits Payable	-	169,074
Advances from City of Lancaster	64,135,866	-
Long-Term Liabilities:		
Due in One Year	10,327,000	-
Due in More Than One Year	129,827,600	-
Total Liabilities	206,425,076	247,873
DEFERRED INFLOWS OF RESOURCES		
Deferred Gains on Debt Refundings	881,471	-
NET POSITION (DEFICIT)		
Held in Trust for Other Purposes	(182,274,458)	-
Restricted for Bondholders	-	181,153
Total Net Position (Deficit)	\$ (182,274,458)	\$ 181,153

See accompanying Notes to Basic Financial Statements.

**CITY OF LANCASTER
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Private-Purpose Trust Fund Successor Agency of the Former RDA	Custodial Funds
ADDITIONS		
Taxes	\$ 13,613,013	\$ -
Intergovernmental - Other	2,469,798	-
Investment Income	565,467	-
Rental Income	16,500	-
Miscellaneous	-	-
Total Additions	16,664,778	-
DEDUCTIONS		
Administrative Expenses	431,295	-
Payment of Special Tax Debt	5,823,464	-
Total Deductions	6,254,759	-
CHANGE IN NET POSITION	10,410,019	-
Net Position (Deficit) - Beginning of Year	(192,684,477)	181,153
NET POSITION (DEFICIT) - END OF YEAR	\$ (182,274,458)	\$ 181,153

See accompanying Notes to Basic Financial Statements.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lancaster, California (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Reporting Entity

The City was incorporated on November 22, 1977, under the laws of the state of California. The City is a charter city administered under a council/manager form of government. The accompanying financial statements present the City of Lancaster and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The management of the primary government has operational responsibility for each of the component units, and/or receives financial benefits from each component unit, being blended within the financial reporting entity of the City of Lancaster. Component units include the Lancaster Housing Authority, the Lancaster Community Services Foundation, the Lancaster Financing Authority, the Lancaster Power Authority, and the California Choice Energy Authority.

A brief description of each blended component unit follows:

The Lancaster Housing Authority (the Housing Authority) was formed for the purpose of providing affordable, decent housing for lower income residents of the City. The Housing Authority assumed responsibilities for the prior low/moderate Housing Fund. Separate financial statements are not available for the Housing Authority.

The Lancaster Community Services Foundation (the Foundation) was formed to provide certain community services to the residents of the City. Separate financial statements are not available for the Foundation.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

The Lancaster Financing Authority Debt Service Fund (the Financing Authority) was formed for the purpose to provide, through the issuance of debt, financing necessary for various capital improvements. Separate financial statements are not available for the Financing Authority.

The Lancaster Power Authority (the Power Authority) was formed to own and operate a municipal gas and electric utility, for the benefit of the residents of the City and customers, businesses, and property owners in the City. Separate financial statements are not available for the Power Authority.

The California Choice Energy Authority (the Energy Authority) was formed to help cities in the Southern California Edison territory participate in community choice aggregation without having to sacrifice control often associated with joint power authorities or taking on the significant liability of a single entity community choice aggregation. Separate financial statements are not available for the Energy Authority.

B. Basis of Accounting and Measurement Focus

The financial statements of the City are composed of the following:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. Interfund services provided and used are not eliminated in the process of consolidation.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements, even though excluded from the government-wide financial statements, represent a private-purpose trust fund and custodial funds.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. Significant revenues subject to the criteria include taxes, licenses and permits, and intergovernmental revenues. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided).

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of *available spendable resources*. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. The principal portion of advances to other funds reported in the general fund financial statements is classified as nonspendable fund balance to indicate that it is not available for appropriation and is not an expendable available financial resource.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available where cash is received by the government. The availability period for these revenues is 60 days.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary and Fiduciary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary funds operating revenue, such as charges for services, result from exchange transactions associated with the principal activities of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise funds financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure.

The City's fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

C. Fund Classifications

The City reports the following major governmental funds:

General Fund – This is the primary operating fund of the City. It accounts for all unrestricted resources, except those required to be accounted for in another fund.

Lancaster Housing Authority Special Revenue Fund – This fund is used to account for the purpose of providing affordable, decent housing for lower income residents of the City. Also, to account for the housing assets and functions previously performed by the former redevelopment agency and is funded by revenues generated by the housing assets.

Transportation Development Authority Special Revenue Fund – This fund is used to account for restricted funds associated with the Transportation Development Act. The funding is provided to support transportation planning and mass transportation purposes.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classifications (Continued)

Lancaster Financing Authority Debt Service Fund – This fund is used to account for resources restricted or assigned for expenditures of principal and interest.

The City reports the following major proprietary funds:

Lancaster Power Authority – This fund is used to account for the ownership and operation of a municipal gas and electric utility for the benefit of the residents of the City and customers, businesses, and property owners in the City.

Lancaster Choice Energy (LCE) – This fund is used to account for the operations of the power provider.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fiduciary Fund Types

Private-Purpose Trust Fund – This fund is used to account for the assets and liabilities of the former redevelopment agency. The City, in its capacity as the Successor Agency, receives revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

Custodial Funds – These funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The City reports the following Custodial Funds:

- Assessment District – to account for the City, acting in the capacity as an agent, for various 1915 Act Assessment District Bonds.
- Community Facilities Districts (CFD) – to account for collection of special assessments within the Mello-Roos District to provide public waterworks improvements and basic infrastructure within the Districts.
- Deposits – to account for deposits held on behalf of the Downtown Lancaster Association.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. New Accounting Pronouncements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirement of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City pools idle cash from all funds for the purpose of increasing income through investment activities.

Investments for the City, as well as for its component units, are reported at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The fair value of the City's investment in this pool is reported at an amount based upon the City's prorated share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

F. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due, or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

H. Inventories and Prepaid Items

Inventories of materials and supplies are carried at cost on a moving average basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method of accounting is used for both inventories and prepaid items.

I. Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets in the financial statements because their use is limited by applicable bond covenants.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 or plant and infrastructure capital projects that are in excess of \$125,000 (amounts not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Structures and Improvements	40 Years
Furniture and Equipment	7 to 10 Years
Infrastructure	50 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

K. Subscription-Based Technology Arrangements (SBITA)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to debt refunding, pensions, and other postemployment benefits. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 9 and 10.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the City's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 9 and 10. The statement of net position and the governmental funds balance sheet also reports a deferred inflow of resources related to leases. The deferred gain on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The City has reported deferred inflows of resources related to unavailable revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

M. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Land Held for Resale

The Lancaster Housing Authority acquired property via the Neighborhood Stabilization Program to reduce blight and provide affordable housing to its citizens. These parcels are shown in the Lancaster Housing Authority Special Revenue Fund and the Housing and Community Development Special Revenue Fund.

All land held for resale is recorded at lower of cost or market value.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Additionally, employees may elect to cash in accrued vacation in excess of 80 hours once per fiscal year up to a maximum of 40 hours. Vacation accruals are based on years of service, with the maximum balance of unused accruals set at 362 hours after 10 years of service.

Sick leave is payable when an employee is unable to work because of illness. Accrued sick leave may be accumulated without limit. Employees resigning in good standing from City service shall receive payment up to a maximum of 50% of unused sick leave, depending on years of service. The maximum hours payable is set at 1,000 after 15 years of service.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability is generally liquidated by the general fund.

P. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources and uses, respectively. The face amount of debt issued is reported as other financing sources.

Q. Fund Balance Classification

In the fund financial statements, fund balances are classified as follows:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (for example, inventories and prepaid amounts). In the general fund only, it also includes the long-term portion of notes and loan's receivable with no constraints on how the eventual proceeds can be spent.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance Classification (Continued)

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

City Council approved a revised Reserve Policy, establishing a General Fund Reserve of 40%, a General Liability Fund Reserve equal to the amount identified in an annual actuarial that represents the net annual liability after annual budgeted program resources, a Fleet Maintenance reserve of 20%, and an Information Technology reserve of 20%. The contingency reserves were established to help sustain City operations during emergencies and provide flexibility to respond to unexpected fiscal impacts throughout the fiscal year.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The City Manager and/or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution 11-35.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive unassigned fund balance amount. In other funds, deficit balance amounts resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned are classified as unassigned.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

R. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans and the Public Agency Retirement Services (PARS) plan (collectively, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the City's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities, and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager or designee. Expenditures may not exceed appropriations at the function level. At fiscal year-end, all unencumbered operating budget appropriations lapse with the exception of those for unfinished capital projects, special projects, and grant programs. For these specific projects and programs, unused appropriations at the end of the fiscal year are carried forward and become part of the next year's budget. During the year, several supplementary appropriations were necessary. The AVAQMD special revenue fund did not have a legally adopted budget during the current year.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the general, special revenue, and similar governmental funds. Encumbrances are included in the general fund's assigned fund balance under capital projects for \$3,046,116. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for all governmental funds, except the Community Services Foundation, Zero-Net Energy Solar Mitigation In Lieu Special Revenue Fund, Mariposa Lily Special Revenue Fund, Lancaster Financing Authority Debt Service Fund, and the Capital Projects Fund, which are budgeted on a project basis, are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Excess of Expenditures Over Appropriations

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2023:

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations (Continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Major Funds:			
General Fund			
Capital Outlay	\$ 38,772	\$ 9,258,605	\$ (9,219,833)
Lancaster Housing Authority			
Capital Outlay	-	4,400	(4,400)
Transportation Development Authority			
Capital Outlay	-	746,808	(746,808)
Other Governmental Special Revenue Funds:			
Gas Tax:			
General Government	-	20	(20)
Capital Outlay	-	1,113,089	(1,113,089)
Housing and Community Development			
Capital Outlay	-	46,659	(46,659)
Home			
Transfers Out	1,037	108,809	(107,772)
Proposition A			
Capital Outlay	-	1,686,256	(1,686,256)
Bikeway Improvement			
Capital Outlay	-	194,668	(194,668)
Proposition C			
Capital Outlay	-	2,314,199	(2,314,199)
Federal Grant			
Capital Outlay	-	3,566,733	(3,566,733)
State Grant			
Capital Outlay	-	1,078,186	(1,078,186)
Park Development			
Capital Outlay	-	260,143	(260,143)
Developer Fees - Signals			
Capital Outlay	-	117,327	(117,327)
Developer Fees - Drainage			
Capital Outlay	-	279,560	(279,560)
Traffic Impact			
Capital Outlay	-	581	(581)
Biological Impact Fees			
Development Services	-	5,810	(5,810)
Landscape Drainage Maintenance District:			
Capital Outlay	-	51,875	(51,875)
Debt Service - Principal Retirement	-	33,767	(33,767)
Debt Service - Interest and Fiscal Charges	-	1,030	(1,030)
MTA Grant			
Capital Outlay	-	2,808,004	(2,808,004)
Urban Structure Program			
Capital Outlay	-	775,812	(775,812)
Sewer Maintenance			
General Government	-	1,234	(1,234)
Capital Outlay	-	1,552,775	(1,552,775)
Measure R:			
Development Services	-	1,620	(1,620)
Capital Outlay	-	8,372,939	(8,372,939)
Measure M:			
Development Services	-	598,926	(598,926)
Capital Outlay	4,000	1,600,896	(1,596,896)

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Net Position/Fund Balances

The following funds contained deficit fund balances as of June 30, 2023:

	Deficit Amount	
Transportation Development Authority Special Revenue Fund	\$ (11,843,657)	(3)
Other Governmental Special Revenue Funds:		
Federal Grants Special Revenue Fund	(3,989,581)	(1)
State Grants Special Revenue Fund	(1,476,528)	(1)
LA County Reimbursement	(255,676)	(1)
MTA Grant	(885,360)	(1)
Measure R	(4,324,157)	(1)
AVAQMD	(481,515)	(2)

These fund balance deficits will be eliminated as (1) grant reimbursements become available, (2) when transfers are made or (3) future revenues are received.

NOTE 3 CASH AND INVESTMENTS

Cash and Investments

Cash and investments held by the City at June 30, 2023, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 144,449,046
Restricted:	
Cash and Investments	14,978,939
Statement of Fiduciary Assets and Liabilities:	
Pooled Cash and Investments	18,270,753
Restricted:	
Cash and Investments with Fiscal Agents	2,688,258
Total Cash and Investments	<u>\$ 180,386,996</u>
Cash and Investments Consisted of the Following:	
Cash on Hand	\$ 2,250
Deposits with Financial Institutions	27,620,335
Investments	152,764,411
Total Cash and Investments	<u>\$ 180,386,996</u>

The City of Lancaster maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported in the financial statements as pooled cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also follows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository is considered to be held for, and in the name of, the local governmental agency. As of June 30, 2023, all the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- United States Treasury Securities
- United States Government Sponsored Agency Securities
- Certificates of Deposit
- Medium-Term Notes
- Prime Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Local Agency Investment Fund (State Pool)
- Money Market Mutual Funds
- Municipal Bonds

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments in Cooperative Liquid Assets Securities System

The City is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS), a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is overseen and governed by a Board of Trustees, which consists of four members who are public agency finance professionals. The fund is audited annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

Credit Risk

The City's investment policy limits investments in medium-term notes (MTNs) and municipal bonds to those rated AA- or better by a nationally recognized statistical rating organization. At June 30, 2023, the City invested in various MTNs and municipal bonds which were rated AA- or better by Standard & Poor's (S&P). At June 30, 2023, the City's investments with US Government Sponsored Agency Securities were rated AA+ and money market mutual funds were rated AAA by S&P. California CLASS PRIME was rated AAAm by S&P. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

As of June 30, 2023, the City's investment in LAIF is unrated. The City has amounts invested in investment agreements held with fiscal agents and invested under the direction of the City, which are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2023, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. These limitations are 25% of the City's invested funds for nonnegotiable certificates of deposit, 15% of the City's invested funds for banker acceptances with no more than 2% in any one issuer, 25% of the City's invested funds for commercial paper with no more than 5% in any one issuer, 30% of the City's invested funds for medium-term notes with no more than 5% in any one issuer, and 20% of the City's invested funds for money market funds with no more than 10% in any one issuer. If the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk.

As of June 30, 2023, none of the City's investments had issuers exceeding 5% of the City investment pool.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that investments in United States Treasury Securities and securities for which the full-faith and credit of the United States is pledged should have a maturity no longer than five years. Reserve funds relating to the bond issues may be invested in securities for more than five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2023, the City had the following investments and original maturities:

Investment Type	Remaining Maturity (in Years)				Total
	1 Year or Less	1 Year to 3 Years	3 Years to 5 Years	5 Years and More	
City Investment Pool:					
United States Treasury Securities	\$ 4,878,068	\$ 7,918,550	\$ 6,642,504	\$ -	\$ 19,439,122
United States Government Sponsored Agency Securities					
Medium-Term Corporate Notes	2,867,515	5,701,956	996,370	-	9,565,841
Certificates of Deposit	3,852,258	5,586,742	-	-	9,439,000
Municipal Bonds	150,980	-	-	-	150,980
California Local Agency Investment Fund (LAIF)	2,571,283	-	-	-	2,571,283
California CLASS	42,337,727	-	-	-	42,337,727
Held by Fiscal Agent: Money Market Mutual Funds	51,593,261	-	-	-	51,593,261
Total	<u>17,667,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,667,197</u>
	<u>\$ 125,918,289</u>	<u>\$ 19,207,248</u>	<u>\$ 7,638,874</u>	<u>\$ -</u>	<u>\$ 152,764,411</u>

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), inputs are quoted price of similar assets in active markets (Level 2 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The City has the following recurring fair value measurements as of June 30, 2023:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Treasury Securities	\$ 19,439,122	\$ -	\$ -	\$ 19,439,122
United States Government Sponsored Agency Securities	-	9,565,841	-	9,565,841
Medium-Term Corporate Notes	-	9,439,000	-	9,439,000
Certificates of Deposit	-	150,980	-	150,980
Municipal Bonds	-	2,571,283	-	2,571,283
Total Subject to Hierarchy	<u>\$ 19,439,122</u>	<u>\$ 21,727,104</u>	<u>\$ -</u>	41,166,226
LAIF (1)				42,337,727
California CLASS (1)				51,593,261
Held by Fiscal Agent:				
Money Market Mutual Funds (1)				17,667,197
Total Investment Portfolio				<u>\$ 152,764,411</u>

(1) Investment is not subject to fair value hierarchy measurements.

NOTE 4 NOTES AND LOANS RECEIVABLE

Notes and loans receivable at June 30, 2023, were as follows:

	Loans and Notes Receivable Repayments	Loan Forgiveness/ Allowance Terms	Long-Term Lump-Sum Repayment Terms	Total
General Fund	\$ 1,389,931	\$ (300,770)	\$ (40,882)	\$ 1,048,279
Lancaster Housing Authority Special Revenue Fund	3,761,440	-	-	3,761,440
Other Governmental Funds HOME Program Special Revenue Fund	15,377,995	(14,787,935)	-	590,060
Total	<u>\$ 20,529,366</u>	<u>\$ (15,088,705)</u>	<u>\$ (40,882)</u>	<u>\$ 5,399,779</u>
Fiduciary Private-Purpose:				
Trust Fund	<u>\$ 95,724</u>	<u>\$ (8,333)</u>	<u>\$ -</u>	<u>\$ 87,391</u>

Loan forgiveness/allowance is a reduction in the balance for the amount forgiven or allowed for based on assessment of collectability on the loans by the City during the fiscal year. The long-term lump-sum repayment terms reduces the loan balance for the payments received during the year.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 LEASE RECEIVABLE

The City, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through 2033 and provide for renewal options ranging from three months to six years. During the year ended June 30, 2023, the City recognized \$281,215 and \$40,734 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities

	Balance at June 30, 2022 As Restated (1)	Construction in Progress Transfers	Additions	Deletions	Balance at June 30, 2023
Governmental Activities:					
Capital Assets, Not Depreciated:					
Land	\$ 39,596,320	\$ -	\$ 4,816,394	\$ -	\$ 44,412,714
Construction in Progress	62,803,178	(27,696,624)	25,378,780	-	60,485,334
Total Capital Assets, Not Depreciated	102,399,498	(27,696,624)	30,195,174	-	104,898,048
Capital Assets, Being Depreciated:					
Structures and Improvements	76,456,526	9,582,527	2,004,455	-	88,043,508
Furniture and Equipment	17,615,469	-	3,773,244	(962,041)	20,426,672
Right to Use Assets:					
Leases	79,786	-	888,874	(41,472)	927,188
Subscription	3,976,348	-	-	-	3,976,348
Infrastructure	1,775,487,939	18,114,097	16,830	-	1,793,618,866
Total Capital Assets, Being Depreciated	1,873,616,068	27,696,624	6,683,403	(1,003,513)	1,906,992,582
Less Accumulated Depreciation for:					
Structures and Improvements	(39,567,923)	-	(1,509,978)	-	(41,077,901)
Furniture and Equipment	(13,307,392)	-	(1,059,593)	936,039	(13,430,946)
Right to Use Assets					
Leases	(22,272)	-	(238,357)	41,472	(219,157)
Subscription	-	-	(897,413)	-	(897,413)
Infrastructure	(1,022,963,076)	-	(35,724,620)	-	(1,058,687,696)
Total Accumulated Depreciation	(1,075,860,663)	-	(39,429,961)	977,511	(1,114,313,113)
Total Capital Assets, Being Depreciated, Net	797,755,405	27,696,624	(32,746,558)	(26,002)	792,679,469
Governmental Activities					
Capital Assets, Net	\$ 900,154,903	\$ -	\$ (2,551,384)	\$ (26,002)	\$ 897,577,517

(1) The beginning balance has been restated to add right-to-use SBITA assets in accordance with the implementation of GASB Statement No. 96, *Subscription Based-Information Technology Arrangements*, acquisition of land through a loan payable and construction in progress. See Note 20 for Restatement footnote.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Depreciation expense was charged in the following functions in the statement of activities for the year ended June 30, 2023, as follows:

General Government	\$ 1,502,788
Public Safety	13,899
Development Services	35,599,802
Community Development	426,691
Parks, Recreation, and Arts	1,886,781
Total	<u>\$ 39,429,961</u>

Business-Type Activities

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>
Capital Assets, Being Depreciated:				
Intangible Assets	\$ 23,486,774	\$ -	\$ -	\$ 23,486,774
Less Accumulated Depreciation for:				
Intangible Assets	<u>(9,864,445)</u>	<u>(939,471)</u>		<u>(10,803,916)</u>
Total Business-Type Activities				
Capital Assets, Net	<u>\$ 13,622,329</u>	<u>\$ (939,471)</u>	<u>\$ -</u>	<u>\$ 12,682,858</u>

The depreciation expense of \$939,471 was charged to the Lancaster Power Authority program for the year ended June 30, 2023.

NOTE 7 INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS

Due To/From Other Funds

Interfund receivable and payable balances at June 30, 2023, are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Transportation Development Authority	\$ 11,838,662
	Lancaster Financing Authority	9,910,091
	Other Governmental Funds	9,518,723
	California Choice Energy Authority	
	Enterprise Fund	11,991,715
	Total	<u>\$ 43,259,191</u>

The due to General Fund was a result of temporary deficit cash balances in those funds.

The due to General Fund from the California Choice Energy Authority to provide for funds for collateral deposit and reimbursement of expenses.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS (CONTINUED)

Transfers

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Lancaster Housing Authority Special Revenue Fund	\$ 560,103
	Transportation Special Revenue Fund	1,113,285
	Other Governmental Funds	9,163,063
	Lancaster Power Authority Enterprise Fund	11,505
	Lancaster Choice Energy Enterprise Fund	898,095
Lancaster Financing Authority Debt Service Fund	General Fund	3,187,162
	Other Governmental Funds	279,801
	Lancaster Choice Energy Enterprise Fund	17,085
Other Governmental Funds	General Fund	1,977,705
	Transportation Special Revenue Fund	7,107,105
	Total	<u>\$ 24,314,909</u>

Transfers made to the General Fund were for administrative and retiree health benefit costs incurred.

Transfers made to the Transportation Development Authority Special Revenue Fund were for project expenses.

Transfers made to the Lancaster Financing Authority Debt Service Fund were for debt service requirements.

Transfers made to Other Governmental Funds were to cover various operations and capital projects.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 LONG-TERM LIABILITIES

Governmental Activities

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2023, are as follows:

	July 1, 2022 <u>As Restated (1)</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due <u>One Year</u>	Due in More <u>than One Year</u>
Direct Borrowings:						
Section 108 Notes:						
Series 2015-A1	\$ 201,000	\$ -	\$ 99,000	\$ 102,000	\$ 102,000	\$ -
Series 2015-A2	308,000	-	99,000	209,000	103,000	106,000
Equipment Agreements Payable	614,684	-	207,253	407,431	130,015	277,416
Loans	6,324,185	-	124,015	6,200,170	128,737	6,071,433
Settlement Agreement	1,000,000	-	200,000	800,000	200,000	600,000
Other Debt:						
Streetlight Acquisition						
Issue of 2016	11,475,000	-	605,000	10,870,000	620,000	10,250,000
Public Improvements Project						
Issue of 2018	13,545,000	-	290,000	13,255,000	305,000	12,950,000
Measure M & R Street Improvement						
Project Issue of 2018	45,480,000	-	785,000	44,695,000	825,000	43,870,000
Unamortized Bond Premium	7,008,265	-	401,388	6,606,877	-	6,606,877
Other Long-Term Liabilities:						
Lease Payable	58,386	888,875	238,551	708,710	224,302	484,408
Subscription Payable	3,976,348	-	1,843,299	2,133,049	785,792	1,347,257
Accrued Employee Benefits	3,776,848	2,868,613	2,822,791	3,822,670	2,822,791	999,879
Claims and Judgements	3,054,000	781,000	1,285,000	2,550,000	888,000	1,662,000
Total Governmental Activities	<u>\$ 96,821,716</u>	<u>\$ 4,538,488</u>	<u>\$ 9,000,297</u>	<u>\$ 92,359,907</u>	<u>\$ 7,134,637</u>	<u>\$ 85,225,270</u>

(1) The beginning balance has been restated to add subscription liabilities in accordance with the implementation of GASB Statement No. 96, *SBITA* and \$5,870,000 in loans for the acquisition of land. See Note 20 for Restatement footnote.

The liability for accrued employee benefits is fully liquidated by the general fund. The net pension liability is recorded in the fund incurring the current pension expense. For the net pension liability, the general fund normally liquidates 67%, and 33% is liquidated by the other governmental funds.

Section 108 Notes

Series 2015-A1

On August 7, 2003, the City issued \$1,450,000 of U.S. Government Guaranteed Notes, Series 2003-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974 and (b) program income. During fiscal year 2015-2016, the City refinanced the 2003 Series notes at a lower interest rate by issuing Series 2015-A1 notes. The notes mature from 2004-2023 and bear varying rates of interest. The principal balance outstanding as of June 30, 2023, was \$102,000.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Section 108 Notes (Continued)

Series 2015-A2

On June 30, 2004, the City issued \$1,500,000 of US Government Guaranteed Notes, Series 2004-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974 and (b) program income. During fiscal year 2015-2016, the City refinanced the 2004 Series notes at a lower interest rate by issuing Series 2015-A2 notes. The notes mature from 2006-2024 and bear varying rates of interest. The principal balance outstanding as of June 30, 2023, was \$209,000.

The annual requirements to amortize the Section 108 Notes outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 205,000	\$ 5,891	\$ 210,891
2025	106,000	1,510	107,510
Total	<u>\$ 311,000</u>	<u>\$ 7,401</u>	<u>\$ 318,401</u>

Equipment Agreements Payable

On March 1, 2011, the City entered into an equipment purchase agreement for various capital improvements including lighting upgrades, athletic field lighting upgrades, HVAC system replacement, plumbing fixture upgrades, irrigation weather stations, and solar hot water heating. The total cost of the equipment acquired under the agreement was \$1,600,000. The financing was obtained from Municipal Finance Corporation on March 1, 2011, for \$1,600,000 with an interest rate of 4.35% per annum and annual payments of \$146,341 through the end of the lease (March 2026). The outstanding balance at June 30, 2023, is \$407,431.

On August 1, 2016, the City entered into an equipment purchase agreement for vehicles. The total cost of the equipment acquired under the agreement was \$222,438. The financing was obtained from Caterpillar Financial Services Corp. on August 1, 2016, for \$222,438 with an interest rate of 3.05% per annum and annual payments of \$34,699. The note was paid off during the year.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Equipment Agreements Payable (Continued)

On February 22, 2017, the City entered into an equipment purchase agreement for vehicles. The total cost of the equipment acquired under the agreement was \$86,376. The financing was obtained from Caterpillar Financial Services Corp. on February 22, 2017, for \$86,376 with an interest rate of 4.2% per annum and annual payments of \$18,707. The note was paid off during the year.

On July 27, 2018, the City entered into an equipment purchase agreement for vehicles. The total cost of the equipment acquired under the agreement was \$232,545. The financing was obtained from De Lage Landen Public Finance LLC on July 27, 2018, for \$232,545 with an interest rate of 5.37% per annum and annual payments of \$51,498. The note was paid off during the year.

The future payments debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 130,015	\$ 16,326	\$ 146,341
2025	135,732	10,609	146,341
2026	141,684	4,657	146,341
Total	<u>\$ 407,431</u>	<u>\$ 31,592</u>	<u>\$ 439,023</u>

Loans

In January 2011, the City entered into a loan agreement with the State of California Energy Resources Conservation and Development Commission for a loan of \$1,469,146 to be used for energy savings projects consisting of athletic field lighting upgrades, HVAC retrofit, weather station installation, and solar hot water. The loan is at an interest rate of 3%. Principal, together with interest thereon, is due and payable in semiannual installments beginning on December 22, 2012, through December 22, 2025. The outstanding balance at June 30, 2023, is \$330,170.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 128,736	\$ 8,943	\$ 137,679
2025	132,649	5,030	137,679
2026	68,785	1,020	69,805
Total	<u>\$ 330,170</u>	<u>\$ 27,691</u>	<u>\$ 356,895</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Loans (Continued)

In December 2021, the City entered into a promissory note in the amount of \$5,870,000 for the purchase of land. The note bears interest at 5.9% per annum, with interest due and payable beginning December 2022. The entire principal balance of the note matures on December 27, 2026. The outstanding balance at June 30, 2023 is \$5,870,000.

Assessment Revenue Bonds

On October 26, 2016, the Lancaster Financing Authority issued \$14,250,000 of 2016 Assessment Revenue Streetlights Acquisition Bonds. These bonds were used to finance the purchase of streetlights throughout the City. Interest on these bonds is due semiannually on March 2 and September 2 of each year, commencing March 2, 2017. Interest rates vary from 2% to 4%. The principal portion of these bonds is payable from September 2, 2017, to September 2, 2036. The outstanding balance at June 30, 2023, is \$10,870,000.

The bond indenture requires the City to maintain a bond reserve in the amount of \$975,606. To satisfy this requirement, the City purchased a municipal bond insurance policy. The annual requirements to amortize the outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 620,000	\$ 352,056	\$ 972,056
2025	640,000	333,156	973,156
2026	660,000	313,656	973,656
2027	680,000	293,556	973,556
2028	700,000	269,356	969,356
2029 - 2033	3,925,000	912,057	4,837,057
2034 - 2037	3,645,000	232,266	3,877,266
Total	<u>\$ 10,870,000</u>	<u>\$ 2,706,103</u>	<u>\$ 13,576,103</u>

Lease Revenue Bonds

Public Improvements Project, Issue of 2018

On December 1, 2018, the Lancaster Financing Authority issued \$14,955,000 of Lease Revenue Bonds, Series 2018, Public Improvements Project Bonds. These bonds were issued to finance improvements to City facilities. Interest on these bonds is due semiannually on May 1 and November 1 of each year, commencing May 1, 2019. Interest rates vary from 3% to 5%. The principal portion of these bonds is payable from May 1, 2019 to May 1, 2048. The outstanding balance at June 30, 2023, is \$13,255,000.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Lease Revenue Bonds (Continued)

Public Improvements Project, Issue of 2018 (Continued)

The bond indenture requires the City to maintain a bond reserve in equal to the maximum annual debt service. The City purchased as reserve body insurance policy to satisfy this requirement. The annual requirements to amortize the outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 305,000	\$ 545,131	\$ 850,131
2025	320,000	529,881	849,881
2026	330,000	520,281	850,281
2027	345,000	503,781	848,781
2028	365,000	486,531	851,531
2029 - 2033	2,115,000	2,140,156	4,255,156
2034 - 2038	2,580,000	1,672,006	4,252,006
2039 - 2043	3,110,000	1,139,600	4,249,600
2044 - 2048	3,785,000	466,200	4,251,200
Total	<u>\$ 13,255,000</u>	<u>\$ 8,003,567</u>	<u>\$ 21,258,567</u>

Street Improvements Project, Issue of 2019

On October 1, 2019, the Lancaster Financing Authority issued \$48,405,000 of Lease Revenue Bonds, Series 2019, Measure M & R Street Improvements Project Bonds. These bonds were issued to finance certain local roadway and street improvements. Interest on these bonds is due semiannually on, December 1 and June 1 of each year, commencing May 1, 2020. Interest rates vary from 3% to 4%. The principal portion of these bonds is payable from May 1, 2020 to May 1, 2049. The outstanding balance at June 30, 2023, is \$44,695,000.

The bond indenture requires the City to maintain a bond reserve in equal to the maximum annual debt service. The City purchased as reserve body insurance policy to satisfy this requirement. The bonds are payable from the revenues pledged, which consist of:

- all Measure M Receipts, which consist of certain amounts received by the City from 0.5% retail transactions and use tax that is collected by the County, to the extent that the applicable Project constitutes a Measure M Project; and
- all Measure R Receipts, which consist of certain amounts received by the City from 0.5% retail transactions and use tax that is collected by the County through June 30, 2039, to the extent that the applicable Project constitutes a Measure R Project

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Lease Revenue Bonds (Continued)

Street Improvements Project, Issue of 2019 (Continued)

The annual requirements to amortize the outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 825,000	\$ 1,878,550	\$ 2,703,550
2025	865,000	1,837,300	2,702,300
2026	905,000	1,794,050	2,699,050
2027	950,000	1,748,800	2,698,800
2028	1,000,000	1,701,300	2,701,300
2029 - 2033	5,805,000	7,704,000	13,509,000
2034 - 2038	7,195,000	6,316,000	13,511,000
2039 - 2043	10,335,000	4,695,800	15,030,800
2044 - 2048	13,730,000	2,307,600	16,037,600
2049	3,085,000	123,400	3,208,400
Total	<u>\$ 44,695,000</u>	<u>\$ 30,106,800</u>	<u>\$ 74,801,800</u>

Settlement Agreement

In September 2015, the City entered into a settlement agreement for \$2,400,000. The terms of the agreement allow for payments of the settlement in annual installments of \$200,000 beginning on September 1, 2015, through August 1, 2026. The outstanding balance at June 30, 2023, is \$800,000.

Business-Type Activities

Changes in long-term liabilities for the business-type activities for the year ended June 30, 2023, are as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due</u>	<u>Due in</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>	<u>One Year</u>
Other Debt:						
Taxable Revenue Refunding						
Bonds, Series 2021	\$ 18,675,000	\$ -	\$ 735,000	\$ 17,940,000	\$ 785,000	\$ 17,155,000
Unamortized Bond Discount	(347,381)	-	23,454	(323,927)	-	(323,927)
Total Business-Type						
Activities	<u>\$ 18,327,619</u>	<u>\$ -</u>	<u>\$ 758,454</u>	<u>\$ 17,616,073</u>	<u>\$ 785,000</u>	<u>\$ 16,831,073</u>

2012A Solar Renewable Energy Revenue Bonds

On May 17, 2012, the Lancaster Power Authority issued \$26,895,000 of 2012A Solar Renewable Energy Revenue Bonds. These bonds were used to finance the prepayment for specified supply of electricity from a 7,319.98 DC kW capacity system. The 2012A Solar Renewable bonds were refunded in advance with the proceeds from the Taxable Revenue Refunding Bonds, Series 2021.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities (Continued)

Taxable Revenue Refunding Bonds, Series 2021

On October 1, 2021, the Lancaster Power Authority issued \$19,305,000 of Taxable Revenue Refunding Bonds, Series 2021. These bonds were used advance refund the 2012A Solar Renewable Energy Revenue Bonds, purchase a surety bonds for the reserve account, purchase a municipal bond insurance policy and pay costs of issuance. Principal on the bonds is due annually on November 1 and interest payments are due November 1 and April 1 of each year. The advance refunding resulted in cash flow difference of \$2.88 million and present value savings of 2.47 million.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 785,000	\$ 378,878	\$ 1,163,878
2025	830,000	373,225	1,203,225
2026	945,000	364,041	1,309,041
2027	1,005,000	351,510	1,356,510
2028	1,070,000	335,622	1,405,622
2029 - 2033	6,470,000	1,318,122	7,788,122
2034 - 2037	6,835,000	399,467	7,234,467
Total	<u>\$ 17,940,000</u>	<u>\$ 3,520,865</u>	<u>\$ 21,460,865</u>

Leases

The City leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2027-2028.

Total future minimum lease payment are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 224,301	\$ 29,505	\$ 253,806
2025	233,410	18,106	251,516
2026	125,200	9,147	134,347
2027	109,909	3,144	113,053
2028	15,890	55	15,945
Total Minimum Lease Payments	<u>\$ 708,710</u>	<u>\$ 59,957</u>	<u>\$ 768,667</u>

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Leases (Continued)

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	Governmental Activities
Equipment	\$ 357,288
Vehicles	569,900
Less: Accumulated Amortization	(219,157)
Total	\$ 708,031

Subscription-Based Information Technology Arrangements

The City has entered into subscription based-information technology arrangements (SBITAs) for two software applications. The SBITA arrangements expire at various dates through 2026 and provide for renewal options.

As of June 30, 2023, SBITA assets and the related accumulated amortization totaled \$3,976,348 and \$897,413, respectively.

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	Governmental Activities		<u>Total</u>
	Principal	Interest	
2024	\$ 785,792	\$ 101,951	\$ 887,743
2025	656,826	65,917	722,743
2026	690,431	32,312	722,743
Total Minimum Subscription Payments	\$ 2,133,049	\$ 200,180	\$ 2,333,229

NOTE 9 DEFINED BENEFIT PENSION PLANS

The following is a summary of pension-related items for the year ended June 30, 2023:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension (Income) Expense
CalPERS Miscellaneous	\$ 69,105,329	\$ 21,371,538	\$ (2,711,886)	\$ 9,032,577
PARS	4,105,826	667,581	-	(166,785)
Total	\$ 73,211,155	\$ 22,039,119	\$ (2,711,886)	\$ 8,865,792

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS)

General Information About the Pension Plan

Plan Description

All qualified regular and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiemployer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Miscellaneous Plan are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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 to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits in effect at year ended June 30, 2023, are summarized as follows:

	Miscellaneous Plan		
	Classic Members Hired Prior to January 1, 2013	Classic Members Hired On or After January 1, 2013	New Members Hired On or After January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
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 - 55+	50 - 63+	52 - 67+
Monthly Benefits, as a % of Eligible Compensation	2% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	8%	7%	6.25%
Required Employer Contribution Rates:			
Normal Cost Rate	11.57%	11.57%	11.57%
Payment of Unfunded Liability	\$ 5,581,558	\$ -	\$ -

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Employees Covered

At the June 30, 2022, measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous Plan
Inactive Employees or Beneficiaries Currently Receiving Benefits	336
Inactive Employees Entitled to But Not Yet Receiving Benefits	508
Active Employees	258
Total	1,102

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. The City made contributions to the plan during fiscal year ended June 30, 2023, of \$8,632,023.

Net Pension Liability

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
	<hr/>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.3%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post-Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years (a)(b)</u>
Global Equity - Cap-weighted	30.00 %	4.45 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	<u>100.00 %</u>	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2021 (Measurement Date)	\$ 206,399,246	\$ 162,484,538	\$ 43,914,708
Changes in the Year:			
Service Cost	4,222,786	-	4,222,786
Interest on the Total Pension Liability	14,305,083	-	14,305,083
Changes of Assumptions Differences Between Expected and Actual Experience	7,974,044	-	7,974,044
Contribution - Employer	-	7,691,954	(7,691,954)
Contribution - Employee	-	1,681,343	(1,681,343)
Net Investment Income	-	(12,367,601)	12,367,601
Administrative Expenses	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(9,515,662)	(9,515,662)	-
Other Miscellaneous Income (Expense)	-	(101,218)	101,218
Net Changes	<u>12,579,437</u>	<u>(12,611,184)</u>	<u>25,190,621</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 218,978,683</u>	<u>\$ 149,873,354</u>	<u>\$ 69,105,329</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate of the Miscellaneous Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	<u>\$ 99,903,373</u>	<u>\$ 69,105,329</u>	<u>\$ 43,832,485</u>

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$9,032,577. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 8,632,023	\$ -
Differences Between Expected and Actual Experience	331,200	(2,711,886)
Change in Assumptions	4,907,104	-
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>7,501,211</u>	<u>-</u>
Total	<u>\$ 21,371,538</u>	<u>\$ (2,711,886)</u>

Deferred outflows of resources of \$8,632,023 that are related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2024	\$ 2,886,999
2025	1,889,212
2026	539,729
2027	4,711,689
2028	-
Thereafter	-
Total	<u>\$ 10,027,629</u>

Payable to the Pension Plans

At June 30, 2023, the City had no outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Public Employees Retirement System (PARS)

General Information about the Pension Plan

Plan Description and Benefits

Until December 29, 2012, the City, pursuant to sections 401(a) and 501(a) of the Internal Revenue Code (IRC), the City adopted a tax-qualified single-employer governmental defined benefit plan that is to be administered for the City by Public Agency Retirement Service (PARS), a third-party administrator. The plan was established to provide eligible employees, supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees Retirement System (CalPERS). The plan is closed. A separate financial report is not available for the plan.

Employees Covered

At the June 30, 2022, measurement date, there were 68 inactive employees or beneficiaries receiving benefits.

Contributions

The actuarial contribution is determined on the funding policy and most recent measurement available when the contribution for the reporting period was adopted.

Net Pension Liability

The City's net pension liability for this plan is measured as the pension plan's fiduciary net position less the total pension liability. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension asset is shown on the following page.

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Level % of Pay
Actuarial Assumptions:	
Discount Rate	4.27%
Inflation	2.50%
Investment Rate of Return	5.5%
Mortality Assumption for Service	CalPERS 2000-2019 Experience Study

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Public Employees Retirement System (PARS) (Continued)

General Information about the Pension Plan (Continued)

Change of Assumptions and Changes in Experience Affecting the Measurement of the Total Pension Liability Since the Prior Measurement Date

Since the prior measurement date of June 30, 2021, the discount rate was updated from 4.30% to 4.27%.

Discount Rate

The discount rate of 4.27% was used to measure the total pension liability and was a blended rate equivalent to combination of the long-term expected rate of return on assets and Bond Buyer 20 Index, which is 3.54% at June 30, 2022. In a crossover test, future employer contributions to the trust were assumed to be zero.

The 5.50% long-term expected rate of return was derived based on the inflation assumption of 2.50% and a long-term asset allocation of 50.00% equities, 45% fixed income, and 5% cash equivalent. The geometric real rates of return were assumed to be 4.56% for equities, .78% for fixed income, and (0.50)% for cash equivalent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	50.00 %	4.56 %
Fixed Income	45.00	0.78
Cash	5.00	(0.50)
Total	<u>100.00 %</u>	

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Public Employees Retirement System (PARS) (Continued)

General Information about the Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the plans, using the measurement period ended June 30, 2022, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2021 (Measurement Date)	\$ 11,875,832	\$ 9,504,232	\$ 2,371,600
Changes in the Year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	494,992	-	494,992
Changes in Benefit Terms	-	-	-
Changes in Assumptions	35,169	-	35,169
Differences Between Expected and Actual Experience	-	-	-
Net Investment Income	-	(1,187,427)	1,187,427
Administrative Expenses	-	-	-
Benefit Payments	(728,778)	(728,778)	-
Administrative Expenses	-	(16,638)	16,638
Net Changes	<u>(198,617)</u>	<u>(1,932,843)</u>	<u>1,734,226</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 11,677,215</u>	<u>\$ 7,571,389</u>	<u>\$ 4,105,826</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 3.27%	Discount Rate 4.27%	1% Increase 5.27%
Net Pension Liability (Asset)	<u>\$ 5,385,452</u>	<u>\$ 4,105,826</u>	<u>\$ 3,021,342</u>

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and PARS financial reports.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Public Employees Retirement System (PARS) (Continued)

General Information about the Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$166,785. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Plan Investments	\$ 667,581	\$ -
Total	\$ 667,581	\$ -

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 124,864
2025	127,557
2026	77,470
2027	337,690
2028	-
Thereafter	-
Total	\$ 667,581

Payable to the Pension Plans

At June 30, 2023, the City had no outstanding contributions to the PARS pension plan required for the year ended June 30, 2023.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information about the OPEB Plan

Plan Description

The City provides other postemployment benefits (OPEB) through an agent-employer defined benefit health care plan by contributing a portion of premiums charged under the health benefit plan for all eligible employees. These medical, dental, vision, and long-term care benefits are provided per contract between the City and union employee associations and unrepresented employees. A separate financial report is not available for the plan. This plan has been closed to new employees and the future benefit levels are frozen as of January 1, 2016.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

General Information about the OPEB Plan (Continued)

The City entered into an agreement with California Employers' Retiree Benefit Trust (CERBT) to prefund the City's OPEB liability.

Employees Covered

As of the June 30, 2022, measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees, Spouses, or Beneficiaries	
Current Receiving Benefits	138
Inactive Employees Entitled to But Not Receiving Benefits	1
Active Employees	246
Total	385

Contributions

Contribution requirements are established by City policy and may be amended by the City Council. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2023, the City's cash contributions were \$2,813,547 in payments to the trust and the estimated implicit subsidy was \$224,887, resulting in total contributions of \$3,038,434.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by using an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability as of June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Projected Salary Increase	Aggregate - 2.75%
Expected Long-Term Investment Rate of Return	5.75%
Health Care Cost Trend Rates	Non-Medicare 6.5% for 2023, decreasing to 3.75% in 2076, Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to 3.75% in 2076 Medicare (Kaiser)- 4.6% for 2023, Decreasing to 3.75% in 2076
Mortality, Retirement, Disability, and Termination	Derived from CalPERS 2000-2019 Experience Study.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense, and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of CERBT and the expected yields are taken from a recent CalPERS publication for the pension fund:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
CERBT		
Global Equity	34.00 %	4.56 %
Fixed Income	41.00	1.56
TIPS	5.00	(0.08)
REITs	17.00	4.06
Commodities	3.00	1.22
Total	100.00 %	

Discount Rate

The discount rate used to measure the total OPEB liability is 5.75%. This is the expected long-term rate of return on City assets using investment strategy 2 within CERBT. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (Measurement Date)	\$ 23,129,441	\$ 14,420,652	\$ 8,708,789
Changes in the Year:			
Service Cost	416,520	-	416,520
Interest on the Total OPEB Liability	1,262,548	-	1,262,548
Differences Between Actual and Expected Experience	-	-	-
Changes in Assumptions	(643,491)	-	(643,491)
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	3,027,605	(3,027,605)
Net Investment Income	-	(2,062,879)	2,062,879
Administrative Expenses	-	(4,093)	4,093
Benefit Payments	(1,181,090)	(1,181,090)	-
Net Changes	<u>(145,513)</u>	<u>(220,457)</u>	<u>74,944</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 22,983,928</u>	<u>\$ 14,200,195</u>	<u>\$ 8,783,733</u>

Change of Assumptions

The discount rate changed from 5.50% to 5.75%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net OPEB Liability	<u>\$ 11,540,245</u>	<u>\$ 8,783,733</u>	<u>\$ 6,472,014</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Health-Care Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower (5.5% Non-Medicare, 4.65% Medicare (Non-Kaiser) and 3.60% Medicare (Kaiser)) or one percentage point higher (7.5% Non-Medicare, 6.65% Medicare (Non-Kaiser) and 5.60% Medicare (Kaiser)) than current health-care cost trend rates:

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 6,141,633	\$ 8,783,733	\$ 11,955,534

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$174,947. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 3,038,434	\$ -
Differences Between Actual and Expected Experience	727,018	4,107,044
Change in Assumptions	-	1,755,978
Differences Between Projected and Actual Earnings	1,316,757	-
Total	\$ 5,082,209	\$ 5,863,022

An amount of \$3,038,434, which is reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (715,077)
2025	(698,942)
2026	(723,848)
2027	(393,549)
2028	(956,681)
Thereafter	(331,150)
Total	\$ (3,819,247)

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

NOTE 11 ANTELOPE VALLEY TRANSIT AUTHORITY JOINT VENTURE

The City is a member of the Antelope Valley Transit Authority (the Transit Authority), a joint powers authority of the County of Los Angeles and the cities of Palmdale and Lancaster. The Transit Authority was formed to provide public transit service to Palmdale and Lancaster. The governing board consists of one person from each member agency. Each member has one vote.

Description of Debt

On October 1, 1991, the California Special Districts Association Finance Corporation, on behalf of the Los Angeles County Transportation Commission, issued Certificate of Participation Notes in the amount of \$19,340,000. This issue was for the benefit of several different transit authorities. The Certificates of Participation were issued prior to the formation of the Antelope Valley Transit Authority. Los Angeles County participated in this issuance on behalf of the Transit Authority to provide financing of \$7,690,000 for the purchase of transportation equipment.

Subsequent to the Certificate of Participation issue, the Transit Authority entered into a "Reimbursement Agreement" with the County of Los Angeles to repay the obligation incurred by the County on their behalf.

As of June 30, 2023 (latest information available), Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 145,938,705</u>
Deferred Outflow of Resources	<u>\$ 2,959,787</u>
Liabilities	<u>\$ 11,061,288</u>
Deferred Inflows of Resources	<u>\$ 28,906</u>
Net Position	<u>\$ 137,808,298</u>
Revenues	\$ 49,543,805
Expenses	<u>43,302,302</u>
Changes in Net Position	<u>\$ 6,241,503</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 ANTELOPE VALLEY TRANSIT AUTHORITY JOINT VENTURE (CONTINUED)

The Transit Authority is funded, in part, by revenues allocated to the City and redirected to the Transit Authority and, in part, by a shared formula based on the level of service provided to the jurisdiction. The City of Lancaster is the primary recipient of local services from the Transit Authority. The City does not have an equity interest or a financial responsibility because the Transit Authority does not depend on revenue from the City to continue existence.

Separate financial statements of the Transit Authority are available from the Transit Authority office located at 1031 W. Avenue L-12, Lancaster, California 93534.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City handled those risks with the purchase of commercial insurance. The City maintained liability insurance coverage up to a limit of \$10,000,000 with \$250,000 self-insurance retention for its general liabilities. Workers' compensation insurance is provided by PRISM, with statutory limit coverage. The City also maintained property coverage including earthquake and flood.

At June 30, 2023, \$2,550,000 has been accrued for general liability claims. This amount represents an estimate of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2023, is dependent on future developments, based upon information from the City Attorney, the City's claims administrators, and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

Changes in the claims liability amount in fiscal years 2022 and 2023 were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2021 - 2022	\$ 3,113,000	\$ 602,586	\$ 661,586	\$ 3,054,000
2022 - 2023	3,054,000	781,000	1,285,000	2,550,000

For workers' compensation insurance, the City has transferred all risk of loss with the purchase of commercial insurance policies and has not reported any estimated loss in the financial statements.

There were no significant reductions in insurance coverage from the previous year. In addition, insurance coverage exceeded the amount of settlements for each of the past three fiscal years.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

NOTE 14 CONSTRUCTION COMMITMENTS

The following material construction commitments existed at June 30, 2023:

Project Name	Contract Amount	Expenditures to Date as of June 30, 2023	Remaining Commitments
2022 SPRING PMP	\$ 4,389,173	\$ 2,661,269	\$ 1,727,904
2023 PMP - PAVEMENT PRESERVATI	662,323.93	661,333.96	990
ADA COMPLIANCE	160,888.57	134,347.24	26,541
AMARGOSA REC TRAIL	4,644,118.09	141,257.34	4,502,861
ANNUAL LONG LINE STRIPING	78,800.45	5,554.65	73,246
ART IN PUBLIC PLACES	408,950.00	324,002.24	84,948
AVE J GRADE XING	1,222,799.57	31,209.28	1,191,590
AVE J/SR 14 INTERCHANGE	2,812,346.50	1,711,555.98	1,100,791
AVE K GRADE XING	353,360.24	31,357.75	322,002
AVE K/SR 14 INTERCHANGE -MSR R	11,792,593.42	4,788,876.90	7,003,717
AVE M GRADE XING	135,878.64	31,581.59	104,297
AVE M/SR 14 INTERCHANGE -MSR R	7,460,806.98	128,757.31	7,332,050
AVTA BUS STOP IMPROVEMENTS	1,031,380.46	262,000.54	769,380
BOOSTER PUMP IMPROVEMENTS	140,417.00	78,134.46	62,283
CITY BEAUTIFICATION	4,283,283.33	2,283,246.41	2,000,037
CITY HALL FACE LIFT	6,473,041.80	5,404,060.45	1,068,981
CITY HALL IMPROVEMENTS	565,710.41	56,581.63	509,129
CITY HALL RESILIENCEY/BATTERY	313,490.61	312,125.60	1,365
EL DORADO PARK- PARK IMPROVMTS	7,784,236.46	633,615.16	7,150,621
LANCASTER HEALTH DISTRICT	25,450,711.43	6,344,687.15	19,106,024
LPAC IMPROVEMENTS	1,251,784.76	510,049.95	741,735
MAINTENANCE YARD PARKING LOT	216,769.00	77,325.00	139,444
MARIPOSA PARK	427,826.90	46,659.34	381,168
METRO FENCE REPLACMNT & LANDSC	2,721,073.85	691,563.71	2,029,510
MOAH HVAC IMPROVEMENTS	2,054,265.11	1,989,298.60	64,967
OMP HARDCOURT IMPROVEMENTS	639,995.10	147,223.14	492,772
PARK & RIDE SAFETY IMPROV	761,849.93	691,925.43	69,925
PARK AND FACILITY BUILD RENNO	1,014,925.60	181,457.70	833,468
PARK N RIDE PARKING REFURBISH	1,987,764.91	24,818.67	1,962,946
PEDESTRIAN GAP CLOSURE IMPS	7,647,848.13	5,994,275.41	1,653,573
PRIME DESERT WOODLANDS EXP	25,256.00	18,598.99	6,657
SAFER STREETS ACTION PLAN	1,053,299.84	51,354.50	1,001,945
TRANSPORTATION MANAGEMENT CENT	356,901.00	46,207.05	310,694
VIC DERBY/42ND W CHNNL IMPROV	131,074.20	97,150.70	33,924

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 LANCASTER CHOICE ENERGY

Lancaster Choice Energy (LCE) has registered as a Community Choice Aggregator (CCA) for the purpose of delivering electric services to certain customers located within the City of Lancaster. LCE entered into an administrative services agreement with California Choice Energy Authority (CCEA), for administration, energy procurement, contract negotiation, contract administration, resource planning services, and other services provided to the LCE program. This contract has a term of the longer of three years from the effective date or the longest term of any energy contract to which the CCEA is a party on behalf of LCE. Due to large sales of Resource Adequacy, payments to LCE from CalChoice for the fiscal year ended June 30, 2023, totaled \$1,300,516.

CCEA master “Take or Pay” agreements with different energy providers that PRIME uses to purchase energy to provide for future electric capacity for customers. LCE enters into separate contracts with the providers and these contracts constitute an obligation of LCE to purchase a set volume of electricity at a set price throughout the terms of the contracts.

During the fiscal year ended June 30, 2023, the total payments made by LCE under the take or pay contracts was \$64,954,510. At June 30, 2023, the remaining take or pay contracts for LCE is \$154,009,491 through December 2036.

NOTE 16 SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency of the City of Lancaster Redevelopment Agency on February 1, 2012, as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities.

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due One Year	Due in More than One Year
Other Borrowings:						
2004 County Fire	\$ 1,530,000	\$ -	\$ 750,000	\$ 780,000	\$ 780,000	\$ -
2004 County - Sheriff	3,275,000	-	1,595,000	1,680,000	1,680,000	-
2015 Housing A&B	18,355,000	-	1,085,000	17,270,000	1,120,000	16,150,000
2017 Housing	53,175,000	-	2,645,000	50,530,000	2,785,000	47,745,000
2016 A-1 & A-2						
Non-Housing	47,340,000	-	2,870,000	44,470,000	2,965,000	41,505,000
2016 B-1 & B-2						
Non-Housing	13,690,000	-	730,000	12,960,000	765,000	12,195,000
2021 Lease Revenue Bonds	3,644,000	-	228,000	3,416,000	232,000	3,184,000
Total Successor Agency	141,009,000	-	9,903,000	131,106,000	10,327,000	120,779,000
Unamortized Original Issue (Discount) or Premium	9,725,923	-	677,323	9,048,600	-	9,048,600
Net Long-Term Debt	<u>\$ 150,734,923</u>	<u>\$ -</u>	<u>\$ 10,580,323</u>	<u>\$ 140,154,600</u>	<u>\$ 10,327,000</u>	<u>\$ 129,827,600</u>

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Combined Tax Allocation Notes and Bonds

- a. On December 15, 2004, the Successor Agency issued \$10,200,000 of Combined Redevelopment Project Areas (Fire Protection Facilities Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006 through December 1, 2023. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Fire Protection Facilities Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account. The outstanding balance at June 30, 2023, is \$780,000.
- b. On December 15, 2004, the Successor Agency issued \$21,540,000 of Combined Redevelopment Project Areas (Sheriff's Facility Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006, through December 1, 2019. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Sheriff's Facility Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account. The outstanding balance at June 30, 2023, is \$1,680,000.
- c. On March 10, 2015, the Successor Agency issued \$23,510,000 of Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds, issue of 2015A and B. This financing was undertaken to refund \$23,510,000 in outstanding Agency debt. The principal portion of these bonds is payable from August 1, 2015 to 2026. Interest is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2015. The outstanding balance at June 30, 2023, is \$17,270,000.
- d. On April 18, 2017, the Successor Agency issued \$62,495,000 of Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds and \$3,155,000 of Combined Redevelopment Project Areas (Housing Programs) Taxable Tax Allocation Refunding Bonds issue of 2017. This financing was undertaken to advance refund \$47,750,000 of Combined Housing Financing Series 2003 Bonds and \$24,680,000 of Combined Redevelopment Project Areas (Housing Program) Tax Allocation Bonds issue 2009. The principal portion of these bonds is payable annually from August 1, 2017 to 2039. Interest is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2017. The outstanding balance at June 30, 2023, is \$50,530,000.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- e. On June 14, 2016, the Successor Agency issued \$61,425,000 of Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016A-1 & A-2. This financing was undertaken to advance refund \$71,312,000 in outstanding Agency debt. The principal portion of these bonds is payable from August 1, 2016 to 2038. Interest is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2016. The outstanding balance at June 30, 2023, is \$44,470,000.

- f. On June 14, 2016, the Successor Agency issued \$17,590,000 of Lancaster Redevelopment Project Area No. 5 and Project Area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, issue of 2016 B-1 and B-2. This financing was undertaken to advance refund \$21,763,000 in outstanding Agency debt. The principal portion of these bonds is payable from February 1, 2017 to 2037. Interest is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2016. The outstanding balance at June 30, 2023, is \$12,960,000.

- g. On July 23, 2021, the Lancaster Financing Authority issued \$3,805,000 of 2021 Lease Revenue Refunding Bonds. This financing was undertaken to advance refund \$4,035,000 in outstanding Agency debt. The principal portion of these bonds is payable from December 1, 2021 to 2035. Interest is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2021. The outstanding balance at June 30, 2023, is \$3,416,000.

The annual requirements to amortize the outstanding bond indebtedness for the Lancaster Redevelopment Agency Bonds and Notes, as of June 30, 2023, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,327,000	\$ 5,125,806	\$ 15,452,806
2025	8,191,000	4,714,674	12,905,674
2026	8,235,000	4,346,622	12,581,622
2027	8,593,000	3,975,233	12,568,233
2028	10,022,000	3,733,780	13,755,780
2029 - 2033	49,503,000	11,967,781	61,470,781
2034 - 2038	32,480,000	2,823,507	35,303,507
2039 - 2041	3,755,000	121,575	3,876,575
Total	<u>\$ 131,106,000</u>	<u>\$ 36,808,978</u>	<u>\$ 167,914,978</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low- and Moderate-Income Housing set-aside and pass-through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish low- and moderate-income housing projects, and to defease previously issued bonds. Assembly Bill 1 X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency.

Total principal and interest remaining on the debt is \$167,914,978 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,082,811 and the debt service obligation on the bonds was \$15,171,425 broken down as follows:

		<u>Received in FY 22/23</u>	
Scope of Fund Recognized by Successor Agency for enforceable Obligations:			
Redevelopment Property Tax Trust Funds (RPTTF)		\$ 13,613,013	
Pass-Through Funds Remitted by Los Angeles County Fire and Sheriff		<u>2,469,798</u>	
Total Funds Recognized by the Successor Agency Available for the Payment of Debt Services		<u><u>\$ 16,082,811</u></u>	
<u>Debt Service Obligations Due in FY 2022/2023</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
Non-Housing, Housing, and School Bus (RPTTF)	\$ 7,330,000	\$ 5,314,800	\$ 12,644,800
County Fire and Sheriff Bonds (Paid From Fire and Sheriff Pass-Through Funds)	<u>2,345,000</u>	<u>181,625</u>	<u>2,526,625</u>
Total Successor Agency Debt Service Obligations FY 22/23	<u><u>\$ 9,675,000</u></u>	<u><u>\$ 5,496,425</u></u>	<u><u>\$ 15,171,425</u></u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Due to the City of Lancaster and Lancaster Housing Authority

A. SERAF Advance

Advances were made in previous years in the amount of \$24,303,115 to assist in accomplishing payment to the Educational Revenue Augmentation Fund from the former redevelopment agency low- and moderate-income housing fund. The advances are now payable to the Lancaster Housing Authority as a result of the dissolution of redevelopment. The outstanding balance at June 30, 2023, is \$7,912,442. The Successor Agency made repayments totaling \$699,903 to the Lancaster Housing Authority during the current fiscal years.

B. Prior Advances

In previous fiscal years, the City made multiple loans to the former Lancaster Redevelopment Agency. During the 2013-2014 fiscal year, many of those loans were reinstated as enforceable obligations of the Successor Agency and an additional \$9,174,633 were reinstated in fiscal year 2015-2016. The outstanding principal totals \$32,011,462; the interest at June 30, 2023, totals \$24,211,962. The total amount due to the City and Housing Authority from the Successor Agency on these prior advances is \$56,223,060. No repayments were made during the current fiscal year and accrued unpaid interest of \$960,364 was added to the advance balance.

Defeasance of Debt

In prior years, the Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency’s financial statements.

At June 30, 2023, the following defeased bond issues are still outstanding:

	Outstanding Amount
The Combined Housing Financing Bonds 2003 Issue	\$ 2,265,000
Tax Allocation Bonds (Housing Programs) 2009 Issue	20,620,000

Noncommitment Debt

The Agency has issued \$94,710,000 of Residential Mortgage Revenue Bonds that have not been reflected in long-term debt because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the state of California, or any political subdivision thereof, is pledged for the payment of these bonds.

CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Insurance

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 12.

NOTE 17 DEFERRED COMPENSATION PLAN

The City has made available to its regular employees and mandatory for its temporary employees an IRC Section 457(b) deferred compensation plan, whereby employees authorize the City to withhold funds from salary to be invested in the ICMA Retirement Corporation's Deferred Compensation Plan. For temporary employees, the mandatory 457(b) contribution is in lieu of contributing to Social Security or CalPERS.

Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plan. The City withholds employee contributions from employee's payroll checks and transmits these monies to the plan providers on a bi-weekly basis. The City makes distributions from the plans based solely upon authorizations by the plan administrator.

Pursuant to changes in IRC Section 457, on January 2, 1997, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The plan assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the City and, as such, are not subject to the claims of the City's general creditors. The City has minimal involvement in the administration of the 457 plan and, therefore, lacks fiduciary accountability. As a result, the assets of the 457 plan are not reflected in the financial statements.

NOTE 18 DEFINED CONTRIBUTION PLAN

The City provides a tax-qualified retirement savings plan under Section 401(a) of the IRC to all regular employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the ICMA Retirement Corporation, and the City Council has the authority for establishing and amending the plan provisions. There were 298 participants in the Plan for the year ended June 30, 2023. Employer contributions are based on an employee's tier of eligibility. For the year ended June 30, 2023, employer contributions totaled \$1,445,725. There are no required employee contributions.

As is the case with the 457 plan, the 401(a) plan assets are held in trust for distribution to employees and their beneficiaries. Funds may be withdrawn by participants upon termination of employment or retirement. The City lacks fiduciary accountability and as such, the assets of the 401(a) plan are not reflected in the financial statements.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 19 RETIREE HEALTH SAVINGS PLAN

The City provides a Retiree Health Savings Plan (RHSP) under IRC Section 105(h) to all regular employees hired after July 1, 2012. This defined contribution benefit is in lieu of any other postemployment benefits (OPEB) for these employees. There is a mandatory five-year vesting period to be eligible for distribution from this plan.

Additionally, the City provides a RHSP for mid-management and executive-management employees, employees opting out of other postemployment benefits, and employees opting out of all medical coverage or opting for no dependent medical coverage. The City Council has the authority for establishing and amending plan provisions. There were 287 individuals in the RHSP at June 30, 2023. Employer contributions for the year ended June 30, 2023, totaled \$662,142.

As with the other ICMA plans, assets of the RHSP are held in trust, eligible for withdrawal upon termination of employment, are not assets of the City, and are not reflected in the financial statements.

NOTE 20 RESTATEMENT

Net Position and Fund Balances as of July 1, 2022 were restated as follows:

	Governmental Activities	General Fund	Lancaster Housing Authority
Net Position/Fund Balance - Beginning of Year, as Previously Reported, July 1, 2022	\$ 1,036,415,215	\$ 121,911,511	\$ 76,986,214
Increase (Decrease) in Net Position/Fund Balance for Land acquisition recorded in the General Fund	-	3,000,000	(3,000,000)
Increase in Net Position for Land Acquisition	9,800,000	-	-
Decrease in Net Position for entering into a Promissory Note for the Land Acquisition	(5,870,000)	-	-
Increase in Net Position for previously expensed CIP	1,429,091	-	-
Decrease in Net Position for CIP that should have been previously expensed.	(14,159,755)	-	-
Net Position/Fund Balance - Beginning of Year, as Restated, July 1, 2022	<u>\$ 1,027,614,551</u>	<u>\$ 124,911,511</u>	<u>\$ 73,986,214</u>

NOTE 21 SUBSEQUENT EVENTS

On July 11, 2023, the Lancaster City Council authorized the City Manager, or his designee, to finalize terms, modify and execute a subordination agreement with respect to the \$3,412,500.00 Lancaster Redevelopment Agency Loan and a \$4,024,440.00 HCD loan, allowing Laurel Crest, L.P. to proceed with mortgage refinance of senior loan for Laurel Crest Apartments.

Effective January 2024, California Choice Energy Authority is no longer a blended component unit of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANCASTER
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS PENSION PLANS
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023

Fiscal Year Ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Measurement Period Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability:					
Service Cost	\$ 4,222,786	\$ 3,835,000	\$ 3,812,712	\$ 3,984,412	\$ 4,089,766
Interest on Total Pension Liability	14,305,083	13,947,225	13,228,411	12,492,922	11,749,454
Differences Between Expected and Actual Experience	(4,406,814)	1,656,000	1,608,904	1,303,631	925,375
Changes in Assumptions	7,974,044	-	-	-	(1,119,628)
Benefit Payments, Including Refunds of Employee Contributions	<u>(9,515,662)</u>	<u>(9,063,152)</u>	<u>(8,246,671)</u>	<u>(7,180,971)</u>	<u>(6,203,088)</u>
Net Change in Total Pension Liability	12,579,437	10,375,073	10,403,356	10,599,994	9,441,879
Total Pension Liability - Beginning of Year	<u>206,399,246</u>	<u>196,024,173</u>	<u>185,620,817</u>	<u>175,020,823</u>	<u>165,578,944</u>
Total Pension Liability - End of Year (a)	<u>\$ 218,978,683</u>	<u>\$ 206,399,246</u>	<u>\$ 196,024,173</u>	<u>\$ 185,620,817</u>	<u>\$ 175,020,823</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 7,691,954	\$ 6,735,805	\$ 6,104,781	\$ 5,376,086	\$ 4,949,350
Contributions - Employee	1,681,343	1,518,908	1,680,632	1,594,327	1,606,648
Net Investment Income (Loss)	(12,367,601)	30,324,328	6,427,646	7,935,508	9,429,980
Benefit Payments	(9,515,662)	(9,063,152)	(8,246,671)	(7,180,971)	(6,203,088)
Net Plan to Plan Resource Movement	-	-	-	277	(277)
Administrative and Other Expense	<u>(101,218)</u>	<u>(132,960)</u>	<u>(179,482)</u>	<u>(85,403)</u>	<u>(498,688)</u>
Net Change in Plan Fiduciary Net Position	(12,611,184)	29,382,929	5,786,906	7,639,824	9,283,925
Plan Fiduciary Net Position - Beginning of Year	<u>162,484,538</u>	<u>133,101,609</u>	<u>127,314,703</u>	<u>119,674,879</u>	<u>110,390,954</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 149,873,354</u>	<u>\$ 162,484,538</u>	<u>\$ 133,101,609</u>	<u>\$ 127,314,703</u>	<u>\$ 119,674,879</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$ 69,105,329</u>	<u>\$ 43,914,708</u>	<u>\$ 62,922,564</u>	<u>\$ 58,306,114</u>	<u>\$ 55,345,944</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.44%	78.72%	67.90%	68.59%	68.38%
Covered Payroll	\$ 26,429,406	\$ 23,010,769	\$ 20,370,100	\$ 19,995,467	\$ 20,482,128
Net Pension Liability as Percentage of Covered Payroll	261.47%	190.84%	308.90%	291.60%	270.22%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015, to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016, to June 30, 2017:

There were no significant changes in assumptions.

From fiscal year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018, to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019, to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020, to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021, to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022, to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.9% and the inflation rate decreased from 2.5% to 2.3%.

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

CITY OF LANCASTER
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CaIPERS PENSION PLANS (CONTINUED)
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:				
Service Cost	\$ 4,120,166	\$ 3,757,280	\$ 3,659,838	\$ 3,783,673
Interest on Total Pension Liability	11,094,780	10,446,457	9,650,056	9,015,665
Differences Between Expected and Actual Experience	(449,010)	1,362,060	(445,730)	-
Changes in Assumptions	9,732,561	-	(2,517,116)	-
Benefit Payments, Including Refunds of Employee Contributions	(5,495,333)	(4,608,628)	(4,011,772)	(3,666,038)
Net Change in Total Pension Liability	19,003,164	10,957,169	6,335,276	9,133,300
Total Pension Liability - Beginning of Year	146,575,780	135,618,611	129,283,335	120,150,035
Total Pension Liability - End of Year (a)	\$ 165,578,944	\$ 146,575,780	\$ 135,618,611	\$ 129,283,335
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 4,609,250	\$ 4,077,018	\$ 3,803,574	\$ 3,549,119
Contributions - Employee	1,558,516	1,628,815	1,611,229	1,556,684
Net Investment Income (Loss)	11,061,811	535,654	2,090,380	13,752,204
Benefit Payments	(5,495,333)	(4,608,628)	(4,011,772)	(3,666,038)
Net Plan to Plan Resource Movement	-	-	-	-
Administrative and Other Expense	(145,875)	(59,256)	(109,427)	-
Net Change in Plan Fiduciary Net Position	11,588,369	1,573,603	3,383,984	15,191,969
Plan Fiduciary Net Position - Beginning of Year	98,802,585	97,228,982	93,844,998	78,653,029
Plan Fiduciary Net Position - End of Year (b)	\$ 110,390,954	\$ 98,802,585	\$ 97,228,982	\$ 93,844,998
Net Pension Liability (Asset) - Ending (a)-(b)	\$ 55,187,990	\$ 47,773,195	\$ 38,389,629	\$ 35,438,337
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.67%	67.41%	71.69%	72.59%
Covered Payroll	\$ 19,501,764	\$ 19,428,612	\$ 19,407,546	\$ 19,312,337
Net Pension Liability as Percentage of Covered Payroll	282.99%	245.89%	197.81%	183.50%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015, to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016, to June 30, 2017:

There were no significant changes in assumptions.

From fiscal year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018, to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019, to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020, to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021, to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022, to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.9% and the inflation rate decreased from 2.5% to 2.3%.

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

**CITY OF LANCASTER
SCHEDULE OF CONTRIBUTIONS
CalPERS PENSION PLANS
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Actuarially Determined Contribution	\$ 8,632,023	\$ 7,699,142	\$ 6,735,678	\$ 6,104,781	\$ 5,376,086
Contributions in Relation to the Actuarially Determined Contributions	<u>(8,632,023)</u>	<u>(7,699,142)</u>	<u>(6,735,678)</u>	<u>(6,104,781)</u>	<u>(5,376,086)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 23,010,769	\$ 20,370,100	\$ 20,158,000	\$ 20,370,100	\$ 19,995,467
Contributions as a Percentage of Covered Payroll	37.51%	37.80%	33.41%	29.92%	26.81%
Notes to Schedule:					
Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.30%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.375% (3)	7.375% (3)	7.375% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 50 years for 2.7% @ 55 and 2% @ 60, 52 years for 2% @ 62.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

**CITY OF LANCASTER
SCHEDULE OF CONTRIBUTIONS
CaIPERS PENSION PLANS (CONTINUED)
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contribution	\$ 4,949,350	\$ 4,609,250	\$ 4,077,018	\$ 3,803,574
Contributions in Relation to the Actuarially Determined Contributions	<u>(4,949,350)</u>	<u>(4,609,250)</u>	<u>(4,077,018)</u>	<u>(3,803,574)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 20,482,128	\$ 19,501,764	\$ 19,428,612	\$ 19,407,546
Contributions as a Percentage of Covered Payroll	24.16%	22.71%	20.96%	19.60%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/213	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

CITY OF LANCASTER
SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY AND RELATED RATIOS
PARS PENSION PLAN
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023

Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement Period Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability:					
Service Cost	\$ -	\$ -	\$ -	\$ 1,569	\$ 1,577
Interest on Total Pension Liability	494,992	481,917	545,037	569,756	568,236
Differences Between Expected and Actual Experience	-	-	-	134,522	-
Changes in Assumptions	35,169	(670,041)	1,173,341	439,122	(188,575)
Changes in benefits	-	(163,673)	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(728,778)	(710,129)	(705,047)	(694,049)	(678,957)
Net Change in Total Pension Liability	(198,617)	(1,061,926)	1,013,331	450,920	(297,719)
Total Pension Liability - Beginning of Year	11,875,832	12,937,758	11,924,427	11,473,507	11,771,226
Total Pension Liability - End of Year (a)	\$ 11,677,215	\$ 11,875,832	\$ 12,937,758	\$ 11,924,427	\$ 11,473,507
Plan Fiduciary Net Position:					
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	-	-	-	-	-
Net Investment Income (Loss)	(1,187,427)	1,786,017	262,205	536,880	551,796
Administrative Expense	(16,638)	(16,893)	(16,793)	(17,313)	(18,115)
Benefit Payments	(728,778)	(710,129)	(705,047)	(694,049)	(678,957)
Net Change in Plan Fiduciary Net Position	(1,932,843)	1,058,995	(459,635)	(174,482)	(145,276)
Plan Fiduciary Net Position - Beginning of Year	9,504,232	8,445,237	8,904,872	9,079,354	9,224,630
Plan Fiduciary Net Position - End of Year (b)	\$ 7,571,389	\$ 9,504,232	\$ 8,445,237	\$ 8,904,872	\$ 9,079,354
Net Pension Liability (Asset) - Ending (a)-(b)	\$ 4,105,826	\$ 2,371,600	\$ 4,492,521	\$ 3,019,555	\$ 2,394,153
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.84%	80.03%	65.28%	74.68%	79.13%
Covered Payroll	None	None	None	None	None
Net Pension Liability as Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015, to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 6.50% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016, to June 30, 2017:

The discount rate was updated from 6.50% to 4.99% and the expected long-term rate of return on investments was updated from 6.50% to 6.25%.

From fiscal year June 30, 2017, to June 30, 2018:

The discount rate was updated from 4.97% to 4.99% and the expected long-term rate of return on investments was updated from 6.25% to 6.00%.

From fiscal year June 30, 2018, to June 30, 2019:

The discount rate was updated from 4.99% to 5.12%.

From fiscal year June 30, 2019, to June 30, 2020:

The discount rate was updated from 5.12% to 4.71% and mortality improvement scale was updated to Scale MP-2019.

From fiscal year June 30, 2020, to June 30, 2021:

The discount rate was updated from 4.71% to 3.83%

From fiscal year June 30, 2021, to June 30, 2022:

The discount rate was updated from 3.83% to 4.30% and mortality improvement scale was updated to Scale MP-2021.

From fiscal year June 30, 2022, to June 30, 2023:

The discount rate was updated from 4.30% to 4.27%.

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

CITY OF LANCASTER
SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY AND RELATED RATIOS
PARS PENSION PLAN (CONTINUED)
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:				
Service Cost	\$ 1,485	\$ 1,000	\$ 1,000	\$ 1,000
Interest on Total Pension Liability	578,723	636,000	605,000	607,000
Differences Between Expected and Actual Experience	89,030	-	156,000	-
Changes in Assumptions	(161,368)	1,837,000	350,000	-
Changes in benefits	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(665,644)	(652,000)	(640,000)	(627,000)
Net Change in Total Pension Liability	(157,774)	1,822,000	472,000	(19,000)
Total Pension Liability - Beginning of Year	11,929,000	10,107,000	9,635,000	9,654,000
Total Pension Liability - End of Year (a)	\$ 11,771,226	\$ 11,929,000	\$ 10,107,000	\$ 9,635,000
Plan Fiduciary Net Position:				
Contributions - Employer	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	-	-	-	-
Net Investment Income (Loss)	881,421	(108)	230,000	1,204,000
Administrative Expense	(18,063)	(23,332)	(20,000)	(20,000)
Benefit Payments	(665,644)	(665,644)	(640,000)	(627,000)
Net Change in Plan Fiduciary Net Position	197,714	(689,084)	(430,000)	557,000
Plan Fiduciary Net Position - Beginning of Year	9,026,916	9,716,000	10,146,000	9,589,000
Plan Fiduciary Net Position - End of Year (b)	\$ 9,224,630	\$ 9,026,916	\$ 9,716,000	\$ 10,146,000
Net Pension Liability (Asset) - Ending (a)-(b)	\$ 2,546,596	\$ 2,902,084	\$ 391,000	\$ (511,000)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.37%	75.67%	96.13%	105.30%
Covered Payroll	None	None	None	None
Net Pension Liability as Percentage of Covered Payroll	N/A	N/A	N/A	N/A

**CITY OF LANCASTER
SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Actuarially Determined Contribution	\$ 234,572	\$ 217,689	\$ 233,631	\$ 311,000	\$ 337,000
Contributions in Relation to the Actuarially Determined Contributions	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ 234,572</u>	<u>\$ 217,689</u>	<u>\$ 233,631</u>	<u>\$ 311,000</u>	<u>\$ 337,000</u>
Covered Payroll	None	None	None	None	None
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:					
Valuation Date	6/30/2021	6/30/2021	6/30/2019	6/30/2017	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:					
Single and Agent Employers	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Period	10 Years Open	10 Years Open	10 Years Open	10 Years Open	10 Years Open
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%
Salary Scale:					
Aggregate	3.00%	3.00%	3.00%	3.00%	3.00%
Merit (CalPERS Experience Study)	2000-2019	2000-2019	1997-2015	1997-2015	1997-2015
Investment Rate of Return:					
06/30/21 Valuation	5.5%, net of investment expenses only				
06/30/19 Valuation	6.0%, net of investment expenses only				
06/30/17 Valuation	6.5%, net of investment expenses only				
06/30/15 Valuation	6.5%, net of investment expenses only				
06/30/13 Valuation	6.25%, net of investment and administrative expenses				
Mortality Assumptions for Service Retirements and Beneficiaries:					
06/30/21 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2021.				
06/30/19 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2019.				
06/30/17 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2017.				
06/30/15 Valuation	Mortality Table projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.				
06/30/13 Valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.				
Mortality Assumptions for Disability Retirements:					
06/30/22 Measurement Date	CalPERS 2000-2019 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2021.				
06/30/21 Valuation	CalPERS 2000-2019 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2019.				
06/30/17 and 6/30/19 Valuation	CalPERS 1997-2015 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2017.				
06/30/15 Valuation	CalPERS 1997-2011 Experience Study Mortality Table for nonwork Disabled Retirees projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.				
06/30/13 Valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.				

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

**CITY OF LANCASTER
SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN (CONTINUED)
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially Determined Contribution	\$ 89,000	\$ 93,000	\$ 52,000	\$ -
Contributions in Relation to the Actuarially Determined Contributions	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ 89,000</u>	<u>\$ 93,000</u>	<u>\$ 52,000</u>	<u>\$ -</u>
Covered Payroll	None	None	None	None
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A
Notes to Schedule:				
Valuation Date	6/30/2015	6/30/2015	6/30/213	6/30/213
Methods and Assumptions Used to Determine Contribution Rates:				
Single and Agent Employers	Entry Age	Entry Age	Entry Age	Entry Age
	Normal	Normal	Normal	Normal
Amortization Method	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Period	10 Years Open	10 Years Open	10 Years Closed	10 Years Open
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Inflation	3.00%	3.00%	3.00%	3.00%
Salary Scale:				
Aggregate	3.25%	3.25%	3.25%	3.25%
Merit (CalPERS Experience Study)	1997-2011	1997-2011	1997-2007	1997-2007
Investment Rate of Return:				
06/30/21 Valuation	5.5%, net of investment expenses only			
06/30/19 Valuation	6.0%, net of investment expenses only			
06/30/17 Valuation	6.5%, net of investment expenses only			
06/30/15 Valuation	6.5%, net of investment expenses only			
06/30/13 Valuation	6.25%, net of investment and administrative expenses			
Mortality Assumptions for Service Retirements and Beneficiaries:				
06/30/21 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2021.			
06/30/19 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2019.			
06/30/17 Valuation	Mortality Table projected fully generational with Society of Actuaries Scale MP-2017.			
06/30/15 Valuation	Mortality Table projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.			
06/30/13 Valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.			
Mortality Assumptions for Disability Retirements:				
06/30/22 Measurement Date	CalPERS 2000-2019 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2021.			
06/30/21 Valuation	CalPERS 2000-2019 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2019.			
06/30/17 and 6/30/19 Valuation	CalPERS 1997-2015 Experience Study, Mortality Table projected fully generational with Society of Actuaries Scale MP-2017.			
06/30/15 Valuation	CalPERS 1997-2011 Experience Study Mortality Table for nonwork Disabled Retirees projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.			
06/30/13 Valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.			

* Fiscal year 2015 was the first year of implementation, and therefore, only nine years are shown.

CITY OF LANCASTER
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023

Fiscal Year End	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement Date	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability:						
Service Cost	\$ 416,520	\$ 556,718	\$ 544,912	\$ 514,497	\$ 549,862	\$ 533,847
Interest on Total OPEB Liability	1,262,548	1,747,735	1,711,964	1,640,380	1,574,306	1,500,990
Change in Assumption	(643,491)	(358,865)	(498,407)	(1,320,939)	-	-
Difference Between Expected and Actual Experience	-	(5,656,872)	-	1,492,298	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,181,090)</u>	<u>(1,132,629)</u>	<u>(1,263,243)</u>	<u>(1,159,375)</u>	<u>(903,880)</u>	<u>(851,733)</u>
Net Change in Total OPEB Liability	(145,513)	(4,843,913)	495,226	1,166,861	1,220,288	1,183,104
Total OPEB Liability - Beginning of Year	<u>23,129,441</u>	<u>27,973,354</u>	<u>27,478,128</u>	<u>26,311,267</u>	<u>25,090,979</u>	<u>23,907,875</u>
Total OPEB Liability - End of Year (a)	<u>22,983,928</u>	<u>23,129,441</u>	<u>27,973,354</u>	<u>27,478,128</u>	<u>26,311,267</u>	<u>25,090,979</u>
Plan Fiduciary Net Position:						
Contributions - Employer	3,027,605	1,132,629	2,451,000	2,973,720	2,521,850	2,757,002
Net Investment Income	(2,062,879)	2,423,434	652,096	717,403	470,766	400,018
Administrative Expenses	(4,093)	(4,425)	(6,167)	(2,205)	(11,481)	(3,027)
Benefit Payments	<u>(1,181,090)</u>	<u>(1,132,629)</u>	<u>(1,263,243)</u>	<u>(1,159,375)</u>	<u>(903,880)</u>	<u>(851,733)</u>
Net Change in Plan Fiduciary Net Position	(220,457)	2,419,009	1,833,686	2,529,543	2,077,255	2,302,260
Plan Fiduciary Net Position - Beginning of Year	<u>14,420,652</u>	<u>12,001,643</u>	<u>10,167,957</u>	<u>7,638,414</u>	<u>5,561,159</u>	<u>3,258,899</u>
Plan Fiduciary Net Position - End of Year (b)	<u>14,200,195</u>	<u>14,420,652</u>	<u>12,001,643</u>	<u>10,167,957</u>	<u>7,638,414</u>	<u>5,561,159</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 8,783,733</u>	<u>\$ 8,708,789</u>	<u>\$ 15,971,711</u>	<u>\$ 17,310,171</u>	<u>\$ 18,672,853</u>	<u>\$ 19,529,820</u>
Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability	61.78%	62.35%	42.90%	37.00%	29.03%	22.16%
Covered - Employee Payroll	\$ 24,544,346	\$ 21,125,169	\$ 20,370,100	\$ 21,066,497	\$ 19,015,391	\$ 20,878,494
Net OPEB Liability as Percentage of Covered - Employee Payroll	35.79%	41.22%	78.41%	82.17%	98.20%	93.54%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2017, to June 30, 2018:

There were no changes in assumptions.

From fiscal year June 30, 2018, to June 30, 2019:

Mortality improvement scale was updated to Scale MP-2019
Assumed plan elections at retirement were updated
Spousal coverage assumption was updated from 50% to 30%

From fiscal year June 30, 2021, to June 30, 2022:

Inflation changed from 2.75% to 2.5%
Medicare advantage plan removed
Mortality improvement scale was updated to Scale MP-2021

From fiscal year June 30, 2022, to June 30, 2023:

Discount rate changed from 5.50% to 5.75%
Inflation changed from 2.75% to 2.5%
Medicare broken out for Non-Kaiser and Kaiser

* Fiscal year 2018 was the first year of implementation, and therefore, only six years are shown.

**CITY OF LANCASTER
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,099,938	\$ 1,846,515	\$ 1,985,527	\$ 1,973,000	\$ 2,009,000	\$ 2,099,000
Contributions in Relation to the Actuarially Determined Contributions	<u>(3,038,434)</u>	<u>(3,027,604)</u>	<u>(1,132,629)</u>	<u>(2,451,000)</u>	<u>(2,973,720)</u>	<u>(2,521,850)</u>
Contribution Deficiency (Excess)	<u>\$ (1,938,496)</u>	<u>\$ (1,181,089)</u>	<u>\$ 852,898</u>	<u>\$ (478,000)</u>	<u>\$ (964,720)</u>	<u>\$ (422,850)</u>
Covered - Employee Payroll	\$ 26,906,110	\$ 24,544,346	\$ 21,125,169	\$ 20,370,100	\$ 21,066,497	\$ 19,015,391
Contributions as a Percentage of Covered - Employee Payroll	11.30%	12.30%	5.36%	12.03%	14.12%	13.26%

Notes to Schedule:

Valuation Date	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017	6/30/2015
Methods and Assumptions Used to Determine Contribution Rates:						
Single and Agent Employers Amortization Method	Entry Age Level Dollar	Entry Age Level Dollar	Entry Age Level Dollar	Entry Age Level Dollar	Entry age Level dollar	Entry age Level dollar
Amortization Period	22 Year Fixed Period	23 Year Fixed Period	24 Year Fixed Period	25 Year Fixed Period	26 Year Fixed Period	27 Year Fixed Period
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%	3.00%
Mortality	CalPERS 2000-2019 Experience Mortality	CalPERS 1997-2015 Experience Mortality	CalPERS 1997-2015 Experience Mortality	CalPERS 1997-2015 Experience Mortality	CalPERS 1997-2015 Experience Mortality	CalPERS 1997-2011 Experience Mortality
Mortality Improvements	Projected Fully Generational With Scale MP-2021	Projected Fully Generational With Scale MP-2019	Projected Fully Generational With Scale MP-2019	Projected Fully Generational With Scale MP-2017	Projected Fully Generational With Scale MP-2017	Projected Fully Generational With Scale MP-2014
Health Care Trend Rates:						
06/30/15 Valuation	Non-Medicare 7.50 Non-Medicare 7.50% decreasing to 5.00% in 2021, Medicare 7.80% decreasing to 5.00% in 2021.					
06/30/17 Valuation	Non-Medicare 7.50 Non-Medicare 7.50% decreasing to 4.00% in 2076, Medicare 6.50% decreasing to 4.00% in 2076.					
06/30/19 Valuation	Non-Medicare 7.25 Non-Medicare 7.25% decreasing to 4.00% in 2076, Medicare 6.30% decreasing to 4.00% in 2076.					
06/30/21 Valuation	Non-Medicare 6.50% decreasing to 3.75% in 2076, Medicare(Non-Kaiser) 5.65% decreasing to 3.75% in 2076, Medicare(Kaiser) 4.60% decreasing to 3.75% in 2076.					

* Fiscal year 2018 was the first year of implementation, and therefore, only six years are shown.

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SUPPLEMENTARY INFORMATION

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
ASSETS				
Pooled Cash and Investments	\$ 2,847,836	\$ 98,126	\$ 1,744,187	\$ 2,760,367
Receivables:				
Accounts	93,836	2,500	-	-
Taxes	1,485,378	-	34,504	-
Accrued Interest	12,506	-	-	-
Due from Other Governments	-	-	-	188,469
Notes and Loans, Net	-	-	-	-
Prepaid Items	171,207	-	-	-
Land Held for Resale	-	-	-	224,766
Total Assets	\$ 4,610,763	\$ 100,626	\$ 1,778,691	\$ 3,173,602
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 742,868	\$ 11,228	\$ 399,114	\$ 74,503
Accrued Liabilities	178,614	-	7,379	1,974
Unearned Revenues	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	921,482	11,228	406,493	76,477
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	57,275	-	-	188,469
Total Deferred Inflows of Resources	57,275	-	-	188,469
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	171,207	-	-	-
Restricted:				
Community Development Projects	-	89,398	-	2,908,656
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	3,460,799	-	1,372,198	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	3,632,006	89,398	1,372,198	2,908,656
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,610,763	\$ 100,626	\$ 1,778,691	\$ 3,173,602

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	HOME Program	Proposition A	Bikeway Improvement	Proposition C
ASSETS				
Pooled Cash and Investments	\$ 1,029,603	\$ 5,176,525	\$ -	\$ 9,368,240
Receivables:				
Accounts	1,454	-	-	-
Taxes	-	-	-	-
Accrued Interest	-	8,761	-	15,855
Due from Other Governments	-	-	201,185	-
Notes and Loans, Net	590,060	-	-	-
Prepaid Items	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>1,621,117</u>	<u>5,185,286</u>	<u>201,185</u>	<u>9,384,095</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 18,616	\$ -	\$ -
Accrued Liabilities	-	-	-	-
Unearned Revenues	-	-	-	-
Due to Other Funds	-	-	183,913	-
Total Liabilities	<u>-</u>	<u>18,616</u>	<u>183,913</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Community Development Projects	-	-	-	-
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	5,166,670	17,272	9,384,095
Housing and Neighborhood Revitalization	1,621,117	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>1,621,117</u>	<u>5,166,670</u>	<u>17,272</u>	<u>9,384,095</u>
	<u>\$ 1,621,117</u>	<u>\$ 5,185,286</u>	<u>\$ 201,185</u>	<u>\$ 9,384,095</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,621,117</u>	<u>\$ 5,185,286</u>	<u>\$ 201,185</u>	<u>\$ 9,384,095</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	Federal Grants	State Grants	Parks Development	Developer Fees - Signals
ASSETS				
Pooled Cash and Investments	\$ -	\$ -	\$ 524,577	\$ 2,820,315
Receivables:				
Accounts	3,148,727	200,763	-	98,058
Taxes	-	-	-	-
Accrued Interest	-	620	-	-
Due from Other Governments	799,130	1,360,855	-	-
Notes and Loans, Net	-	-	-	-
Prepaid Items	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,947,857</u>	<u>\$ 1,562,238</u>	<u>\$ 524,577</u>	<u>\$ 2,918,373</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 154,842	\$ -	\$ -
Accrued Liabilities	-	22,379	-	-
Unearned Revenues	-	307,228	-	98,058
Due to Other Funds	4,021,889	1,021,443	-	-
Total Liabilities	<u>4,021,889</u>	<u>1,505,892</u>	<u>-</u>	<u>98,058</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	3,915,549	1,532,874	-	-
Total Deferred Inflows of Resources	<u>3,915,549</u>	<u>1,532,874</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Community Development Projects	-	-	-	-
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	-	524,577	-
Development Services	-	-	-	2,820,315
Housing and Neighborhood Revitalization	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	(3,989,581)	(1,476,528)	-	-
Total Fund Balances (Deficits)	<u>(3,989,581)</u>	<u>(1,476,528)</u>	<u>524,577</u>	<u>2,820,315</u>
	<u>\$ 3,947,857</u>	<u>\$ 1,562,238</u>	<u>\$ 524,577</u>	<u>\$ 2,918,373</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,947,857</u>	<u>\$ 1,562,238</u>	<u>\$ 524,577</u>	<u>\$ 2,918,373</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	Developer Fees - Drainage	Recycled Water	Biological Impact Fees	Traffic Impact Fees
ASSETS				
Pooled Cash and Investments	\$ 10,957,159	\$ 45,961	\$ 927,888	\$ 1,754,861
Receivables:				
Accounts	234,028	22,651	-	210,494
Taxes	-	-	-	-
Accrued Interest	-	-	-	-
Due from Other Governments	-	-	-	-
Notes and Loans, Net	-	-	-	-
Prepaid Items	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>\$ 11,191,187</u>	<u>\$ 68,612</u>	<u>\$ 927,888</u>	<u>\$ 1,965,355</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 14,647	\$ -	\$ -
Accrued Liabilities	-	3,473	-	-
Unearned Revenues	234,028	-	-	210,494
Due to Other Funds	-	-	-	-
Total Liabilities	<u>234,028</u>	<u>18,120</u>	<u>-</u>	<u>210,494</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Community Development Projects	-	-	-	-
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	50,492	-	-
Development Services	10,957,159	-	927,888	1,754,861
Housing and Neighborhood Revitalization	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>10,957,159</u>	<u>50,492</u>	<u>927,888</u>	<u>1,754,861</u>
	<u>\$ 11,191,187</u>	<u>\$ 68,612</u>	<u>\$ 927,888</u>	<u>\$ 1,965,355</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,191,187</u>	<u>\$ 68,612</u>	<u>\$ 927,888</u>	<u>\$ 1,965,355</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	AQMD	Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety
ASSETS				
Pooled Cash and Investments	\$ 11,690	\$ 1,758,832	\$ 505	\$ 284,928
Receivables:				
Accounts	17,750	-	-	-
Taxes	-	26,610	-	-
Accrued Interest	-	-	-	-
Due from Other Governments	-	-	-	-
Notes and Loans, Net	-	-	-	-
Prepaid Items	-	-	-	-
Land Held for Resale	-	-	-	-
Total Assets	<u>\$ 29,440</u>	<u>\$ 1,785,442</u>	<u>\$ 505</u>	<u>\$ 284,928</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 4,875	\$ 125,236	\$ -	\$ -
Accrued Liabilities	-	32,688	-	-
Unearned Revenues	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>4,875</u>	<u>157,924</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Community Development Projects	-	-	505	-
Public Safety	-	-	-	284,928
Parks, Recreation, and Arts	-	-	-	-
Development Services	24,565	1,627,518	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>24,565</u>	<u>1,627,518</u>	<u>505</u>	<u>284,928</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,440</u>	<u>\$ 1,785,442</u>	<u>\$ 505</u>	<u>\$ 284,928</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	Zero-Net Energy Solar Mitigation In Lieu	LA County Reimbursement	MTA Grant	Urban Structure Program
ASSETS				
Pooled Cash and Investments	\$ 106,700	\$ 10,101	\$ -	\$ 1,775,188
Receivables:				
Accounts	-	-	188,809	24,275
Taxes	-	-	-	-
Accrued Interest	-	17	-	-
Due from Other Governments	-	228,784	1,446,198	-
Notes and Loans, Net	-	-	-	-
Prepaid Items	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>\$ 106,700</u>	<u>\$ 238,902</u>	<u>\$ 1,635,007</u>	<u>\$ 1,799,463</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 215,799	\$ -	\$ -
Accrued Liabilities	-	-	-	-
Unearned Revenues	-	49,995	-	24,275
Due to Other Funds	-	-	889,184	-
Total Liabilities	<u>-</u>	<u>265,794</u>	<u>889,184</u>	<u>24,275</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	-	228,784	1,631,183	-
Total Deferred Inflows of Resources	<u>-</u>	<u>228,784</u>	<u>1,631,183</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Community Development Projects	-	-	-	-
Public Safety	-	-	-	-
Parks, Recreation, and Arts	-	-	-	1,775,188
Development Services	106,700	-	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	(255,676)	(885,360)	-
Total Fund Balances (Deficits)	<u>106,700</u>	<u>(255,676)</u>	<u>(885,360)</u>	<u>1,775,188</u>
	<u>\$ 106,700</u>	<u>\$ 238,902</u>	<u>\$ 1,635,007</u>	<u>\$ 1,799,463</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 106,700</u>	<u>\$ 238,902</u>	<u>\$ 1,635,007</u>	<u>\$ 1,799,463</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds				
	Mariposa Lily	Sewer Maintenance District	Proposition 1B	Proposition 42	Measure R
ASSETS					
Pooled Cash and Investments	\$ 62,733	\$ 1,829,695	\$ 6,142	\$ 46,543	\$ -
Receivables:					
Accounts	-	1,592	-	-	4,135,813
Taxes	-	68,581	-	-	-
Accrued Interest	-	-	10	-	1,099
Due from Other Governments	-	-	-	-	3,740,616
Notes and Loans, Net	-	-	-	-	-
Prepaid Items	-	1,332	-	-	-
Land Held for Resale	-	-	-	-	-
Total Assets	<u>\$ 62,733</u>	<u>\$ 1,901,200</u>	<u>\$ 6,152</u>	<u>\$ 46,543</u>	<u>\$ 7,877,528</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ 240,676	\$ -	\$ -	\$ 1,400,121
Accrued Liabilities	-	91,334	-	-	-
Unearned Revenues	-	-	-	-	-
Due to Other Funds	-	-	-	-	2,960,918
Total Liabilities	<u>-</u>	<u>332,010</u>	<u>-</u>	<u>-</u>	<u>4,361,039</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	-	-	-	-	7,840,646
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,840,646</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepaid Items	-	1,332	-	-	-
Restricted:					
Community Development Projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-	-
Development Services	62,733	1,567,858	6,152	46,543	-
Housing and Neighborhood Revitalization	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	(4,324,157)
Total Fund Balances (Deficits)	<u>62,733</u>	<u>1,569,190</u>	<u>6,152</u>	<u>46,543</u>	<u>(4,324,157)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 62,733</u>	<u>\$ 1,901,200</u>	<u>\$ 6,152</u>	<u>\$ 46,543</u>	<u>\$ 7,877,528</u>

**CITY OF LANCASTER
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			Capital Projects Fund	Total Other Governmental Funds
	Measure M	Lancaster Lighting District	AVAQMD	Capital Projects	
ASSETS					
Pooled Cash and Investments	\$ 1,413,924	\$ 6,918,149	\$ -	\$ 10,287,074	\$ 64,567,849
Receivables:					
Accounts	367,520	53,856	487,666	-	9,289,792
Taxes	-	132,471	-	-	1,747,544
Accrued Interest	2,393	-	-	-	41,261
Due from Other Governments	-	-	-	-	7,965,237
Notes and Loans, Net	-	-	-	-	590,060
Prepaid Items	-	-	-	-	172,539
Land Held for Resale	-	-	-	-	224,766
Total Assets	<u>\$ 1,783,837</u>	<u>\$ 7,104,476</u>	<u>\$ 487,666</u>	<u>\$ 10,287,074</u>	<u>\$ 84,599,048</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 156,642	\$ 396,901	\$ -	\$ 6,247,480	\$ 10,203,548
Accrued Liabilities	-	15,111	40,139	2,157,543	2,550,634
Unearned Revenues	-	-	-	-	924,078
Due to Other Funds	-	-	441,376	-	9,518,723
Total Liabilities	<u>156,642</u>	<u>412,012</u>	<u>481,515</u>	<u>8,405,023</u>	<u>23,196,983</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	367,520	-	487,666	-	16,249,966
Total Deferred Inflows of Resources	<u>367,520</u>	<u>-</u>	<u>487,666</u>	<u>-</u>	<u>16,249,966</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepaid Items	-	-	-	-	172,539
Restricted:					
Community Development Projects	-	-	-	-	2,998,559
Public Safety	-	-	-	-	284,928
Parks, Recreation, and Arts	-	-	-	-	2,350,257
Development Services	1,259,675	6,692,464	-	-	47,255,465
Housing and Neighborhood Revitalization	-	-	-	-	1,621,117
Capital Projects	-	-	-	1,882,051	1,882,051
Unassigned	-	-	(481,515)	-	(11,412,817)
Total Fund Balances (Deficits)	<u>1,259,675</u>	<u>6,692,464</u>	<u>(481,515)</u>	<u>1,882,051</u>	<u>45,152,099</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,783,837</u>	<u>\$ 7,104,476</u>	<u>\$ 487,666</u>	<u>\$ 10,287,074</u>	<u>\$ 84,599,048</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	8,355,731	-	-	651,640
Charges for Services	4,071	-	1,984,224	-
Investment Earnings	158,504	-	-	-
Fines and Forfeitures	-	-	-	-
Contributions	-	-	57,632	-
Miscellaneous	2,702	34,747	-	-
Total Revenues	<u>8,521,008</u>	<u>34,747</u>	<u>2,041,856</u>	<u>651,640</u>
EXPENDITURES				
Current:				
General Government	20	30,983	-	145,058
Community Development	-	20,368	-	-
Parks, Recreation, and Arts	92,148	-	17,628	-
Development Services	11,258,082	-	2,418,989	-
Housing and Neighborhood Revitalization	-	-	-	132,457
Capital Outlay	1,113,089	-	-	46,659
Debt Service:				
Principal Retirement	-	-	-	198,000
Interest and Fiscal Charges	-	-	-	11,187
Total Expenditures	<u>12,463,339</u>	<u>51,351</u>	<u>2,436,617</u>	<u>533,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,942,331)	(16,604)	(394,761)	118,279
OTHER FINANCING SOURCES (USES)				
Transfers In	7,108,161	-	1,111,985	107,772
Transfers Out	(3,035,632)	-	(243,051)	(3,163)
Total Other Financing Sources (Uses)	<u>4,072,529</u>	<u>-</u>	<u>868,934</u>	<u>104,609</u>
NET CHANGE IN FUND BALANCES	130,198	(16,604)	474,173	222,888
Fund Balances (Deficits) - Beginning of Year	<u>3,501,808</u>	<u>106,002</u>	<u>898,025</u>	<u>2,685,768</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 3,632,006</u>	<u>\$ 89,398</u>	<u>\$ 1,372,198</u>	<u>\$ 2,908,656</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	HOME Program	Proposition A	Bikeway Improvement	Proposition C
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	17,026	4,241,614	201,185	3,518,298
Charges for Services	-	-	-	-
Investment Earnings	-	110,279	-	199,667
Fines and Forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>17,026</u>	<u>4,351,893</u>	<u>201,185</u>	<u>3,717,965</u>
EXPENDITURES				
Current:				
General Government	-	1,954,443	-	-
Community Development	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	-	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	-	1,686,256	194,668	2,314,199
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>3,640,699</u>	<u>194,668</u>	<u>2,314,199</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,026	711,194	6,517	1,403,766
OTHER FINANCING SOURCES (USES)				
Transfers In	1,556	-	-	-
Transfers Out	(108,809)	(203,292)	-	-
Total Other Financing Sources (Uses)	<u>(107,253)</u>	<u>(203,292)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(90,227)	507,902	6,517	1,403,766
Fund Balances (Deficits) - Beginning of Year	<u>1,711,344</u>	<u>4,658,768</u>	<u>10,755</u>	<u>7,980,329</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 1,621,117</u>	<u>\$ 5,166,670</u>	<u>\$ 17,272</u>	<u>\$ 9,384,095</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Federal Grants	State Grants	Parks Development	Developer Fees - Signals
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	161,464	252,592
Intergovernmental	1,400,674	1,061,299	-	-
Charges for Services	-	-	-	-
Investment Earnings	-	7,706	-	-
Fines and Forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,400,674</u>	<u>1,069,005</u>	<u>161,464</u>	<u>252,592</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Community Development	-	136,659	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	494,164	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	3,566,733	1,078,186	260,143	117,327
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>3,566,733</u>	<u>1,709,009</u>	<u>260,143</u>	<u>117,327</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,166,059)	(640,004)	(98,679)	135,265
OTHER FINANCING SOURCES (USES)				
Transfers In	9,764	53,013	-	-
Transfers Out	-	(54,980)	-	(45,493)
Total Other Financing Sources (Uses)	<u>9,764</u>	<u>(1,967)</u>	<u>-</u>	<u>(45,493)</u>
NET CHANGE IN FUND BALANCES	(2,156,295)	(641,971)	(98,679)	89,772
Fund Balances (Deficits) - Beginning of Year	<u>(1,833,286)</u>	<u>(834,557)</u>	<u>623,256</u>	<u>2,730,543</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (3,989,581)</u>	<u>\$ (1,476,528)</u>	<u>\$ 524,577</u>	<u>\$ 2,820,315</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Developer Fees - Drainage	Recycled Water	Biological Impact Fees	Traffic Impact Fees
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	1,371,217	-	116,897	302,661
Intergovernmental	-	-	-	-
Charges for Services	-	159,286	-	-
Investment Earnings	-	-	-	-
Fines and Forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,371,217</u>	<u>159,286</u>	<u>116,897</u>	<u>302,661</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Community Development	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	237,891	5,810	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	279,560	-	-	581
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>279,560</u>	<u>237,891</u>	<u>5,810</u>	<u>581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,091,657	(78,605)	111,087	302,080
OTHER FINANCING SOURCES (USES)				
Transfers In	-	197,375	-	-
Transfers Out	-	(77,221)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>120,154</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,091,657	41,549	111,087	302,080
Fund Balances (Deficits) - Beginning of Year	<u>9,865,502</u>	<u>8,943</u>	<u>816,801</u>	<u>1,452,781</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 10,957,159</u>	<u>\$ 50,492</u>	<u>\$ 927,888</u>	<u>\$ 1,754,861</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
		Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety
	AQMD			
REVENUES				
Taxes	\$ -	\$ -	\$ 11,505	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	112,875	-	-	-
Charges for Services	-	2,181,897	-	-
Investment Earnings	-	-	-	-
Fines and Forfeitures	-	-	-	211,113
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>112,875</u>	<u>2,181,897</u>	<u>11,505</u>	<u>211,113</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Community Development	17,750	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	2,044,362	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	-	51,875	-	-
Debt Service:				
Principal Retirement	-	33,767	-	-
Interest and Fiscal Charges	-	1,030	-	-
Total Expenditures	<u>17,750</u>	<u>2,131,034</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	95,125	50,863	11,505	211,113
OTHER FINANCING SOURCES (USES)				
Transfers In	26,750	422,941	-	-
Transfers Out	(5,279)	(611,481)	(11,000)	(260,000)
Total Other Financing Sources (Uses)	<u>21,471</u>	<u>(188,540)</u>	<u>(11,000)</u>	<u>(260,000)</u>
NET CHANGE IN FUND BALANCES	116,596	(137,677)	505	(48,887)
Fund Balances (Deficits) - Beginning of Year	<u>(92,031)</u>	<u>1,765,195</u>	<u>-</u>	<u>333,815</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 24,565</u>	<u>\$ 1,627,518</u>	<u>\$ 505</u>	<u>\$ 284,928</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Zero-Net Energy Solar Mitigation In Lieu	LA County Reimbursement	MTA Grant	Urban Structure Program
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	380,083
Intergovernmental	-	467,712	2,121,789	-
Charges for Services	-	-	-	-
Investment Earnings	-	218	-	-
Fines and Forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>467,930</u>	<u>2,121,789</u>	<u>380,083</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Community Development	-	696,496	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	-	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	-	-	2,808,004	775,812
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>696,496</u>	<u>2,808,004</u>	<u>775,812</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(228,566)	(686,215)	(395,729)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	45,493	-
Transfers Out	-	-	(244)	(28,474)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>45,249</u>	<u>(28,474)</u>
NET CHANGE IN FUND BALANCES	-	(228,566)	(640,966)	(424,203)
Fund Balances (Deficits) - Beginning of Year	<u>106,700</u>	<u>(27,110)</u>	<u>(244,394)</u>	<u>2,199,391</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 106,700</u>	<u>\$ (255,676)</u>	<u>\$ (885,360)</u>	<u>\$ 1,775,188</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Mariposa	Sewer	Proposition	Proposition
	Lily	Maintenance District	1B	42
REVENUES				
Taxes	\$ -	\$ 4,404,875	\$ -	\$ -
Licenses and Permits	-	186,406	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Investment Earnings	-	-	29	-
Fines and Forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	4,591,281	29	-
EXPENDITURES				
Current:				
General Government	-	1,234	-	-
Community Development	-	-	-	-
Parks, Recreation, and Arts	-	-	-	-
Development Services	-	3,302,669	-	-
Housing and Neighborhood Revitalization	-	-	-	-
Capital Outlay	-	1,552,775	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	-	4,856,678	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(265,397)	29	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(1,696,684)	-	-
Total Other Financing Sources (Uses)	-	(1,696,684)	-	-
NET CHANGE IN FUND BALANCES	-	(1,962,081)	29	-
Fund Balances (Deficits) - Beginning of Year	62,733	3,531,271	6,123	46,543
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 62,733</u>	<u>\$ 1,569,190</u>	<u>\$ 6,152</u>	<u>\$ 46,543</u>

CITY OF LANCASTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				Capital Projects Fund	Total Other Governmental Funds
	Measure R	Measure M	Lancaster Lighting District	AVAQMD	Capital Projects	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,416,380
Licenses and Permits	-	-	-	-	-	2,771,320
Intergovernmental	3,664,212	2,984,103	-	-	-	28,798,158
Charges for Services	-	-	6,205,374	-	-	10,534,852
Investment Earnings	13,150	28,911	329	-	-	518,793
Fines and Forfeitures	-	-	-	-	-	211,113
Contributions	-	-	-	-	-	57,632
Miscellaneous	-	-	32,599	404,625	-	474,673
Total Revenues	<u>3,677,362</u>	<u>3,013,014</u>	<u>6,238,302</u>	<u>404,625</u>	<u>-</u>	<u>47,782,921</u>
EXPENDITURES						
Current:						
General Government	-	-	-	886,140	-	3,017,878
Community Development	-	-	-	-	-	871,273
Parks, Recreation, and Arts	-	-	10,090	-	-	119,866
Development Services	1,620	598,926	3,158,674	-	-	23,521,187
Housing and Neighborhood Revitalization	-	-	-	-	-	132,457
Capital Outlay	8,372,939	1,600,896	-	-	-	25,819,702
Debt Service:						
Principal Retirement	-	-	605,000	-	-	836,767
Interest and Fiscal Charges	-	-	389,774	-	-	401,991
Total Expenditures	<u>8,374,559</u>	<u>2,199,822</u>	<u>4,163,538</u>	<u>886,140</u>	<u>-</u>	<u>54,721,121</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,697,197)	813,192	2,074,764	(481,515)	-	(6,938,200)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	9,084,810
Transfers Out	(1,080,341)	(1,620,512)	(357,208)	-	-	(9,442,864)
Total Other Financing Sources (Uses)	<u>(1,080,341)</u>	<u>(1,620,512)</u>	<u>(357,208)</u>	<u>-</u>	<u>-</u>	<u>(358,054)</u>
NET CHANGE IN FUND BALANCES	(5,777,538)	(807,320)	1,717,556	(481,515)	-	(7,296,254)
Fund Balances (Deficits) - Beginning of Year	<u>1,453,381</u>	<u>2,066,995</u>	<u>4,974,908</u>	<u>-</u>	<u>1,882,051</u>	<u>52,448,353</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (4,324,157)</u>	<u>\$ 1,259,675</u>	<u>\$ 6,692,464</u>	<u>\$ (481,515)</u>	<u>\$ 1,882,051</u>	<u>\$ 45,152,099</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 3,501,808	\$ 3,501,808	\$ 3,501,808	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	8,325,531	8,325,531	8,355,731	30,200
Charges for Services	-	-	4,071	4,071
Investment Earnings	-	-	158,504	158,504
Miscellaneous	2,000	240	2,702	2,462
Transfers In	13,212,283	13,212,283	7,108,161	(6,104,122)
Amounts Available for Appropriations	<u>25,041,622</u>	<u>25,039,862</u>	<u>19,130,977</u>	<u>(5,908,885)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	-	-	20	(20)
Parks, Recreation, and Arts	-	102,253	92,148	10,105
Development Services	11,250,486	12,651,103	11,258,082	1,393,021
Capital Outlay	-	-	1,113,089	(1,113,089)
Transfers Out	3,044,036	7,450,847	3,035,632	4,415,215
Total Charges to Appropriations	<u>14,294,522</u>	<u>20,204,203</u>	<u>15,498,971</u>	<u>4,705,232</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 10,747,100</u>	<u>\$ 4,835,659</u>	<u>\$ 3,632,006</u>	<u>\$ (1,203,653)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 898,025	\$ 898,025	\$ 898,025	\$ -
RESOURCES (INFLOWS)				
Charges for Services	1,715,700	1,965,700	1,984,224	18,524
Contributions	50,000	59,867	57,632	(2,235)
Transfers In	20,240	1,111,985	1,111,985	-
Amounts Available for Appropriations	<u>2,683,965</u>	<u>4,035,577</u>	<u>4,051,866</u>	<u>16,289</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Parks, Recreation, and Arts	-	38,617	17,628	20,989
Development Services	2,000,096	3,091,841	2,418,989	672,852
Transfers Out	279,381	279,381	243,051	36,330
Total Charges to Appropriations	<u>2,279,477</u>	<u>3,409,839</u>	<u>2,679,668</u>	<u>730,171</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 404,488</u>	<u>\$ 625,738</u>	<u>\$ 1,372,198</u>	<u>\$ 746,460</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 2,685,768	\$ 2,685,768	\$ 2,685,768	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	1,918,931	1,918,931	651,640	(1,267,291)
Transfers In	-	-	107,772	107,772
Amounts Available for Appropriations	<u>4,604,699</u>	<u>4,604,699</u>	<u>3,445,180</u>	<u>(1,159,519)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	48,543	153,427	145,058	8,369
Housing and Neighborhood Revitalization	746,377	776,104	132,457	643,647
Capital Outlay	-	-	46,659	(46,659)
Debt Service:				
Principal Retirement	198,000	198,000	198,000	-
Interest and Fiscal Charges	205,845	205,845	11,187	194,658
Transfers Out	3,163	997,163	3,163	994,000
Total Charges to Appropriations	<u>1,201,928</u>	<u>2,330,539</u>	<u>536,524</u>	<u>1,794,015</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 3,402,771</u>	<u>\$ 2,274,160</u>	<u>\$ 2,908,656</u>	<u>\$ 634,496</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
HOME PROGRAM SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 1,711,344	\$ 1,711,344	\$ 1,711,344	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	719,769	719,769	17,026	(702,743)
Transfers In	-	-	1,556	1,556
Investment Earnings	-	-	-	-
Amounts Available for Appropriations	2,431,113	2,431,113	1,729,926	(701,187)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	676,132	1,657,393	-	1,657,393
Transfers Out	1,037	1,037	108,809	(107,772)
Total Charges to Appropriations	677,169	1,658,430	108,809	1,549,621
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 1,753,944</u>	<u>\$ 772,683</u>	<u>\$ 1,621,117</u>	<u>\$ 848,434</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPOSITION A SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 4,658,768	\$ 4,658,768	\$ 4,658,768	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	11,693,658	11,693,658	4,241,614	(7,452,044)
Investment Earnings	14,040	14,040	110,279	96,239
Amounts Available for Appropriations	<u>16,366,466</u>	<u>16,366,466</u>	<u>9,010,661</u>	<u>(7,355,805)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	2,050,258	2,159,097	1,954,443	204,654
Capital Outlay	-	-	1,686,256	(1,686,256)
Transfers Out	176,542	7,846,167	203,292	7,642,875
Total Charges to Appropriations	<u>2,226,800</u>	<u>10,005,264</u>	<u>3,843,991</u>	<u>6,161,273</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 14,139,666</u>	<u>\$ 6,361,202</u>	<u>\$ 5,166,670</u>	<u>\$ (1,194,532)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
BIKEWAY IMPROVEMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 10,755	\$ 10,755	\$ 10,755	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	429,841	429,841	201,185	(228,656)
Amounts Available for Appropriations	440,596	440,596	211,940	(228,656)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	194,668	(194,668)
Transfers Out	-	147,954	-	147,954
Total Charges to Appropriations	-	147,954	194,668	(46,714)
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 440,596</u>	<u>\$ 292,642</u>	<u>\$ 17,272</u>	<u>\$ (275,370)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPOSITION C SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 7,980,329	\$ 7,980,329	\$ 7,980,329	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	15,873,544	16,733,962	3,518,298	(13,215,664)
Investment Earnings	18,000	18,000	199,667	181,667
Amounts Available for Appropriations	<u>23,871,873</u>	<u>24,732,291</u>	<u>11,698,294</u>	<u>(13,033,997)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	2,314,199	(2,314,199)
Transfers Out	-	7,544,927	-	7,544,927
Total Charges to Appropriations	<u>-</u>	<u>7,544,927</u>	<u>2,314,199</u>	<u>5,230,728</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 23,871,873</u>	<u>\$ 17,187,364</u>	<u>\$ 9,384,095</u>	<u>\$ (7,803,269)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FEDERAL GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (1,833,286)	\$ (1,833,286)	\$ (1,833,286)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	16,407,141	15,270,853	1,400,674	(13,870,179)
Fines and Forfeitures	2,327,997	2,327,997	-	(2,327,997)
Transfers In	-	-	9,764	9,764
Amounts Available for Appropriations	<u>16,901,852</u>	<u>15,765,564</u>	<u>(422,848)</u>	<u>(16,188,412)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Parks, Recreation, and Arts	621,325	621,325	-	621,325
Development Services	2,450,524	2,450,524	-	2,450,524
Capital Outlay	-	-	3,566,733	(3,566,733)
Transfers Out	-	11,518,352	-	11,518,352
Total Charges to Appropriations	<u>3,071,849</u>	<u>14,590,201</u>	<u>3,566,733</u>	<u>11,023,468</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 13,830,003</u>	<u>\$ 1,175,363</u>	<u>\$ (3,989,581)</u>	<u>\$ (5,164,944)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
STATE GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (834,557)	\$ (834,557)	\$ (834,557)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	12,652,151	4,239,953	1,061,299	(3,178,654)
Investment Earnings	-	-	7,706	7,706
Transfers In	-	-	53,013	53,013
Amounts Available for Appropriations	<u>11,817,594</u>	<u>3,405,396</u>	<u>287,461</u>	<u>(3,117,935)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Community Development	-	339,920	136,659	203,261
Development Services	2,782,916	3,720,430	494,164	3,226,266
Capital Outlay	-	-	1,078,186	(1,078,186)
Transfers Out	318,825	17,262,051	54,980	17,207,071
Total Charges to Appropriations	<u>3,101,741</u>	<u>21,382,401</u>	<u>1,763,989</u>	<u>19,618,412</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 8,715,853</u>	<u>\$ (17,977,005)</u>	<u>\$ (1,476,528)</u>	<u>\$ 16,500,477</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PARKS DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 623,256	\$ 623,256	\$ 623,256	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	40,000	40,000	161,464	121,464
Amounts Available for Appropriations	663,256	663,256	784,720	121,464
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	260,143	(260,143)
Transfers Out	-	280,506	-	280,506
Total Charges to Appropriations	-	280,506	260,143	20,363
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 663,256</u>	<u>\$ 382,750</u>	<u>\$ 524,577</u>	<u>\$ 141,827</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEVELOPER FEES – SIGNALS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 2,730,543	\$ 2,730,543	\$ 2,730,543	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	160,000	160,000	252,592	92,592
Amounts Available for Appropriations	<u>2,890,543</u>	<u>2,890,543</u>	<u>2,983,135</u>	<u>92,592</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	117,327	(117,327)
Transfers Out	-	2,033,045	45,493	1,987,552
Total Charges to Appropriations	<u>-</u>	<u>2,033,045</u>	<u>162,820</u>	<u>1,870,225</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u><u>\$ 2,890,543</u></u>	<u><u>\$ 857,498</u></u>	<u><u>\$ 2,820,315</u></u>	<u><u>\$ 1,962,817</u></u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEVELOPER FEES – DRAINAGE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 9,865,502	\$ 9,865,502	\$ 9,865,502	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	450,000	450,000	1,371,217	921,217
Amounts Available for Appropriations	10,315,502	10,315,502	11,236,719	921,217
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	279,560	(279,560)
Transfers Out	-	2,345,135	-	2,345,135
Total Charges to Appropriations	-	2,345,135	279,560	2,065,575
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 10,315,502</u>	<u>\$ 7,970,367</u>	<u>\$ 10,957,159</u>	<u>\$ 2,986,792</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
RECYCLED WATER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 8,943	\$ 8,943	\$ 8,943	\$ -
RESOURCES (INFLOWS)				
Charges for Services	100,000	130,000	159,286	29,286
Transfers In	197,375	197,375	197,375	-
Amounts Available for Appropriations	<u>306,318</u>	<u>336,318</u>	<u>365,604</u>	<u>29,286</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Development Services	223,505	257,497	237,891	19,606
Transfers Out	77,221	77,221	77,221	-
Total Charges to Appropriations	<u>300,726</u>	<u>334,718</u>	<u>315,112</u>	<u>19,606</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 5,592</u>	<u>\$ 1,600</u>	<u>\$ 50,492</u>	<u>\$ 48,892</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
BIOLOGICAL IMPACT FEES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 816,801	\$ 816,801	\$ 816,801	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	300,000	300,000	116,897	(183,103)
Amounts Available for Appropriations	1,116,801	1,116,801	933,698	(183,103)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Development Services	-	-	5,810	(5,810)
Transfers Out	-	32,377	-	32,377
Total Charges to Appropriations	-	32,377	5,810	26,567
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 1,116,801</u>	<u>\$ 1,084,424</u>	<u>\$ 927,888</u>	<u>\$ (156,536)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TRAFFIC IMPACT FEES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 1,452,781	\$ 1,452,781	\$ 1,452,781	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	300,000	200,000	302,661	102,661
Amounts Available for Appropriations	<u>1,752,781</u>	<u>1,652,781</u>	<u>1,755,442</u>	<u>102,661</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	581	(581)
Transfers Out	-	753,287	-	753,287
Total Charges to Appropriations	<u>-</u>	<u>753,287</u>	<u>581</u>	<u>752,706</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u><u>\$ 1,752,781</u></u>	<u><u>\$ 899,494</u></u>	<u><u>\$ 1,754,861</u></u>	<u><u>\$ 855,367</u></u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
AQMD SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (92,031)	\$ (92,031)	\$ (92,031)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	99,810	99,810	112,875	13,065
Transfers In	-	-	26,750	26,750
Amounts Available for Appropriations	<u>7,779</u>	<u>7,779</u>	<u>47,594</u>	<u>39,815</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Community Development	50,000	50,000	17,750	32,250
Transfers Out	5,279	5,279	5,279	-
Total Charges to Appropriations	<u>55,279</u>	<u>55,279</u>	<u>23,029</u>	<u>32,250</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ (47,500)</u>	<u>\$ (47,500)</u>	<u>\$ 24,565</u>	<u>\$ 72,065</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LANCASTER DRAINAGE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 1,765,195	\$ 1,765,195	\$ 1,765,195	\$ -
RESOURCES (INFLOWS)				
Charges for Services	1,695,000	2,133,000	2,181,897	48,897
Transfers In	422,941	422,941	422,941	-
Amounts Available for Appropriations	<u>3,883,136</u>	<u>4,321,136</u>	<u>4,370,033</u>	<u>48,897</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Development Services	2,067,273	2,238,331	2,044,362	193,969
Capital Outlay	-	-	51,875	(51,875)
Debt Service:				
Principal Retirement	-	-	33,767	(33,767)
Interest and Fiscal Charges	-	-	1,030	(1,030)
Transfers Out	619,885	1,210,548	611,481	599,067
Total Charges to Appropriations	<u>2,687,158</u>	<u>3,448,879</u>	<u>2,742,515</u>	<u>706,364</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 1,195,978</u>	<u>\$ 872,257</u>	<u>\$ 1,627,518</u>	<u>\$ 755,261</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
MISCELLANEOUS GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS)				
Taxes	11,000	11,000	11,505	505
Amounts Available for Appropriations	11,000	11,000	11,505	505
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Transfers Out	11,000	11,000	11,000	-
Total Charges to Appropriations	11,000	11,000	11,000	-
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505</u>	<u>\$ 505</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 333,815	\$ 333,815	\$ 333,815	\$ -
RESOURCES (INFLOWS)				
Fines and Forfeitures	260,000	260,000	211,113	(48,887)
Amounts Available for Appropriations	593,815	593,815	544,928	(48,887)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Transfers Out	260,000	260,000	260,000	-
Total Charges to Appropriations	260,000	260,000	260,000	-
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 333,815</u>	<u>\$ 333,815</u>	<u>\$ 284,928</u>	<u>\$ (48,887)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LA COUNTY REIMBURSEMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (27,110)	\$ (27,110)	\$ (27,110)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	1,702,497	2,676,455	467,712	(2,208,743)
Investment Earnings	-	-	218	
Amounts Available for Appropriations	<u>1,675,387</u>	<u>2,649,345</u>	<u>440,820</u>	<u>(2,208,743)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Community Development	1,445,678	4,854,005	696,496	4,157,509
Total Charges to Appropriations	<u>1,445,678</u>	<u>4,854,005</u>	<u>696,496</u>	<u>4,157,509</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 229,709</u>	<u>\$ (2,204,660)</u>	<u>\$ (255,676)</u>	<u>\$ 1,948,766</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
MTA GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (244,394)	\$ (244,394)	\$ (244,394)	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	2,723,811	3,463,393	2,121,789	(1,341,604)
Transfers In	-	-	45,493	45,493
Amounts Available for Appropriations	<u>2,479,417</u>	<u>3,218,999</u>	<u>1,922,888</u>	<u>(1,296,111)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	2,808,004	(2,808,004)
Transfers Out	-	3,937,164	244	3,936,920
Total Charges to Appropriations	<u>-</u>	<u>3,937,164</u>	<u>2,808,248</u>	<u>1,128,916</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 2,479,417</u>	<u>\$ (718,165)</u>	<u>\$ (885,360)</u>	<u>\$ (167,195)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
URBAN STRUCTURE PROGRAM SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 2,199,391	\$ 2,199,391	\$ 2,199,391	\$ -
RESOURCES (INFLOWS)				
Licenses and Permits	117,000	117,000	380,083	263,083
Amounts Available for Appropriations	<u>2,316,391</u>	<u>2,316,391</u>	<u>2,579,474</u>	<u>263,083</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	775,812	(775,812)
Transfers Out	42,482	843,181	28,474	814,707
Total Charges to Appropriations	<u>42,482</u>	<u>843,181</u>	<u>804,286</u>	<u>38,895</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 2,273,909</u>	<u>\$ 1,473,210</u>	<u>\$ 1,775,188</u>	<u>\$ 301,978</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SEWER MAINTENANCE DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 3,531,271	\$ 3,531,271	\$ 3,531,271	\$ -
RESOURCES (INFLOWS)				
Taxes	4,100,000	4,400,000	4,404,875	4,875
Licenses and Permits	130,500	192,400	186,406	(5,994)
Amounts Available for Appropriations	<u>7,761,771</u>	<u>8,123,671</u>	<u>8,122,552</u>	<u>(1,119)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government	-	-	1,234	(1,234)
Development Services	3,599,283	3,933,300	3,302,669	630,631
Capital Outlay	-	-	1,552,775	(1,552,775)
Transfers Out	1,705,088	2,038,528	1,696,684	341,844
Total Charges to Appropriations	<u>5,304,371</u>	<u>5,971,828</u>	<u>6,553,362</u>	<u>(581,534)</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 2,457,400</u>	<u>\$ 2,151,843</u>	<u>\$ 1,569,190</u>	<u>\$ (582,653)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPOSITION 1B SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 6,123	\$ 6,123	\$ 6,123	\$ -
RESOURCES (INFLOWS)				
Investment Earnings	-	-	29	29
Amounts Available for Appropriations	6,123	6,123	6,152	29
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Transfers Out	-	370	-	370
Total Charges to Appropriations	-	370	-	370
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 6,123</u>	<u>\$ 5,753</u>	<u>\$ 6,152</u>	<u>\$ 399</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPOSITION 42 SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 46,543	\$ 46,543	\$ 46,543	\$ -
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 46,543</u>	<u>\$ 46,543</u>	<u>\$ 46,543</u>	<u>\$ -</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE R SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 1,453,381	\$ 1,453,381	\$ 1,453,381	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	20,397,108	37,992,072	3,664,212	(34,327,860)
Investment Earnings	20,500	20,500	13,150	(7,350)
Amounts Available for Appropriations	<u>21,870,989</u>	<u>39,465,953</u>	<u>5,130,743</u>	<u>(34,335,210)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Development Services	-	-	1,620	(1,620)
Capital Outlay	-	-	8,372,939	(8,372,939)
Transfers Out	1,081,120	53,510,209	1,080,341	52,429,868
Total Charges to Appropriations	<u>1,081,120</u>	<u>53,510,209</u>	<u>9,454,900</u>	<u>44,055,309</u>
BUDGETARY FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 20,789,869</u>	<u>\$ (14,044,256)</u>	<u>\$ (4,324,157)</u>	<u>\$ 9,720,099</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE M SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 2,066,995	\$ 2,066,995	\$ 2,066,995	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	9,746,617	9,746,617	2,984,103	(6,762,514)
Investment Earnings	10,000	10,000	28,911	18,911
Amounts Available for Appropriations	<u>11,823,612</u>	<u>11,823,612</u>	<u>5,080,009</u>	<u>(6,743,603)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Development Services	-	-	598,926	(598,926)
Capital Outlay	-	4,000	1,600,896	(1,596,896)
Transfers Out	3,670,401	5,569,926	1,620,512	3,949,414
Total Charges to Appropriations	<u>3,670,401</u>	<u>5,573,926</u>	<u>3,820,334</u>	<u>1,753,592</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 8,153,211</u>	<u>\$ 6,249,686</u>	<u>\$ 1,259,675</u>	<u>\$ (4,990,011)</u>

**CITY OF LANCASTER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LANCASTER LIGHTING DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 4,974,908	\$ 4,974,908	\$ 4,974,908	\$ -
RESOURCES (INFLOWS)				
Charges for Services	4,520,000	5,828,000	6,205,374	377,374
Investment Earnings	-	-	329	329
Miscellaneous	-	-	32,599	32,599
Amounts Available for Appropriations	<u>9,494,908</u>	<u>10,802,908</u>	<u>11,213,210</u>	<u>410,302</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Parks, Recreation, and Arts	-	10,090	10,090	-
Development Services	3,258,031	3,722,141	3,158,674	563,467
Capital Outlay	279,562	117,327	-	117,327
Principal Retirement	605,000	605,000	605,000	-
Interest and Fiscal Charges	405,607	405,607	389,774	15,833
Transfers Out	357,208	526,599	357,208	169,391
Total Charges to Appropriations	<u>4,905,408</u>	<u>5,386,764</u>	<u>4,520,746</u>	<u>866,018</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 4,589,500</u>	<u>\$ 5,416,144</u>	<u>\$ 6,692,464</u>	<u>\$ 1,276,320</u>

**CITY OF LANCASTER
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 JUNE 30, 2023**

	Assessment District	Deposits	AD 92-101
ASSETS			
Pooled Cash and Investments	\$ 154,596	\$ 163,415	\$ 202
Receivable:			
Accounts	-	82,611	-
Taxes	-	1,847	-
Cash and Investments with Fiscal Agents	-	-	-
Total Assets	154,596	247,873	202
LIABILITIES			
Accounts Payable	-	25,661	-
Deferred Revenues	-	53,138	-
Deposits Payable	-	169,074	-
Total Liabilities	-	247,873	-
NET POSITION			
Restricted for Bondholders	154,596	-	202
Total Net Position	\$ 154,596	\$ -	\$ 202

CITY OF LANCASTER
COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL CUSTODIAL FUNDS (CONTINUED)
JUNE 30, 2023

	CFD 89-1	CFD 90-1	CFD 91-1	Total
ASSETS				
Pooled Cash and Investments	\$ 23,835	\$ (207)	\$ 542	\$ 342,383
Receivable:				
Accounts	-	-	-	82,611
Taxes	-	-	-	1,847
Cash and Investments with Fiscal Agents	2,185	-	-	2,185
Total Assets	26,020	(207)	542	429,026
LIABILITIES				
Accounts Payable	-	-	-	25,661
Deferred Revenues	-	-	-	53,138
Deposits Payable	-	-	-	169,074
Total Liabilities	-	-	-	247,873
NET POSITION				
Restricted for Bondholders	26,020	(207)	542	181,153
Total Net Position	\$ 26,020	\$ (207)	\$ 542	\$ 429,026

**CITY OF LANCASTER
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 YEAR ENDED JUNE 30, 2023**

	Assessment District	Deposits	AD 92-101
DEDUCTIONS			
Administrative Expenses	\$ -	\$ -	\$ -
Total Deductions	-	-	-
CHANGE IN NET POSITION	-	-	-
Total Net Position - Beginning of Year	154,596	-	202
TOTAL NET POSITION - END OF YEAR	\$ 154,596	\$ -	\$ 202

**CITY OF LANCASTER
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2023**

	<u>CFD 89-1</u>	<u>CFD 90-1</u>	<u>CFD 91-1</u>	<u>Total</u>
DEDUCTIONS				
Administrative Expenses	\$ -	\$ -	\$ -	\$ -
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	-	-	-	-
Total Net Position - Beginning of Year	<u>26,020</u>	<u>(207)</u>	<u>542</u>	<u>181,153</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 26,020</u>	<u>\$ (207)</u>	<u>\$ 542</u>	<u>\$ 181,153</u>

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STATISTICAL SECTION

**CITY OF LANCASTER
DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2023**

STATISTICAL SECTION

This part of the City of Lancaster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	153-158
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	159-163
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	164-168
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	169-170
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	171-172

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year. The City implemented Statement 34 for the fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF LANCASTER
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
JUNE 30, 2023
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net Investment in										
Capital Assets										
Restricted	\$ 923,425,649	\$ 907,594,209	\$ 893,340,891	\$ 868,784,058	\$ 858,554,529	\$ 850,994,405	\$ 852,525,238	\$ 845,575,930	\$ 834,367,384	\$ 820,612,473
Unrestricted	154,576,976	156,831,806	148,498,481	146,632,874	143,457,885	153,574,408	211,659,170	141,530,153	148,823,735	152,508,943
Total Governmental Activities Net Assets	<u>30,520,092</u>	<u>(10,727,418)</u>	<u>3,063,526</u>	<u>(1,347,011)</u>	<u>(6,020,947)</u>	<u>(13,964,865)</u>	<u>(80,694,919)</u>	<u>16,690,582</u>	<u>53,224,096</u>	<u>52,070,411</u>
Total Governmental Activities Net Assets	<u>\$ 1,108,522,717</u>	<u>\$ 1,053,698,597</u>	<u>\$ 1,044,902,898</u>	<u>\$ 1,014,069,921</u>	<u>\$ 995,991,467</u>	<u>\$ 990,603,948</u>	<u>\$ 983,489,489</u>	<u>\$ 1,003,796,665</u>	<u>\$ 1,036,415,215</u>	<u>\$ 1,025,191,827</u>
Business-type activities										
Net Investment in										
Capital Assets										
Restricted	\$ (4,221,367)	\$ (1,317,420)	\$ (1,175,345)	\$ (998,271)	\$ (1,551,196)	\$ (2,054,121)	\$ (2,507,045)	\$ (2,899,971)	\$ (4,705,290)	\$ (4,933,215)
Unrestricted	2,469,059	(1,234,241)	1,748,081	3,317,256	4,911,084	4,781,147	9,780,734	8,662,408	10,659,839	15,695,751
Total Business-Type Activities Net Assets	<u>\$ (1,752,308)</u>	<u>\$ (2,551,661)</u>	<u>\$ 572,736</u>	<u>\$ 2,318,985</u>	<u>\$ 3,359,888</u>	<u>\$ 2,727,026</u>	<u>\$ 7,273,689</u>	<u>\$ 5,762,437</u>	<u>\$ 5,954,549</u>	<u>\$ 10,762,536</u>
Primary Government										
Net Investment in										
Capital Assets										
Restricted	\$ 919,204,282	\$ 906,276,789	\$ 892,165,546	\$ 867,785,787	\$ 857,003,333	\$ 848,940,284	\$ 850,018,193	\$ 842,675,959	\$ 829,662,094	\$ 815,679,258
Unrestricted	154,576,976	156,831,806	148,498,481	146,632,874	143,457,885	153,574,408	211,659,170	141,530,153	148,823,735	152,508,943
Total Primary Government Net Assets	<u>32,989,151</u>	<u>(11,961,659)</u>	<u>4,811,607</u>	<u>1,970,245</u>	<u>(1,109,863)</u>	<u>(9,183,718)</u>	<u>(70,914,185)</u>	<u>25,352,990</u>	<u>63,883,935</u>	<u>67,766,162</u>
Total Primary Government Net Assets	<u>\$ 1,106,770,409</u>	<u>\$ 1,051,146,936</u>	<u>\$ 1,045,475,634</u>	<u>\$ 1,016,388,906</u>	<u>\$ 999,351,355</u>	<u>\$ 993,330,974</u>	<u>\$ 990,763,178</u>	<u>\$ 1,009,559,102</u>	<u>\$ 1,042,369,764</u>	<u>\$ 1,035,954,363</u>

*2017 Net Assets Restated

**CITY OF LANCASTER
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(ACCRUAL BASIS OF ACCOUNTING)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
General Government	\$ 20,826,798	\$ 18,151,158	\$ 24,202,118	\$ 8,960,666	\$ 25,403,881	\$ 36,559,231	\$ 34,227,243	\$ 35,691,615	\$ 27,689,637	\$ 37,100,475
Public Safety	24,042,237	26,777,341	26,305,165	28,407,266	29,600,738	30,472,647	31,515,319	32,230,935	35,132,514	38,988,488
Community Development	4,382,821	3,205,562	3,075,464	3,153,141	3,596,731	3,203,719	657,480	592,696	664,521	1,297,964
Parks, Recreation, and Arts	13,555,843	14,096,265	16,934,244	16,693,089	18,330,765	19,055,172	18,323,761	17,820,781	25,614,746	24,557,617
Development Services	54,078,702	54,734,695	50,457,653	69,971,677	54,409,902	53,929,613	53,960,990	50,239,507	65,722,004	82,016,861
Housing and Neighborhood Revitalization	3,072,338	4,341,667	2,672,073	2,561,473	2,158,452	2,115,890	1,850,333	2,056,358	7,758,697	1,001,945
Interest on Long-Term Debt	233,915	180,567	217,001	273,270	793,067	920,559	2,315,735	3,119,743	2,551,057	3,036,813
Total Primary Governmental Activities Expenses	120,192,654	121,487,255	123,863,718	130,020,582	134,293,536	146,256,831	142,850,861	141,751,635	165,133,176	188,000,163
Business-type activities:										
Lancaster Power Authority	3,215,141	2,170,134	2,166,532	2,039,939	1,987,221	1,968,698	1,841,253	1,825,146	1,947,106	1,348,432
Lancaster Choice Energy	-	1,430,990	20,238,595	33,808,624	34,290,014	36,835,001	39,741,272	47,013,871	51,194,116	67,149,222
California Choice Energy Authority	-	-	-	52,276	2,414,623	4,287,401	5,650,866	6,033,722	7,081,730	7,517,372
Total Business-Type Activities Expenses	3,215,141	3,601,124	22,405,127	35,900,839	38,691,858	43,091,100	47,233,391	54,872,739	60,222,952	76,015,026
Total Primary Government Expenses	123,407,795	125,088,379	146,268,845	165,921,421	172,985,394	189,347,931	190,084,252	196,624,374	225,356,128	264,015,189
Program Revenues (see Schedule 3)										
Governmental Activities:										
Charges for Services:										
General Government	198,193	432,988	513,200	639,962	602,044	619,995	139,214	3,335,332	287,009	1,156,517
Public Safety	978,834	818,277	751,611	984,026	1,062,896	1,085,753	853,945	2,525,888	802,251	681,722
Community Development	568,214	550,551	496,533	661,602	634,154	639,536	597,666	430,021	653,198	816,687
Parks, Recreation and Arts	3,683,705	3,652,517	4,277,377	4,550,335	4,321,483	4,715,881	2,657,974	759,537	2,499,106	3,415,139
Development Services	13,285,244	14,021,480	14,565,036	15,011,307	15,313,752	15,847,319	16,463,307	18,297,602	20,552,067	20,662,559
Housing and Neighborhood Revitalization	1,009,550	303,541	226,958	229,371	365,977	237,247	1,042,728	290,464	12	3,276
Operating Grants and Contributions	22,338,733	22,198,805	24,493,308	24,106,817	27,378,164	26,646,632	32,101,550	48,818,504	60,297,493	54,094,552
Capital Grants and Contributions	13,157,118	20,173,224	7,918,787	2,949,315	8,166,904	18,407,817	13,207,647	14,693,720	10,047,212	2,997,354
Total Governmental Activities Program Revenues	55,219,591	62,151,383	53,242,810	49,132,735	57,845,374	68,200,180	67,064,031	89,151,068	95,138,348	83,827,806

**CITY OF LANCASTER
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(ACCRUAL BASIS OF ACCOUNTING)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Business-type activities:										
Charges for Services:										
Lancaster Power Authority	\$ 3,402,736	\$ 3,273,181	\$ 3,512,716	\$ 2,818,772	\$ 1,861,482	\$ 1,661,277	\$ 1,545,531	\$ 1,896,121	\$ 1,911,332	\$ 1,910,499
Lancaster Choice Energy	-	275,128	23,437,682	36,023,817	37,454,517	37,059,153	43,397,265	43,786,322	51,692,560	68,549,854
California Choice Energy Authority	-	-	-	80,000	1,495,702	4,535,102	5,438,167	5,987,488	7,206,199	8,015,547
Total Business-Type Activities										
Program Revenues	3,402,736	3,548,309	26,950,398	38,922,589	40,811,701	43,255,532	50,380,963	51,669,931	60,810,091	78,475,900
Total Primary Government										
Program Revenues	58,622,327	65,699,692	80,193,208	88,055,324	98,657,075	111,455,712	117,444,994	140,820,999	155,948,439	162,303,706
Governmental Activities	(64,838,504)	(59,335,872)	(70,620,908)	(80,887,847)	(76,448,162)	(78,056,651)	(75,786,830)	(52,600,567)	(69,994,828)	(104,172,357)
Business-Type Activities:	53,036	(52,815)	4,545,271	3,021,750	2,119,843	164,432	3,147,572	(3,202,808)	587,139	2,460,874
Net Primary Government										
Revenue (Expense)	(64,785,468)	(59,388,687)	(66,075,637)	(77,866,097)	(74,328,319)	(77,892,219)	(72,639,258)	(55,803,375)	(69,407,689)	(101,711,483)
Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	14,370,865	16,854,719	19,252,156	19,468,926	20,423,770	22,583,607	24,296,937	26,148,244	27,184,193	33,007,795
Franchise Taxes	2,669,286	2,776,634	2,821,855	2,926,257	4,706,453	7,637,948	7,663,335	7,731,919	9,261,656	7,451,316
Transient Occupancy Taxes	1,313,033	1,614,404	1,866,299	2,064,522	2,202,452	2,211,230	1,965,102	2,012,943	2,709,026	2,676,338
Business Licenses Taxes	929,618	983,968	915,740	842,598	932,469	920,998	722,837	1,223,982	1,364,377	855,151
Other Taxes	413,913	419,034	428,651	630,705	991,873	885,093	1,279,397	1,315,822	1,027,933	851,184
Intergovernmental	67,299	65,519	64,874	70,376	83,074	77,514	127,902	118,596	186,425	180,915
Intergovernmental -State										
Shared Sales Taxes	18,043,706	18,540,150	19,498,624	20,462,687	20,483,067	23,611,132	21,961,474	31,805,221	50,950,947	49,229,826
Investment Earnings	252,605	331,645	532,869	465,226	243,124	1,942,204	4,696,743	1,391,387	(1,397,099)	3,977,989
Miscellaneous	331,511	1,141,731	1,041,187	2,308,190	3,393,939	10,536,241	4,138,146	1,546,901	9,577,174	2,157,473
Gain on Sale of Land Held										
for Resale	4,160,149	2,129,772	1,158,860	443,926	1,283,807	1,220,392	888,441	513,340	801,949	433,995
Transfers	600,000	800,000	1,600,000	1,358,064	1,525,000	845,513	893,410	875,850	946,797	926,685
Total Governmental Activities	43,151,985	45,657,576	49,181,115	51,041,477	56,269,028	72,471,872	68,633,724	74,684,205	102,613,378	101,748,667
Business-Type Activities:										
Investment Earnings	9,533	1,762	6,041	10,109	25,250	48,219	34,247	860	182	313
Miscellaneous	47,833	51,700	173,085	72,454	420,810		2,258,254	2,790,669	551,588	3,273,485
Transfers	(600,000)	(800,000)	(1,600,000)	(1,358,064)	(1,525,000)	(845,513)	(893,410)	(875,850)	(946,797)	(926,685)
Total Business-Type Activities	(542,634)	(746,538)	(1,420,874)	(1,275,501)	(1,078,940)	(797,294)	1,399,091	1,915,679	(395,027)	2,347,113

**CITY OF LANCASTER
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(ACCRUAL BASIS OF ACCOUNTING)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Extraordinary Gain/(Loss)	\$ 41,469,430	\$ -	\$ 11,789,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Primary Government Revenues, Contributions, Extraordinary Items and Transfers	84,078,781	44,911,038	59,549,553	49,765,976	55,190,088	71,674,578	70,032,815	76,599,884	102,218,351	104,095,780
Extraordinary Gain/(Loss) due to Transfer of Assets to Successor Agency (Note 16)	41,469,430	-	-	-	-	-	-	-	-	-
Change in Net Assets										
Governmental Activities	19,648,352	(13,678,296)	(9,650,481)	(29,846,370)	(20,179,134)	(5,584,779)	(7,153,106)	22,083,638	32,618,550	(2,423,690)
Business-Type Activities	(355,039)	(799,353)	3,124,397	1,746,249	1,040,903	(632,862)	4,546,663	(1,287,129)	192,112	4,807,987
Total Primary Government	<u>\$ 19,293,313</u>	<u>\$ (14,477,649)</u>	<u>\$ (6,526,084)</u>	<u>\$ (28,100,121)</u>	<u>\$ (19,138,231)</u>	<u>\$ (6,217,641)</u>	<u>\$ (2,606,443)</u>	<u>\$ 20,796,509</u>	<u>\$ 32,810,662</u>	<u>\$ 2,384,297</u>

**CITY OF LANCASTER
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 28,221,235	\$ 30,146,378	\$ 35,269,352	\$ 35,371,160	\$ 34,813,055	\$ 29,262,811	\$ 29,674,751	\$ 26,457,074	\$ 27,214,902	\$ 27,657,520
Committed	-	-	-	-	-	3,365,000	1,614,733	8,083,847	47,957,898	49,046,805
Assigned	4,680,626	4,928,059	5,271,564	16,385,000	21,342,040	23,159,000	9,055,493	14,132,994	14,132,994	9,418,787
Unassigned	8,742,053	7,363,284	14,512,289	3,799,199	27,264	7,120,806	24,936,990	37,531,649	32,605,717	33,113,340
Total General Fund	<u>\$ 41,643,914</u>	<u>\$ 42,437,721</u>	<u>\$ 55,053,205</u>	<u>\$ 55,555,359</u>	<u>\$ 56,182,359</u>	<u>\$ 62,907,617</u>	<u>\$ 65,281,967</u>	<u>\$ 86,205,564</u>	<u>\$ 121,911,511</u>	<u>\$ 119,236,452</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ 47,639	\$ 138,887	\$ 302,869	\$ -	\$ 1,952	\$ -	\$ 114,493	\$ 29,788	\$ 174,084
Restricted	151,441,914	153,298,355	143,175,424	138,738,574	135,604,095	145,720,618	194,765,788	186,902,404	144,389,404	134,580,180
Assigned	509	17,055	-	60,647	60,647	60,647	556,466	1,905,548	1,882,051	-
Unassigned	(2,637,423)	(2,503,461)	(2,239,594)	(4,009,386)	(5,552,234)	(4,758,232)	(12,709,657)	(4,213,959)	(5,907,837)	(23,256,474)
Total all Other Governmental Funds	<u>\$ 148,805,000</u>	<u>\$ 150,859,588</u>	<u>\$ 141,074,717</u>	<u>\$ 135,092,704</u>	<u>\$ 130,112,508</u>	<u>\$ 141,024,985</u>	<u>\$ 182,612,597</u>	<u>\$ 184,708,486</u>	<u>\$ 140,393,406</u>	<u>\$ 111,497,790</u>

Explanation of fund balance categories and descriptions can be found in Note 1 - Summary of Significant Accounting Policies; differences in fund balances between FY 19/20 & 20/21 are discussed in Management Discussion and Analysis section.

**CITY OF LANCASTER
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 43,142,049	\$ 45,955,569	\$ 50,788,011	\$ 51,225,214	\$ 32,694,321	\$ 45,375,573	\$ 39,776,377	\$ 46,881,898	\$ 67,506,842	\$ 66,935,994
Licenses, Fees, and Permits	3,765,131	4,213,219	7,618,177	7,154,796	7,311,998	7,258,884	6,148,835	18,160,703	10,309,048	10,648,181
Intergovernmental	25,441,406	29,814,201	20,399,991	20,131,473	49,677,753	57,084,430	56,422,007	84,585,107	95,845,505	57,956,562
Charges for Services	11,055,161	11,579,958	11,943,261	12,047,968	12,110,502	12,735,980	11,656,942	10,631,985	12,541,661	14,069,824
Investment Earnings	5,988,730	3,027,639	1,315,125	865,832	1,011,369	2,587,662	2,913,406	538,028	(1,462,632)	4,338,468
Fines and Forfeitures	1,164,109	1,031,987	958,579	1,076,830	1,248,494	1,296,476	996,310	702,937	974,257	854,519
Contributions	-	-	-	630	35,586	8,033	2,669	8,757	59,454	57,632
Rental Income	-	5,748	194,687	155,750	155,750	156,958	128,893	-	25,613	-
Gain From Sale of Land Held	-	-	-	-	-	-	30,303	472,883	570,576	433,995
Miscellaneous	1,108,353	2,167,266	2,365,424	5,320,963	6,340,721	5,930,584	6,331,271	7,193,270	9,499,352	6,204,008
Total Revenues	\$ 91,664,939	\$ 97,795,587	\$ 95,583,255	\$ 97,979,456	\$ 110,586,494	\$ 132,434,580	\$ 124,407,013	\$ 169,175,568	\$ 195,869,676	\$ 161,499,183
Expenditures										
General Government	\$ 13,998,033	\$ 15,994,460	\$ 20,261,382	\$ 19,648,188	\$ 21,765,331	\$ 31,975,792	\$ 28,610,023	\$ 31,230,218	\$ 34,603,620	\$ 38,344,825
Public Safety	24,238,229	25,019,344	26,299,308	28,401,068	29,429,466	30,290,409	31,325,203	32,319,382	35,083,490	38,974,589
Community Development	4,021,302	2,732,422	2,796,072	2,879,556	3,352,591	2,779,144	236,826	490,242	236,622	871,273
Parks, Recreation and Arts	12,324,636	12,819,404	15,218,338	16,157,838	16,769,802	17,655,903	17,042,667	15,392,513	23,729,690	22,670,836
Development Services	17,639,737	19,678,403	18,634,314	34,626,426	20,337,475	19,389,078	20,176,895	21,898,694	36,449,170	40,486,888
Housing and Neighborhood Revitalization	5,063,159	4,341,667	2,672,073	3,564,603	2,158,452	2,115,890	1,850,333	2,056,358	7,758,697	1,011,720
Capital Outlay	11,121,837	14,852,578	17,109,139	13,067,378	22,380,893	24,040,695	32,485,154	30,875,418	62,883,972	45,179,585
Debt Service										
Principal	528,151	549,758	607,293	771,403	1,774,883	2,524,442	3,397,596	3,055,692	2,342,636	4,491,118
Interest	244,583	221,672	185,367	293,259	660,933	845,577	2,413,747	3,525,805	2,976,633	3,110,856
Total Expenditures	89,179,667	96,209,708	103,783,286	119,409,719	118,629,826	131,616,930	137,538,444	140,844,322	206,064,530	195,141,690
Excess of Revenues Over (Under)										
Expenditures	2,485,272	1,585,879	(8,200,031)	(21,430,263)	(8,043,332)	817,650	(13,131,431)	28,331,246	(10,194,854)	(33,642,507)
Other Financing Sources (Uses)										
Sale of Capital Assets	-	-	-	-	-	-	526,178	40,457	576,405	256,272
Bonds, notes, and Loans Issued	-	-	-	14,250,000	-	14,955,000	48,405,000	-	-	-
Bonds Issuance Premium	-	-	-	529,230	-	387,570	7,268,805	-	62,519	-
Sale of Capital Assets	-	-	-	-	-	202,197	-	-	-	-
Gain/(Loss) on Sale of Land	-	-	-	-	90,300	-	-	-	-	-
Proceeds from Capital Lease	-	-	255,981	555,221	-	232,545	-	-	-	888,875
Transfers in	23,056,901	24,675,475	31,209,370	22,640,266	36,663,811	36,307,639	50,727,058	19,492,130	20,574,564	24,314,909
Transfers out	(22,456,901)	(23,875,475)	(29,609,370)	(21,282,202)	(35,138,811)	(35,462,126)	(49,833,648)	(18,616,280)	(19,627,767)	(23,388,224)
Total Other Financing Sources (Uses)	600,000	800,000	1,855,981	16,692,515	1,615,300	16,622,825	57,093,393	916,307	1,585,721	2,071,832
Extraordinary, Special Gain/(Loss)	22,836,799	-	9,174,663	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 25,922,071	\$ 2,385,879	\$ 2,830,613	\$ (4,737,748)	\$ (6,428,032)	\$ 17,440,475	\$ 43,961,962	\$ 29,247,553	\$ (8,609,133)	\$ (31,570,675)
Debt service as a percentage of noncapital expenditures	0.99%	0.95%	0.91%	1.00%	2.53%	3.13%	5.53%	5.98%	3.72%	5.07%

2018 & beyond - Sales Taxes moved from Taxes category to Intergovernmental category.

**CITY OF LANCASTER
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	*Property Taxes	Transient Occupancy	Intergovernmental State Shared Sales Taxes	Measure LC	Franchise Taxes	Business Licenses Taxes	Other Taxes	Total
2014	\$ 14,370,865	\$ 1,313,033	\$ 18,043,706		\$ 2,669,286	\$ 929,618	\$ 413,913	\$ 37,740,421
2015	19,252,156	1,614,404	18,540,150		2,821,855	915,740	428,651	43,572,956
2016	19,468,926	1,866,299	19,498,624		2,926,257	842,598	630,705	45,233,409
2017	20,423,770	2,064,522	20,462,687		4,706,453	932,469	991,873	49,581,774
2018	20,423,770	2,202,452	20,483,067		4,706,453	932,469	991,873	49,740,084
2019	22,583,607	2,211,230	23,611,132		7,637,948	920,998	885,093	57,850,008
2020	24,296,937	1,965,102	21,961,474		7,731,919	1,223,982	1,315,822	58,495,236
2021	26,148,244	2,012,943	26,734,737	\$ 5,070,608	7,731,919	729,798	1,010,653	69,438,901
2022	27,184,193	2,709,026	28,325,781	22,625,166	9,261,656	1,364,377	1,027,933	92,498,132
2023	33,007,795	2,676,338	27,547,477	21,682,349	7,451,316	855,151	851,184	94,071,610
	3.96%	34.58%	5.95%		19.78%	86.95%	1.71%	33.21%
Change	(1,035,949)	(696,083)	(1,591,044)	(17,554,558)	(1,529,737)	(634,579)	(17,280)	(23,059,231)
2014-2023	89.2%	106.3%	57.0%		247.0%	46.8%	148.3%	145.1%

*Since 2013 Property Taxes have been substantially less due to dissolution of Lancaster Redevelopment Agency
Source: City of Lancaster Finance Department

**CITY OF LANCASTER
 ASSESSED VALUE AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 YEAR ENDED JUNE 30, 2023
 (IN THOUSANDS)**

Fiscal Year	Residential Property*	Commercial Property*	Industrial Property*	Other Property*	Unsecured Property*	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate*
2013-14	\$ 6,028,269	\$ 1,142,422	\$ 421,089	\$ 1,086,064	\$ 290,049	\$ (491,828)	\$ 8,476,065	0.094360
2014-15	6,875,938	1,151,791	429,440	1,105,203	278,624	(501,969)	9,339,027	0.092970
2015-16	7,366,323	1,272,042	431,603	1,137,342	291,158	(513,024)	9,985,444	0.091940
2016-17	7,772,454	1,293,080	439,480	1,175,301	309,909	(429,860)	10,560,364	0.091220
2017-18	8,248,993	1,331,678	455,985	1,213,136	283,133	(487,736)	11,045,188	0.090230
2018-19	8,849,447	1,396,589	514,693	1,219,625	280,558	(461,721)	11,799,191	0.089460
2019-20	9,457,797	1,444,154	550,237	1,332,867	360,368	(428,683)	12,716,740	0.088530
2020-21	9,778,254	1,426,788	576,248	1,773,175	407,473	(638,594)	13,323,344	0.085786
2021-22	10,463,372	1,408,293	636,430	1,865,415	376,652	(664,045)	14,086,117	0.084892
2022-23	11,334,803	1,451,790	729,968	1,991,840	429,505	(728,380)	15,209,526	0.085840

Source: Los Angeles County Assessor data, Hdl, Coren & Cone

*Total Direct Rate is the weighted average of all individual direct rates applied by the City and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

**CITY OF LANCASTER
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023**

Fiscal Year	General	Los Angeles County	Antelope Valley Union High School District	Elementary School Districts	Community College	Water	Total Direct & Overlapping(1)	City's Share of 1% Levy Per Prop 13(2)	Total Direct(3)
2014	1.00000%	0.00000%	0.02602%	0.19795%	0.02741%	0.07049%	1.32186%	0.06611%	0.094360
2015	1.00000%	0.00000%	0.02585%	0.21896%	0.02480%	0.07049%	1.34010%	0.06611%	0.092970
2016	1.00000%	0.00000%	0.02428%	0.21732%	0.02556%	0.07049%	1.33765%	0.06611%	0.091940
2017	1.00000%	0.00000%	0.02474%	0.21889%	0.02560%	0.07049%	1.33972%	0.06611%	0.091220
2018	1.00000%	0.00000%	0.02357%	0.21331%	0.04869%	0.07049%	1.35606%	0.06611%	0.090230
2019	1.00000%	0.00000%	0.02317%	0.20772%	0.04847%	0.07049%	1.34985%	0.06611%	0.089460
2020	1.00000%	0.00000%	0.02187%	0.20734%	0.04722%	0.07049%	1.34692%	0.06611%	0.088530
2021	1.00000%	0.00000%	0.02163%	0.06540%	0.42466%	0.07049%	1.58218%	0.06611%	0.085786
2022	1.00000%	0.00000%	0.02360%	0.20887%	0.04424%	0.07049%	1.34720%	0.06611%	0.085786
2023	1.00000%	0.00000%	0.02289%	0.18306%	0.04060%	0.07049%	1.31704%	0.06611%	0.085840

Source: Los Angeles County Auditor 2013/14-2022/23 Tax Rate Table, HdL Coren & Cone

(1) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.

(2) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The City's ERAF portion of the City's Levy has been subtracted where known.

(3) Total Direct Rate is the weighted average of all individual direct rates applied by the City and excludes revenues derived from aircraft. Beginning in 2013/14, the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

**CITY OF LANCASTER
PRINCIPAL PROPERTY TAXPAYERS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023**

<u>Taxpayer</u>	<u>2022-23</u>			<u>Taxpayer</u>	<u>2013-14</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
WestCore Bravo Lancaster LLC	\$ 143,208,000	1	0.94%	Walmart Real Estate Business Trust	\$ 53,855,053	1	0.63%
AG Cordova Park Owner LP	86,109,011	2	0.57%	CP Antelope Shops LLC	47,476,449	2	0.55%
Rami Darghalli Trust	73,127,869	3	0.48%	Thrifty Payless Inc	46,393,469	3	0.54%
Granada Villas REI LLC	67,273,792	4	0.44%	US Industrial Reit II	45,284,000	4	0.53%
Walmart Stores Inc	64,161,420	5	0.42%	MGF Cordova Park LP	33,950,000	5	0.39%
AG Sienna Heights Owner LP	62,667,378	6	0.41%	Kaiser	32,225,003	6	0.37%
2018-3 IH Borrower LP	55,793,654	7	0.37%	MK RRP 117 Holston Drive LLC	32,198,623	7	0.37%
TA-High Desert LLC	50,158,388	8	0.33%	MGP IX Properties LLC	28,246,860	8	0.33%
BYD Coach and Bus LLC	49,743,288	9	0.33%	Sygma Network Inc	26,827,703	9	0.31%
Vereit Real Estate LP	48,409,917	10	0.32%	K Partners Lancaster II LP	26,453,588	10	0.31%
Top Ten Total	\$ 700,652,717		4.61%		\$ 372,910,748		4.33%

**CITY OF LANCASTER
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	3,686,297	3,686,297	100%	-	3,686,297	100%
2015	5,101,745	5,101,745	100%	-	5,101,745	100%
2016	6,698,981	6,698,981	100%	-	6,698,981	100%
2017	6,205,334	6,205,334	100%	-	6,205,334	100%
2018	6,560,915	6,560,915	100%	-	6,560,915	100%
2019	7,931,274	7,931,274	100%	-	7,931,274	100%
2020	8,272,425	8,272,425	100%	-	8,272,425	100%
2021	9,603,394	9,603,394	100%	-	9,603,394	100%
2022	9,711,407	9,711,407	100%	-	9,711,407	100%
2023	10,691,826	10,691,826	100%	-	10,691,826	100%

Source: City of Lancaster Finance Department

CITY OF LANCASTER
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(DOLLARS IN THOUSAND, EXCEPT PER CAPITA)

Fiscal Year	Lease Revenue Bonds	Assessment District Bonds	*Business-Type Activity Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2014	\$ -	\$ 2,805	\$ 25,359	\$ 28,164	142.01%	0.18
2015	-	2,280	24,850	27,130	136.81%	0.17
2016	-	1,370	23,745	25,115	125.87%	0.16
2017	-	15,200	22,140	37,340	195.17%	0.24
2018	-	14,215	22,195	36,410	191.69%	0.23
2019	14,340	14,157	21,735	50,232	254.71%	0.31
2020	14,085	12,630	21,225	47,940	229.77%	0.30
2021	13,820	12,060	20,284	46,164	206.87%	0.27
2022	13,545	11,475	18,328	43,348	193.90%	0.25
2023	13,255	10,870	17,616	41,741	169.75%	0.24

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF LANCASTER
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(DOLLARS IN THOUSANDS, EXCEPT PER CAPITA)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Tax Allocation Redevelopment Bonds	Total		
2014	\$ -	\$ 228,955	\$ 228,955	2.7012%	1.43
2015	-	218,715	218,715	2.3419%	1.37
2016	-	193,400	193,400	1.9368%	1.23
2017	-	180,410	180,410	1.7084%	1.14
2018	-	172,275	172,275	1.5597%	1.07
2019	-	163,995	163,995	1.3899%	1.01
2020	-	154,784	154,784	1.2172%	0.96
2021	-	161,023	161,023	1.2086%	0.94
2022	-	150,735	150,735	1.0701%	0.88
2023	-	140,155	140,155	0.9215%	0.81

Notes: Details regarding the outstanding redevelopment debt can be found in the notes to the financial statements.

^a See Schedule 6 (Exhibit C-1) for property value data.

^b Population data can be found in Schedule 14 (Exhibit E-1).

**CITY OF LANCASTER
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
YEAR ENDED JUNE 30, 2023**

	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt			
Direct Borrowings	\$ 7,717,635	100.00%	\$ 7,717,635
Other Debt:			
Streetlight Acquisition Bonds of 2016	10,870,000	100.00%	10,870,000
Public Improvement Project Bonds of 2018	13,255,000	100.00%	13,255,000
Unamortized Bond Premiums	6,606,877	100.00%	6,606,877
Measure M & R Street Improvement	44,695,000	100.00%	44,695,000
Other Long-Term Liabilities	9,214,429	100.00%	9,214,429
Total Direct Debt			\$ 92,358,941
Overlapping Tax and Assessment Debt			
Antelope Valley Joint Community College District	\$ 431,450,916	34.60%	149,269,073
Antelope Valley Union High School District	31,279,873	39.22%	12,267,966
Eastside Union School District	2,540,000	65.71%	1,668,958
Lancaster School District	66,107,091	97.57%	64,501,350
Westside Union School District	39,918,813	29.57%	11,805,590
Westside Union School District Community Facilities Districts	21,825,699	100.00%	21,825,699
City of Lancaster School District Community Facilities District No. 2004-1	9,505,000	100.00%	9,505,000
City of Lancaster Lighting Maintenance District	10,870,000	100.00%	10,870,000
California Statewide Community Development Authority Assessment Districts	4,545,000	100.00%	4,545,000
Total Overlapping Tax And Assessment Debt			286,258,636
Total Direct And Overlapping Governmental Funds Debt			\$ 378,617,577
City Assessed Valuation	\$ 15,356,995,284		
Incremental Value	\$ 131,355		
Total Assessed Valuation	\$ 15,357,126,639		
Debt to Assessed Valuation Ratios:			
Direct Debt		0.601%	
Overlapping and Assessment Debt		1.864%	
Total Direct and Overlapping Governmental Funds Debt		2.465%	

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Lancaster. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles Co Assessor & Auditor Combined 2020/21 Lien Date Tax Rolls, City of Lancaster Finance Department

**CITY OF LANCASTER
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023
(DOLLARS IN THOUSANDS)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed Valuation	\$ 8,476,065	\$ 9,339,027	\$ 9,985,444	\$ 10,560,364	\$ 11,045,188	\$ 11,799,191	\$ 12,716,740	\$ 13,323,344	\$ 14,086,117	\$ 15,209,526
Debt Limit (3.75% of Gross AV)	317,852	350,214	374,454	396,014	414,195	442,470	476,878	499,625	528,229	570,357
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 317,852</u>	<u>\$ 350,214</u>	<u>\$ 374,454</u>	<u>\$ 396,014</u>	<u>\$ 414,195</u>	<u>\$ 442,470</u>	<u>\$ 476,878</u>	<u>\$ 499,625</u>	<u>\$ 528,229</u>	<u>\$ 570,357</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Los Angeles County Assessor data, HdL Coren & Cone

**CITY OF LANCASTER
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 YEAR ENDED JUNE 30, 2023
 (DOLLARS IN THOUSANDS)**

Fiscal Year	Redevelopment Tax Allocation Bonds				Coverage
	Property Tax Increment	Debt Service			
		Principal	Interest		
2014	23,252	16,005	12,313	0.82	
2015	23,535	9,675	11,477	1.11	
2016	25,590	11,255	10,531	1.17	
2017	21,248	6,350	7,600	1.52	
2018	20,826	8,285	6,729	1.39	
2019	19,409	8,435	7,002	1.26	
2020	20,350	8,685	6,802	1.31	
2021	21,052	8,985	6,493	1.36	
2022	20,181	13,325	5,935	1.05	
2023	16,083	9,675	5,496	1.06	

Notes: Details regarding the city's outstanding redevelopment debt can be found in the notes to the financial statements.

**CITY OF LANCASTER
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
YEAR ENDED JUNE 30, 2023**

Calendar Year	Population	Personal income (in Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2013	159,878	\$3,170,860	\$19,833	10.90%	31.5	80.60%	16.20%
2014	159,956	\$3,171,927	\$19,830	9.20%	32.3	79.80%	15.70%
2015	157,094	\$3,134,596	\$19,953	7.50%	32.2	80.20%	15.40%
2016	157,820	\$3,019,475	\$19,132	5.90%	31.7	81.40%	15.10%
2017	161,485	\$3,067,258	\$18,994	5.10%	31.8	81.40%	15.50%
2018	161,604	\$3,187,146	\$19,721	6.60%	32.4	82.30%	16.00%
2019	161,699	\$3,373,741	\$20,864	6.40%	32.4	82.00%	16.20%
2020	171,674	\$3,830,805	\$22,315	5.00%	32.6	82.60%	17.60%
2021	171,674	\$3,838,000	\$22,356	6.50%	32.94	82.60%	10.39%
2022	173,376	\$4,263,255	\$24,589	7.30%	33.3	81.70%	19.10%

Source: Los Angeles County Assessor data, HdL Coren & Cone

**CITY OF LANCASTER
TOP 10 PRINCIPAL EMPLOYERS
CURRENT CALENDAR YEAR AND TEN YEARS PRIOR
YEAR ENDED JUNE 30, 2023**

Employer	2023			Employer	2014		
	Estimated Employees	Rank	Percentage of Total Valley Employment		Estimated Employees	Rank	Percentage of Total Valley Employment
Edwards Air Force Base	10,000	1	11.54%	Edwards Air Force Base	10,647	1	15.75%
Northrop Grumman	8,000	2	9.23%	China Lake Navel Weapons	9,172	2	13.57%
China Lake NWC	7,100	3	3.46%	County of Los Angeles	3,743	3	5.54%
Palmdale School District	3,000	4	3.00%	Northrop Grumman	2,772	4	4.10%
Antelope Valley Hospital Medical Center	2,600	5	8.19%	Lockheed Martin	2,712	5	4.01%
Walmart	2,075	6	2.36%	Palmdale School District	2,682	6	3.97%
County of Los Angeles	2,045	7	2.39%	AV Union High School District	2,689	7	3.98%
Antelope Valley Union Highschool District	1,087	8	1.25%	Antelope Valley Hospital	2,300	8	3.40%
BYD	750	9	0.87%	California Correctional Institute	1,915	9	2.83%
Lancaster School District	638	10	0.74%	Walmart Stores (5)	1,922	10	2.84%
TOTAL Employment	86,688		43.02%		67,601		59.99%

Source: City of Lancaster Economic Development: City of Lancaster ACFR FY 2013-2014

Notes: Total employment as used above may represent figures from total employment located within the Greater Antelope Valley region. The Greater Antelope Valley is considered to be the City's economic region and covers 3,514.2 square miles of area and includes Lancaster, Palmdale, Tehachapi, Mojave, Edwards AFB, and Ridgecrest. Most recent information available

**CITY OF LANCASTER
FULL-TIME-EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2023**

<u>Function</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government										
Administrative Services	8.00	6.00	3.00	1.00	13.00	16.00	15.00	12.00	-	-
Air Quality Management District	-	-	-	-	-	-	-	-	6.00	6.00
City Clerk	3.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	6.00	6.00
City Manager	9.25	10.25	11.75	12.75	9.75	8.00	10.00	9.00	10.00	10.00
Communications	-	-	-	-	-	-	-	-	4.00	4.00
Community Development	-	-	-	-	-	-	-	-	-	12.00
Economic Development, Housing, and Film	2.00	3.00	4.00	4.00	5.00	2.00	-	23.00	-	10.00
Finance and Information Technology	25.00	24.00	25.00	25.00	19.00	18.00	17.00	-	25.00	25.00
Housing and Neighborhood Revitalization	20.00	19.00	20.00	20.00	19.00	21.00	17.00	17.00	-	-
Human Resources	5.00	5.00	4.00	6.00	7.00	7.00	7.00	10.00	10.00	10.00
Planning, Building and Safety, and Energy Redevelopment	-	-	-	-	-	-	-	-	-	17.00
City Attorney	-	1.00	1.00	2.00	2.00	2.00	-	-	-	-
Development Services	125.00	124.00	131.00	131.00	124.00	124.00	122.00	105.00	134.00	-
Lancaster Choice Energy	-	-	8.00	8.00	5.00	4.00	1.00	-	-	-
Parks, Recreation and Arts	51.00	53.00	45.00	45.00	45.00	47.00	45.00	51.00	53.00	53.00
Public Safety	13.00	13.00	12.00	12.00	13.00	11.00	12.00	26.00	50.00	50.00
Public Works	-	-	-	-	-	-	-	-	-	95.00
Less vacancies filled by internal recruitments	(11.00)	(8.00)	(22.00)	(18.75)	(19.00)	(8.00)	-	-	-	-
Total	250.25	252.25	245.75	251.00	245.75	255.00	249.00	256.00	298.00	298.00
Year over year	(9.00)	2.00	(6.50)	5.25	(5.25)	9.25	(6.00)	7.00	42.00	-

Source: City Human Resources Department

Note: The Lancaster Redevelopment Agency was dissolved according to ABx1 26 which was signed into law June 29, 2011.

Note: The City went through a reorganization in 2021 resulting in ACS being dissolved and divisions being absorbed by various departments

**CITY OF LANCASTER
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
YEAR ENDED JUNE 30, 2023**

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
City Hall	1	1	1	1	1	1	1	1	1	1
Annex/Record Center	-	-	-	-	-	-	-	-	-	-
Antelope Valley UHSD Building	-	-	-	-	-	-	-	-	-	1
Community Development										
Brierwood Mobile Home Park	-	-	-	-	-	-	-	-	-	-
Desert Sands Mobile Home Park	-	-	-	-	-	-	-	-	-	-
Development Services										
Maintenance Yard - Modular Office Bldg.	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Office/Warehouse	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Maintenance Garage	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Canopy	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Storage Bldg	4	3	3	3	3	3	3	3	3	3
Maintenance Yard - Wash Bay	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - HazMat Storage Bldg	1	1	1	1	1	1	1	1	1	1
Streets (miles)	640	1,765	1,765	1,765	1,765	1,765	1,769	482	1,493	1,493
Streetlights (owned by City)	1,895	1,895	1,908	19,576	19,576	19,576	19,576	19,777	19,777	21,000
Traffic signals	139	147	145	153	153	141	143	143	143	145
Street Signs	26,400	26,412	26,472	26,759	38,000	38,000	38,000	38,000	38,000	38,000
Fleet Vehicles	318	304	322	320	318	321	321	318	341	404
Storm Drain Pipe (LF)	485,113	485,113	485,113	420,239	420,239	430,445	430,868	432,434	434,193	434,917
Storm Drain Box (LF)	27,996	27,996	27,996	27,996	27,996	9,217	9,217	9,217	9,217	9,217
Storm Drain Box (Each)				1,547	1,547	1,477	1,477	1,487	1,494	1,498
Storm Drain Channel (LF)	44,883	44,883	44,883	45,733	45,733	45,951	45,951	45,951	45,951	45,951
Sewer Pipe (LF)	2,265,120	2,265,120	2,262,626	2,268,696	2,268,527	2,265,120	2,271,627	2,276,401	2,314,392	2,283,494
Sewer Manholes	9,188	9,042	8,966	8,975	8,977	9,073	9,106	9,130	9,276	9,300
Sewer Lift Station	1	1	1	1	1	1	1	1	1	1
Drainage Lift Station	-	-	-	-	-	-	-	13	14	13
Recycled Water Pump Station	-	-	-	-	-	-	-	-	2	2
Parks, Recreation and Arts										
Acreage	538	538	538	538	538	558	558	558	558	558
Developed park sites	14	14	14	14	14	14	14	14	14	14
Pools	2	2	2	2	2	2	2	2	2	2
Big 8 Tournament Baseball complex	1	1	1	1	1	1	1	1	1	1
Batting Cage Facility	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Community/Activity Centers	8	8	8	8	8	8	8	8	8	8
Cedar Center	1	1	1	1	1	1	1	1	1	1
Prime Desert Woodlands Preserve/Nature Cntr	1	1	1	1	1	1	1	1	1	1
Municipal Baseball Stadium	1	1	1	1	1	1	1	1	1	1
Performing Arts Center	1	1	1	1	1	1	1	1	1	1
Museum and Art Gallery	1	1	1	1	1	1	1	1	1	1
Western Hotel (historic site)	1	1	1	1	1	1	1	1	1	1
Metrolink Station	1	1	1	1	1	1	1	1	1	1
Park and Ride Lots	8	8	8	8	8	8	8	8	8	8

Sources: Various city departments.

*Estimated figures



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Lancaster Financing Authority
Lancaster, California

Re: *Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt) and Series 2024B (Federally Taxable)*

Ladies and Gentlemen:

We have acted as bond counsel to the Lancaster Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$ _____ Lease Revenue Bonds, Series 2024A (Tax-Exempt) (the “Series 2024A Bonds”) and \$ _____ Lease Revenue Bonds, Series 2024B (Federally Taxable) (the “Series 2024B Bonds” and, together with the Series 2024A Bonds, the “Series 2024 Bonds”), pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”), and pursuant to an Indenture, dated as of July 1, 2024 (the “Indenture”), by and among the Authority, the City of Lancaster (the “City”) and U.S. Bank Trust Company, National Association, as Trustee. The Series 2024 Bonds will be principally secured by lease payments to be made by the City pursuant to a Lease Agreement, dated as of July 1, 2024 (the “Lease”), by and between the Authority and the City. We have examined the law and such certified proceedings and other documents, agreements, opinions and matters as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture.

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

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease and the Ground Lease. We call attention to the fact that the rights and obligations under the Series 2024 Bonds, the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Series 2024 Bonds, the Indenture, the Lease, the Ground Lease or the Assignment Agreement; nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Indenture, the Lease or the Ground Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

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

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Series 2024 Bonds.

2. The Indenture and the Lease have each been duly authorized and approved by the Authority and the Indenture and the Lease constitute the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms. The Indenture creates a valid pledge of the Base Rental Payments and other moneys pledged under the Indenture, subject to the provisions of the Indenture.

3. The Indenture and the Lease have each been duly authorized and approved by the City and the Indenture and the Lease constitute the valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

4. The Series 2024 Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture. The Series 2024 Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Series 2024A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest (and original issue discount) on the Series 2024 Bonds is exempt from personal income taxes imposed in the State of California.

7. The difference between the issue price of a Series 2024A Bond (the first price at which a substantial amount of the Series 2024A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2024A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2024A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2024A Bond Owner will increase the Series 2024A Bond Owner's basis in the applicable Series 2024A Bond. Original issue discount that accrues to the Series 2024A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 5 above) and is exempt from State of California personal income tax.

8. Interest (and original issue discount) on the Series 2024B Bonds is not excluded from gross income for federal income tax purposes.

9. With certain exceptions, the difference between the issue price of a Series 2024B Bond (the first price at which a substantial amount of the Series 2024B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2024B Bond (to the extent the

redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and the amount of original issue discount deemed received by the Owner of a Series 2024B Bond will increase the Series 2024B Bond Owner's basis in the Series 2024B Bond. Owners of the Series 2024B Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Series 2024B Bonds.

10. The amount by which a Series 2024A Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series 2024A Bond premium which must be amortized under Section 171 of the Code; such amortizable Series 2024A Bond premium reduces the Series 2024A Bond Owner's basis in the applicable Series 2024A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2024A Bond premium may result in a Series 2024A Bond Owner realizing a taxable gain when a Series 2024A Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2024A Bond to the owner.

The opinions expressed in paragraphs (5) and (7) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2024A Bonds are subject to the condition that the Authority and the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series 2024A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority and the City have covenanted to comply with all such requirements. Except as set forth in paragraphs (5), (6), (7), (8), (9) and (10) above, we express no opinion as to any tax consequences related to the Series 2024A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, the Lease and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Series 2024A Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

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

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Series 2024 Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2024 Bonds. We expressly disclaim any duty to advise the owners of the Series 2024 Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Series 2024 Bonds.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of July 1, 2024 (the “Disclosure Agreement”) is by and between the City of Lancaster (the “City”) and Willdan Financial Services (the “Dissemination Agent”), in connection with the issuance of the \$ _____ Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt) (the “Series 2024A Bonds”) and the \$ _____ Lancaster Financing Authority Lease Revenue Bonds, Series 2024B (Federally Taxable) (the “Series 2024B Bonds”) and, together with the Series 2024A Bonds, the “Series 2024 Bonds”) by the Lancaster Financing Authority (the “Authority”).

WHEREAS, the Bonds are being issued pursuant to an Indenture, dated as of July 1, 2024 (the “Indenture”), by and among the Authority, the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

WHEREAS, the Bonds are payable from the base rental payments to be made by the City under the Lease Agreement, dated as of July 1, 2024 (the “Lease Agreement”), between the City, as lessee, and the Authority, as lessor; and

WHEREAS, this Disclosure Agreement is being entered into by the City for the benefit of the Owners and Beneficial Owners of the Series 2024 Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below).

NOW, THEREFORE, the City and the Dissemination Agent agree as follows:

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

“Annual Report” shall mean any Annual Comprehensive Financial Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2024 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2024 Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City, or their designee, or such other officer or employee as the City shall designate in writing from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 4(a) and (b) of this Disclosure Agreement.

“MSRB” shall mean 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” shall mean the Official Statement relating to the Series 2024 Bonds, dated _____, 2024.

“Participating Underwriter” shall mean the original underwriter of the Series 2024 Bonds required to comply with the Rule in connection with the offering of the Series 2024 Bonds.

“Repository” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

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

“State” shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent, not later than March 31 following the end of the City’s fiscal year (which presently ends on June 30) (the “Annual Report Date”), commencing with the report for the fiscal year ending June 30, 2024 due March 31, 2025, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. 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 3 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify the MSRB and the Dissemination Agent (if other than the City) of a change in the fiscal year dates. 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) 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 notify the City of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide in a timely manner to the MSRB (with a copy to the Trustee and the Underwriters) a notice, in substantially the form attached as Exhibit A.

(d) Unless the City has done so pursuant to Section 3(a) above, the Dissemination Agent (if other than the City) 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 certificate with the City to the effect that the Annual Report has been provided pursuant to this Disclosure Agreement, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The City's audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The Original Budget and any Final Budget for the then-current fiscal year.

(c) Numerical and tabular information for the immediately preceding fiscal year of the type contained in Appendix A to the Official Statement, in the following charts and tables: Table 5 (General Fund Tax Revenues by Source) and Table 6 (General Fund Property Tax Revenues by Source).

Financial information relating to the City referenced in this Section 3 may be updated from time to time, and such updates may involve displaying data in a different format or table or eliminating data that is no longer available.

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 have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2024 Bonds in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2024 Bonds, if material, in a timely manner not more than ten (10) business days after occurrence:

1. unless described in Section 4(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2024 Bonds or other material events affecting the tax status of the Series 2024 Bonds;

2. modifications to the rights of Series 2024 Bondholders;

3. bond calls;

4. release, substitution or sale of property securing repayment of the Series 2024 Bonds;

5. non-payment related defaults;

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

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Series 2024 Bond Owners.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 5. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The obligations of the City, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2024 Bonds. If such termination occurs prior to the final maturity of the Series 2024 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City and shall have no duty to review any information provided to it by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Series 2024 Bond Owners or Beneficial Owner of the Series 2024 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 Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

No Series 2024 Bond Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's 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 also be entitled to any further protections and limitations from liability afforded to the Trustee under the Indenture as if such provisions were fully set forth herein. 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 all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the Series 2024 Bond Owners, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2024 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

City:	City of Lancaster 44933 Fern Avenue Lancaster, California 93534 Attention: City Manager
Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590 Attention: Federal Compliance Group

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Underwriters and Owners and Beneficial Owners from time to time of the Series 2024 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the City to the undertaking herein provided.

CITY OF LANCASTER

By: _____
City Manager

WILLDAN FINANCIAL SERVICES, as Dissemination
Agent

By: _____
Authorized Officer

**EXHIBIT A
NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Lancaster Financing Authority

Name of Issue: Lancaster Financing Authority Lease Revenue Bonds, Series 2024A (Tax-Exempt)
and Series 2024B (Federally Taxable)

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that the City of Lancaster (the “City”) has not provided an Annual Report with respect to the above-named Series 2024 Bonds as required by the Continuing Disclosure Agreement, dated as of July 1, 2024, by and between the City and Willdan Financial Services. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

[DISSEMINATION AGENT]

By: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2024 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2024 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2024 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2024 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

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

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

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

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

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

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

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

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

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

