

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 18, 2020

NEW ISSUE—BOOK-ENTRY ONLY

RATING:  
S&P: “ ”  
See “RATING” herein.

In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of each Lease Payment constituting interest with respect to the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that the portion of each Lease Payment constituting interest with respect to the Certificates (including any original issue discount) is exempt from State of California personal income tax. For a more detailed description of such opinions of Special Counsel, see “TAX MATTERS” herein.



\$ \_\_\_\_\_ \*  
**2020 REFUNDING CERTIFICATES OF PARTICIPATION, SERIES A**  
**(Park La Habra and Viewpark Refinancing Project)**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**CITY OF LA HABRA**  
**(Orange County, California)**  
**as the Rental for Certain Property Pursuant to a Lease Agreement**  
**with the City of La Habra Housing Authority**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside cover**

The \$ \_\_\_\_\_ \* City of La Habra 2020 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project) (the “Certificates”) are being sold to provide funds to (a) refund the outstanding City of La Habra 2010 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project), and (b) pay the delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

The Certificates represent direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the City of La Habra (the “City”) to the City of La Habra Housing Authority (the “Authority”) for the use and occupancy of the Projects (as defined herein) under and pursuant to an Amended and Restated Lease Agreement, dated as of September 1, 2020, by and between the Authority and the City (the “Lease Agreement”). The Authority will assign its right to receive Lease Payments from the City under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the City thereunder to The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2020, by and among the City, the Authority and the Trustee, in book-entry form only, and will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually by check mailed on each April 1 and October 1, commencing April 1, 2021. The Certificates will be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners. See “THE CERTIFICATES—Book-Entry System” herein and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

**The Certificates are subject to optional, mandatory and extraordinary prepayment prior to maturity.** See “THE CERTIFICATES—Prepayment” herein.

The City will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement from any source of legally available funds, subject to abatement during any period in which by reason of damage or destruction of the Projects, or by reason of eminent domain proceedings with respect to the Projects, there is substantial interference with the use and occupancy by the City of the Projects or any portion thereof. The City will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. *A reserve fund will not be funded for the Certificates.*

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

**MATURITY SCHEDULE**

**SEE THE INSIDE COVER**

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

The Certificates will be offered when, as and if delivered and received by the Underwriter thereof, subject to approval of legality by Kutak Rock LLP, Irvine, California, as Special Counsel. Certain matters will be passed upon for the City by the City Attorney and by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. Certain legal matters will also be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Certificates will be available for through the facilities of DTC on or about September 17, 2020.



Dated: August \_\_, 2020

\*Preliminary, subject to change.

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

\$ \_\_\_\_\_ \*

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**(Park La Habra and Viewpark Refinancing Project)**  
**Evidencing Direct, Undivided Fractional Interests of the**  
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\$ \_\_\_\_\_ **Serial Bonds**

CUSIP† Prefix: \_\_\_\_\_

<b>Maturity (October 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP† Suffix</b>
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\$ \_\_\_\_\_ % **Term Bonds Maturing October 1, \_\_\_\_\_**; **Price: \_\_\_\_\_, to Yield \_\_\_\_\_%**—**CUSIP†: \_\_\_\_\_**

\*Preliminary, subject to change.

† Copyright 2020, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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

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

## TABLE OF CONTENTS

<p>INTRODUCTION ..... 1</p> <p style="padding-left: 20px;">General..... 1</p> <p style="padding-left: 20px;">The City ..... 2</p> <p style="padding-left: 20px;">The Certificates ..... 2</p> <p style="padding-left: 20px;">Source of Payment for the Certificates..... 2</p> <p style="padding-left: 20px;">No Reserve Fund ..... 3</p> <p style="padding-left: 20px;">Prepayment ..... 3</p> <p style="padding-left: 20px;">Tax Matters..... 3</p> <p style="padding-left: 20px;">Continuing Disclosure..... 3</p> <p style="padding-left: 20px;">Miscellaneous..... 4</p> <p style="padding-left: 20px;">Other Information ..... 4</p> <p>ESTIMATED SOURCES AND USES OF FUNDS..... 4</p> <p>FINANCING PLAN ..... 5</p> <p>THE PROJECTS ..... 6</p> <p style="padding-left: 20px;">Park La Habra Mobile Home Park ..... 6</p> <p style="padding-left: 20px;">Viewpark Mobile Home Park ..... 6</p> <p style="padding-left: 20px;">Use of Net Operating Income of Parks..... 7</p> <p>DEBT SERVICE SCHEDULE..... 8</p> <p>THE CERTIFICATES ..... 8</p> <p style="padding-left: 20px;">General..... 8</p> <p style="padding-left: 20px;">Prepayment ..... 9</p> <p style="padding-left: 20px;">Book-Entry-Only System ..... 11</p> <p>SOURCE OF PAYMENT FOR THE CERTIFICATES ..... 12</p> <p style="padding-left: 20px;">Nature of the Certificates..... 12</p> <p style="padding-left: 20px;">Lease Payments ..... 12</p> <p style="padding-left: 20px;">Covenant To Appropriate Funds for Rental Payments ..... 12</p> <p style="padding-left: 20px;">Abatement..... 12</p> <p style="padding-left: 20px;">Action on Default ..... 13</p> <p style="padding-left: 20px;">No Reserve Fund ..... 13</p> <p style="padding-left: 20px;">Additional Payments ..... 13</p> <p style="padding-left: 20px;">Insurance..... 14</p> <p style="padding-left: 20px;">Substitution or Release of One or Both Projects ..... 15</p> <p>THE CITY ..... 17</p> <p>CITY FINANCIAL INFORMATION ..... 17</p> <p style="padding-left: 20px;">Financial Statements and Budgetary Process ..... 17</p> <p style="padding-left: 20px;">General Fund Balance Sheet ..... 20</p> <p style="padding-left: 20px;">General Fund Revenues, Expenditures, and Changes in Fund Balances ..... 21</p> <p style="padding-left: 20px;">General Fund Budgets..... 22</p> <p style="padding-left: 20px;">City Financial Management Policies ..... 24</p> <p style="padding-left: 20px;">General Fund Revenues By Source ..... 24</p> <p style="padding-left: 20px;">Property Taxes..... 25</p> <p style="padding-left: 20px;">Teeter Plan..... 27</p> <p style="padding-left: 20px;">Assessed Valuation..... 27</p> <p style="padding-left: 20px;">Sales and Use Taxes..... 34</p> <p style="padding-left: 20px;">Other Sources of General Fund Revenues ..... 35</p> <p style="padding-left: 20px;">Reliance on State Budget..... 36</p> <p>OTHER FINANCIAL INFORMATION..... 37</p> <p style="padding-left: 20px;">Labor Relations ..... 37</p>	<p style="padding-left: 20px;">Risk Management ..... 37</p> <p style="padding-left: 20px;">Employee Retirement Plans..... 37</p> <p style="padding-left: 20px;">Other Post-Employment Benefits ..... 42</p> <p style="padding-left: 20px;">Short-Term General Fund-Secured Obligations ..... 43</p> <p style="padding-left: 20px;">Long-Term General Fund-Supported Obligations ..... 43</p> <p style="padding-left: 20px;">Other Obligations ..... 44</p> <p style="padding-left: 20px;">Overlapping Debt ..... 44</p> <p>INVESTMENT OF CITY FUNDS..... 46</p> <p>THE AUTHORITY ..... 47</p> <p>STATE BUDGET INFORMATION ..... 47</p> <p>CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS ..... 50</p> <p style="padding-left: 20px;">Article XIII A of the California Constitution ..... 50</p> <p style="padding-left: 20px;">Article XIII B of the California Constitution ..... 51</p> <p style="padding-left: 20px;">Articles XIII C and XIII D of the California Constitution ..... 52</p> <p style="padding-left: 20px;">Proposition 1A; Proposition 22..... 53</p> <p style="padding-left: 20px;">Proposition 26..... 53</p> <p style="padding-left: 20px;">Possible Future Initiatives ..... 54</p> <p>RISK FACTORS ..... 55</p> <p style="padding-left: 20px;">Lease Payments Are Not Debt..... 55</p> <p style="padding-left: 20px;">Valid and Binding Covenant to Budget and Appropriate..... 55</p> <p style="padding-left: 20px;">Additional Obligations of the City ..... 56</p> <p style="padding-left: 20px;">Abatement ..... 56</p> <p style="padding-left: 20px;">No Acceleration Upon Default ..... 56</p> <p style="padding-left: 20px;">Risk of Uninsured Loss..... 56</p> <p style="padding-left: 20px;">Eminent Domain ..... 57</p> <p style="padding-left: 20px;">Hazardous Substances ..... 57</p> <p style="padding-left: 20px;">Natural Calamities..... 58</p> <p style="padding-left: 20px;">Bankruptcy ..... 58</p> <p style="padding-left: 20px;">Pension Benefit Liability ..... 59</p> <p style="padding-left: 20px;">Early Redemption Risk ..... 59</p> <p style="padding-left: 20px;">Limitations on Remedies ..... 59</p> <p style="padding-left: 20px;">Dependence on State for Certain Revenues ..... 60</p> <p style="padding-left: 20px;">Secondary Market Risk..... 60</p> <p style="padding-left: 20px;">Changes in Law..... 61</p> <p style="padding-left: 20px;">COVID-19 Pandemic ..... 61</p> <p style="padding-left: 20px;">Risks Related to Cyber Security..... 62</p> <p style="padding-left: 20px;">Split Roll Initiatives ..... 63</p> <p>ABSENCE OF LITIGATION ..... 63</p> <p>CONTINUING DISCLOSURE ..... 64</p> <p>MUNICIPAL ADVISOR..... 64</p> <p>LEGAL MATTERS ..... 64</p> <p>TAX MATTERS ..... 65</p> <p>UNDERWRITING ..... 67</p> <p>RATING ..... 67</p> <p>VERIFICATION OF MATHEMATICAL COMPUTATIONS 67</p> <p>FINANCIAL STATEMENTS ..... 67</p> <p>ADDITIONAL INFORMATION ..... 68</p>
<p>APPENDIX A GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY</p> <p>APPENDIX B COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2019</p> <p>APPENDIX C INVESTMENT POLICY OF THE CITY</p> <p>APPENDIX D FORM OF OPINION OF SPECIAL COUNSEL</p> <p>APPENDIX E SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS</p> <p>APPENDIX F DTC'S BOOK-ENTRY ONLY SYSTEM</p> <p>APPENDIX G FORM OF CONTINUING DISCLOSURE CERTIFICATE</p>	



**CITY OF LA HABRA**  
**110 East La Habra Boulevard**  
**La Habra, California 90633**  
**(562) 538-4000**  
**<http://www.lahabracity.com>**

**CITY COUNCIL MEMBERS**

Tom Beamish, *Mayor*  
Rose Espinoza, *Mayor Pro Tem*  
James Gomez, *Councilmember*  
Tim Shaw, *Councilmember*  
Jose Medrano, *Councilmember*

**CITY OFFICIALS**

Jim Sadro, *City Manager*  
Melvin Shannon, *Director of Finance*  
Jack Ponvanit, *Finance Manager*  
Andrew Ho, *Director of Community Development*  
Miranda Cole-Corona, *Housing and Economic Development Manager*  
Laurie Swindell, CMC, *City Clerk*  
Richard Jones Esq. of *Jones and Mayer, City Attorney*

**PROFESSIONAL SERVICES**

**Special Counsel**

Kutak Rock LLP  
*Irvine, California*

**Disclosure Counsel**

Quint & Thimmig LLP  
*Larkspur, California*

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

**Trustee/Escrow Bank**

The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

**Verification Agent**

Causey Demgen & Moore, P.C.  
Denver, Colorado

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**2020 REFUNDING CERTIFICATES OF PARTICIPATION, SERIES A  
(Park La Habra and Viewpark Refinancing Project)  
Evidencing Direct, Undivided Fractional Interests of the  
Owners Thereof in Lease Payments to be Made by the  
CITY OF LA HABRA  
(Orange County, California)  
as the Rental for Certain Property Pursuant to a Lease Agreement  
with the City of La Habra Housing Authority**

**INTRODUCTION**

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

**General**

This Official Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of § \_\_\_\_\_\* City of La Habra (Orange County, California) 2020 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2020 (the “Trust Agreement”), by and among the City of La Habra (the “City”), the City of La Habra Housing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the “Owners”) thereof in lease payments (the “Lease Payments”) to be made by the City with respect to two mobile home parks, Park La Habra and Viewpark Mobile Home Estates, located in the City (the “Projects”). See “THE PROJECTS” herein. The Projects will be leased by the City pursuant to an Amended and Restated Lease Agreement, dated as of September 1, 2020 (the “Lease Agreement”), by and between the Authority, as lessor, and the City, as lessee.

The Trustee and the Authority will enter into an Assignment Agreement, dated as of September 1, 2020 (the “Assignment Agreement”), pursuant to which the Authority will assign to the Trustee for the benefit of the Owners substantially all of the Authority’s right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments scheduled to be paid by the City under the Lease Agreement.

The proceeds of the Certificates, together with other funds, will be used to (a) refund the outstanding City of La Habra 2010 Refunding Certificates of Participation, Series A (Park La Habra and

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\* Preliminary, subject to change.

Viewpark Refinancing Project) (the “2010 Certificates”), and (b) pay the delivery costs incurred in connection with the execution, delivery and sale of the Certificates. See “THE FINANCING PLAN.”

### **The City**

The City, incorporated on January 20, 1925, is located in Orange County (the “County”), California, approximately 20 miles east of downtown Los Angeles and has a population of approximately 63,371. The City is a suburban residential community that sits adjacent to the border between the County and Los Angeles County. The City is largely built out and encompasses an area of approximately 7.4 square miles (19 km<sup>2</sup>). The City is bordered by La Habra Heights on the north, Brea on the east, Fullerton on the south and southeast, La Mirada on the west and southwest and East Whittier on the west, Whittier on the northwest and a small unnamed section of unincorporated Los Angeles County on the northeast.

Policy-making and legislative authority are vested in the City Council consisting of a Mayor and four other elected City Council members. See “THE CITY,” “CITY FINANCIAL INFORMATION,” APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY and APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2019.

### **The Certificates**

The Certificates are being executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the inside cover page hereof) from its dated date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1, commencing April 1, 2021.

The Certificates are offered in book-entry form only and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which acts as securities depository for the Certificates. Individual purchases of the Certificates will be made in book entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interest in the Certificates purchased. Principal and interest payments represented by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its participants who are responsible for distributing such payments to the beneficial owners of the Certificates. See “THE CERTIFICATES—General” and “—Book-Entry-Only System” herein.

### **Source of Payment for the Certificates**

The City covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the City’s budget for each fiscal year and to make the necessary annual appropriations therefor, subject to abatement as described herein.

In the Lease Agreement, the City has determined that, because the Projects consist primarily of land, and because any related site improvements such as utilities, landscaping, street improvements and other facilities and improvements located thereon are minor and incidental, so long as the Park La Habra and Viewpark Mobile Home Estates mobile home parks constitute the Projects under the Lease Agreement, the Lease Payments and Additional Payments, as defined herein, will not be subject to abatement by reason

of damage or destruction to the Projects or any portion thereof. See “THE PROJECTS” and “RISK FACTORS—Abatement” herein.

However, if, as permitted under the Lease Agreement, the City substitutes other land and improvements for one or both of the Projects, the Lease Payments may become 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 occupancy of the Projects substituted therefor or any portion thereof. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, could result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of an eminent domain or insurance award, including self-insurance, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

THE LEASE PAYMENTS ARE PAYABLE FROM THE GENERAL FUND OF THE CITY. THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA (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 IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

#### **No Reserve Fund**

A reserve fund will not be established for the Certificates.

#### **Prepayment**

The Certificates are subject to optional, mandatory and extraordinary prepayment prior to their maturity dates. See “THE CERTIFICATES—Prepayment” herein.

#### **Tax Matters**

In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of each Lease Payment constituting interest represented by the Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is further of the opinion that the portion of each Lease Payment constituting interest represented by the Certificates is exempt from State of California personal income taxes. Special Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Certificates or as to the taxability of the Certificates or the income therefrom under the laws of any state other than the State. See “TAX MATTERS” herein.

#### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5), certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the

Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended. See “CONTINUING DISCLOSURE” herein.

### Miscellaneous

The summaries or references to the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Escrow Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates 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 Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in “APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

### Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the City’s website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the City and the City makes no representation regarding the accuracy or completeness of the information therein.

## ESTIMATED SOURCES AND USES OF FUNDS

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

### Sources

Par Amount of the Certificates

Plus/Less: Original Issue Premium/Discount

Plus: Released 2010 Moneys

Total Sources

\_\_\_\_\_  
\_\_\_\_\_

### Uses

Deposit to the Escrow Fund

Costs of Issuance <sup>(1)</sup>

Total Uses

\_\_\_\_\_  
\_\_\_\_\_

<sup>(1)</sup> Costs of Issuance include the Underwriter’s discount, fees and expenses of the Municipal Advisor, Special Counsel, Disclosure Counsel, the Escrow Bank and the Trustee, printing expenses, rating fees, title insurance and other costs.

## FINANCING PLAN

In 1992, the Authority acquired the Projects and financed such acquisition by the lease of the Projects to the City (the “1992 Lease”). The Authority assigned and transferred to a trustee bank (the “1992 Trustee”) certain of its rights under the 1992 Lease, and in consideration of such assignment and the execution of a trust agreement the 1992 Trustee executed and delivered certificates of participation (the “1992 Certificates”), each evidencing a direct, undivided fractional interest in the lease payments to be made by the City under the 1992 Lease Agreement which 1992 Certificates were sold to the public.

In 1998, the City refinanced its obligations under the 1992 Lease by the lease of the Projects to the City (the “1998 Lease”). The Authority assigned and transferred to a trustee bank (the “1998 Trustee”) certain of its rights under the 1998 Lease, and in consideration of such assignment and the execution of a trust agreement the 1998 Trustee executed and delivered certificates of participation (the “1998 Certificates”), each evidencing a direct, undivided fractional interest in the lease payments to be made by the City under the 1998 Lease which 1998 Certificates were sold to the public and the proceeds of such sale were applied to the prepayment of the 1992 Certificates.

In 2010, the City refinanced its obligations under the 1998 Lease by the lease of the Projects to the City (the “2010 Lease”). The Authority assigned and transferred to a trustee bank (the “2010 Trustee”) certain of its rights under the 2010 Lease, and in consideration of such assignment and the execution of a trust agreement the 2010 Trustee executed and delivered certificates of participation (the “2010 Certificates”), each evidencing a direct, undivided fractional interest in the lease payments to be made by the City under the 2010 Lease which 2010 Certificates were sold to the public and the proceeds of such sale were applied to the prepayment of the 1998 Certificates.

The proceeds of the Certificates, together with other funds, will be used to (a) refinance the City’s obligations under the 2010 Lease and prepay the 2010 Certificates, and (b) pay the delivery costs incurred in connection with the execution, delivery and sale of the Certificates. A portion of the proceeds of the Certificates will be held in a separate fund for the 2010 Certificates (the “Escrow Fund”), established under an escrow agreement (the “Escrow Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Bank”). Such amount will be held in cash, uninvested. The uninvested cash in the Escrow Fund will be applied to redeem all 2010 Certificates in full on September 28, 2020, at a redemption price equal to 100% of the par amount thereof, plus accrued interest to such date. As a result of the deposit and application of funds as provided in the Escrow Agreement, the obligation of the City with respect to the 2010 Certificates will be defeased and discharged. The uninvested cash in the Escrow Fund will be held solely for the 2010 Certificates and will not be available to pay principal or interest with respect to the Certificates or any obligations other than the 2010 Certificates.

Causey Demgen & Moore, P.C., certified public accountants (the “Verification Agent”), will verify as to the Escrow Fund that the cash and on deposit therein will be sufficient to pay the redemption price of the 2010 Certificates on September 28, 2020. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

The 2010 Certificates to be refunded are shown in the following table:

<u>Maturity Date</u>	<u>Amount Called</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>CUSIP No.</u>
9/1/2021	\$ 380,000	4.375%	9/28/20	503423 ED3
9/1/2022	400,000	4.500	9/28/20	503423 EE1
9/1/2023	420,000	4.600	9/28/20	503423 EF8
9/1/2024	440,000	4.700	9/28/20	503423 EG6
9/1/2030	3,140,000	5.000	9/28/20	503423 EH4
9/1/2040	7,960,000	5.250	9/28/20	503423 EJO

## **THE PROJECTS**

Pursuant to the Lease Agreement, the Authority will lease the Projects to the City. See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Projects consist of two mobile home parks (not including the mobile homes in such parks) that were originally acquired by the Authority from the proceeds of certificates of participation delivered in 1992. Both parks are currently managed by Augusta Communities. The combined appraisals for both parks described below show a combined appraised value of \$32,275,000 as of October 2015, or almost three times the principal amount of the Certificates expected to be executed and delivered.

### **Park La Habra Mobile Home Park**

Park La Habra is located at 1731 West Lambert in the City. It contains approximately 9.0 acres consisting of 107 spaces with an average of 2,128 square feet per space. Other facilities in the park include a two-story clubhouse with park office, social hall, projection room and manager’s apartment. In addition, there is a pool adjoining the clubhouse and two laundry buildings. Park La Habra was originally opened in 1967.

In Fiscal Years 2017-18, 2018-19 and 2019-20, Park La Habra generated \$885,300, \$782,320 and \$820,165, respectively, of net operating income. As of June 30, 2020, there were no vacant mobile home pads in Park La Habra. An appraisal of Park La Habra dated October 2015 by DMD Appraisals, Inc., San Fernando, California (the “Appraiser”) concluded that the market value of Park La Habra was \$13,275,000. Such appraisal is subject to the assumption, certification, and limiting conditions contained in such appraisal report.

### **Viewpark Mobile Home Park**

The Viewpark Mobile Home Estates is located at 1750 West Lambert in the City. It contains approximately 12.2 acres consisting of 143 spaces with an average of 2,320 square feet per space. Other facilities in the park include a 3,080 square foot clubhouse (with kitchen), billiards room, social hall, pool (with cabana), two laundry buildings and a storage area for recreational vehicles. Viewpark was originally opened in 1967.

In Fiscal Years 2017-18, 2018-19 and 2019-20, Viewpark generated \$1,244,597, \$1,169,607 and \$1,135,180, respectively, of net operating income. As of June 30, 2020, there were no vacant mobile home pads in Viewpark. An appraisal of Viewpark dated October 2015 by the Appraiser concluded that the market value of Viewpark was \$19,000,000. Such appraisal is subject to the assumption, certification, and limiting conditions contained in such appraisal report.

## **Use of Net Operating Income of Parks**

The City, as an internal accounting matter, has been characterizing the net operating income of the Projects as income of the Mobile Home Lease Fund (reflected as an enterprise fund in the City's audited financial statements). The portion of the net operating income required to pay principal and interest with respect to the Certificates will be transferred from the Mobile Home Lease Fund to the Trustee, as assignee of the Authority and applied for the payment of the Certificates.

*Net operating income received by the City while it is the lessee of the Projects under the Lease Agreement is not pledged to payment of principal and interest with respect to the Certificates.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." However, as an internal accounting matter, it is the intent of the City to continue to accumulate net operating income from operation of the Projects in the Mobile Home Lease Fund which it will use to pay Lease Payments before using any other moneys in its General Fund. Therefore, it should be noted that the sale of one or both of the Projects, as permitted by the Lease Agreement, would eliminate mobile home park revenues as a source of revenue available to pay the Lease Payments, and in turn the Certificates, when due. However, the proceeds of the sale of one or both of the Parks is required to be applied to prepay the Certificates as described herein under "THE CERTIFICATES—Prepayment—Prepayment from Proceeds of Sale of Projects."

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

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

## DEBT SERVICE SCHEDULE

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

Year Ending (October 1)	Principal (1)	Interest (2)	Total
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
Total	_____	_____	_____

- (1) Principal payments with respect to the Certificates on each October 1 are derived from Lease Payments made by the City on the preceding September 15.
- (2) Interest payments with respect to the Certificates on each April 1 and October 1 are derived from Lease Payments made by the City on the preceding March 15 and September 15, respectively.

## THE CERTIFICATES

### General

The Certificates evidence and represent direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the City pursuant to the Lease Agreement.

The Certificates will be executed and delivered in principal amounts of \$5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from its dated date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an “Interest Payment Date”), commencing April 1, 2021. Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Certificates (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 herein, as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See “THE CERTIFICATES—Book-Entry-Only System.”

## **Prepayment**

*Optional Prepayment.* The Certificates maturing on or before October 1, 20\_\_, are not subject to optional prepayment prior to their respective stated maturities. The Certificates maturing on or after October 1, 20\_\_, are subject to optional prepayment in whole, or in part among maturities on such basis as shall be designated by the City in writing to the Trustee and by lot within a maturity, on any date on or after October 1, 20\_\_, from prepayments of the Lease Payments made at the option of the City pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, without any premium, together with accrued interest represented thereby to the date fixed for prepayment.

*Prepayment From Net Proceeds of Insurance and Condemnation.* The Certificates are subject to extraordinary mandatory prepayment on any date, in whole, or in part among maturities on a *pro rata* basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

*Prepayment From Proceeds of Sale of Project.* The Certificates are subject to extraordinary prepayment on any date in whole or in part among maturities on a *pro rata* basis and by lot within a maturity, from 100% of the proceeds of the sale of one or both of the Projects, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Substitution or Release of One or Both of the Projects” for information relating to substitution and release of the Projects as permitted by the Lease Agreement.

*Mandatory Sinking Fund Prepayment.* The Certificates maturing on October 1, 20\_\_, and October 1, 20\_\_ (the “Term Certificates”) are also subject to mandatory sinking fund prepayment by lot on October 1 in each year beginning October 1, 20\_\_, and October 1, 20\_\_, respectively, from the principal components of the Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Term Certificates Maturing on October 1, ____	
Mandatory Sinking Fund Prepayment Date (October 1)	Principal Amount Prepaid

---

†Maturity

Term Certificates Maturing on October 1, ____	
Mandatory Sinking Fund Prepayment Date (October 1)	Principal Amount Prepaid

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†Maturity

Notwithstanding the preceding paragraph, in the event that some but not all of the Term Certificates have been prepaid pursuant to any of the preceding provisions under “—Prepayment” above, the aggregate principal amount of such Term Certificates to be prepaid in each year thereafter shall be reduced by the aggregate principal amount of such Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by such Term Certificates subject to mandatory sinking fund prepayment on any date is equal to the aggregate principal components of the Lease Payments coming due and payable on such date, all as shall be designated pursuant to written notice by the City to the Trustee.

*Selection of Certificates for Prepayment.* Whenever provision is made in the Trust Agreement for the prepayment of Certificates, other than by mandatory sinking fund prepayment, and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot.

*Notice of Prepayment.* When prepayment is authorized or required, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the prepayment date at the corporate office of the Trustee designated in such notice for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue after the prepayment date. Such notice shall further state that on the prepayment date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date.

Notice of such prepayment shall be mailed by first-class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the registration books of the Trustee, at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories concurrently with such mailing to the Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; provided, however, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

*Effect of Prepayment.* Moneys for the prepayment (including the interest to the applicable date of prepayment and premium, if any) of Certificates having been set aside in the Lease Payment Fund shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus premium, if any, and plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment and premium, if any, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid.

### **Book-Entry-Only System**

The Certificates, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Certificates so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Certificates. So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Certificates. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Certificates. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

In the event the use of the book-entry-only system is discontinued, principal of the Certificates will be payable upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California. Interest payable on the Certificates will be paid by check mailed on the Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date.

## **SOURCE OF PAYMENT FOR THE CERTIFICATES**

### **Nature of the Certificates**

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from its dated date to its payment date or prepayment date, as the case may be.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Authority's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the City. The City will pay Lease Payments directly to the Trustee, as assignee of the Authority. See "—Lease Payments" below.

### **Lease Payments**

For the right to the use and occupancy of the Projects, the Lease Agreement requires the City to make Lease Payments. The obligation of the City to make Lease Payments when due is a current expense of the City payable from the City's General Fund. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "CERTIFICATES PAYMENT SCHEDULE."

THE OBLIGATION OF THE CITY TO MAKE THE LEASE 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 IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Covenant To Appropriate Funds for Rental Payments**

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments as one or more separate line items in each of its annual budgets and to make the necessary annual appropriations for all such Lease Payments and Additional Payments, as defined in the Lease Agreement, from any source of legally available funds. The Lease Payments, however, are subject to abatement under certain circumstances. See "—Abatement" below.

### **Abatement**

Lease Payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the Projects during each such period. The Lease Agreement provides that, as long as the Park La Habra and Viewpark mobile home parks constitute the Projects under the Lease Agreement, the Lease Payments and Additional Payments, as described below, are not subject to abatement by reason of damage or destruction to the Projects or any portion thereof. In the Lease Agreement, the City and the Authority find and determine, as a basis for such non-abatement, that such Projects consist primarily of land, and that any related site improvements such as utilities, landscaping, street improvements and other facilities and improvements located thereon are minor and incidental. In addition, in the Lease Agreement,

the City declares that the value to the City of its leasehold estate in such Projects consists almost entirely of the value of the land, and that such value will not be materially diminished by any damage to or destruction of the improvements thereto and the structures situated thereon.

However, if, as allowed under the Lease Agreement, the City substitutes other land and improvements for one or both of the Projects, Lease 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 occupancy of the Projects substituted therefor or any portion thereof. The amount of such abatement shall be determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Projects not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. See “—Substitution or Release of One or Both Projects” below.

To the extent proceeds of an eminent domain or insurance award, including self-insurance, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement. See “—Insurance” below.

### **Action on Default**

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Upon such a default under the Lease Agreement, the Authority and the Trustee (as assignee of the Authority) have the right to retain the Lease Agreement and hold the City liable for each installment of Lease Payment as it becomes due or to re-enter or re-let the Projects and terminate the Lease Agreement. See “RISK FACTORS—Limited Recourse on Default” herein.

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 Trust Agreement, see APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.

### **No Reserve Fund**

A reserve fund will *not* be established for the Certificates.

### **Additional Payments**

The City is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, (a) all costs and expenses payable by the City pursuant to the Trust Agreement and the Lease Agreement, and all costs and expenses incurred by the Authority to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (as defined in the Trust Agreement), to the extent not paid from amounts on deposit in the Costs of Issuance Fund, compensation due to the Trustee and all reasonable costs and expenses of auditors, engineers and accountants; (b) all amounts payable to the United States of America pursuant to the Trust Agreement;

(c) insurance premiums for all insurance required by the Trust Agreement; (d) all other payments, fees, costs or expenses incurred by the City or the Authority, or its assignee, in connection with the performance or enforcement of the Lease Agreement, the Assignment Agreement, the Trust Agreement or the Certificates; and (e) all maintenance, utilities, taxes and assessments required to be paid by the City under the Lease Agreement.

## **Insurance**

The City agrees in the Lease Agreement that, for the term of the Lease Agreement, it will maintain insurance with respect to the Projects against the risks and in the amounts described in the following paragraphs.

*Public Liability and Property Damage Insurance.* The City is obligated under the Lease Agreement to maintain or cause to be maintained throughout the term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Authority, City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall 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 operation of the Projects. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The Net Proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

*Workers' Compensation Insurance.* The City is required to 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 Labor Code of the State of California, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons, if any, employed by the City in connection with Projects and to cover full liability for compensation under such act. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance.

*Casualty Insurance.* The City is obligated under the Lease Agreement to maintain all risk casualty insurance against loss or damage to all improvements located on the Projects. Such insurance shall be in an amount at least equal to the lesser of (a) 100% of the replacement cost of the insured improvements or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be subject to such deductibles as are customarily maintained by municipalities with respect to works and properties of a like character, but in any case, shall not exceed \$100,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance coverage carried by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance.

The net proceeds of such insurance shall be applied as provided in the Lease Agreement. The City is not obligated under the Lease Agreement to provide insurance against loss or damage caused by earthquake.

*Rental Interruption Insurance.* The Lease Agreement requires the City to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the improvements located on the Projects as a result of any of the hazards covered by the insurance described in the previous paragraph, in an amount at least equal to the maximum Lease Payments coming due and payable during a 24-month period; provided, however, that the City is not required to maintain any such rental interruption or use and occupancy insurance so long as the Projects consist of Park La Habra and Viewpark Mobile Home Estates and the City does not determine that the Lease Payments exceed the fair rental value of the land for such mobile home parks.

*Title Insurance.* The City is obligated under the Lease Agreement to obtain on the Closing Date a title insurance policy which insures the leasehold estate created under the Lease Agreement, in an amount not less than the principal amount of the Certificates.

*Net Proceeds; Form of Insurance.* All proceeds of such insurance must be payable to the Trustee as and to the extent required under the Lease Agreement. All policies of insurance required by the Lease Agreement must be in form satisfactory to the Trustee. All such policies must provide that the Trustee shall be given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee will not be responsible for the sufficiency of any required insurance and shall 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 annually evidence that the insurance policies required by the Lease Agreement are in full force and effect. Certain insurance may be maintained as self-insurance subject to the requirements set forth in the Lease Agreement.

### **Substitution or Release of One or Both Projects**

Pursuant to the Lease Agreement, the City has the options listed below with respect to substitution, release and/or sale of one or both of the Projects. Although the City has in the past considered selling the mobile home parks initially constituting the Projects, it currently has no plans to sell either of the Projects in order to make continued ownership of the mobile homes within each Park more financially feasible. However, the City has preserved the option of selling either or both of the Projects pursuant to the provisions set forth below and the prepayment provision described under "THE CERTIFICATES—Prepayment—Prepayment From Proceeds of Sale of Projects" herein.

*Substitution of Projects.* The City has the option at any time to substitute other land and improvements (the "Substitute Projects") for one or both of the Projects (the "Former Projects"), or a portion thereof; provided that the City shall satisfy all of the following conditions precedent to such substitution:

- a) the City shall take all actions and shall execute all documents required to subject the Substitute Project to the terms and provisions of the Lease Agreement, including filing with the Authority and the Trustee an amended legal description;
- b) the City shall certify in writing to the Authority and the Trustee that such Substitute Projects serve the public purposes of the City, constitute property that is unencumbered,

subject to Permitted Encumbrances, and constitute property which the City is permitted to lease under the laws of the State;

- c) the City shall certify in writing with the Authority and the Trustee that the estimated fair market value and the estimated fair rental value of the Substitute Projects are at least equal to the lesser of (i) the outstanding principal amount of the Certificates and the annual Lease Payments related thereto; and (ii) estimated fair market value and the estimated fair rental value, respectively, of the Former Projects;
- d) the City shall certify in writing to the Authority and the Trustee that the estimated useful life of such Substitute Projects at least extends to the date on which the final Lease Payment becomes due and payable under the Lease Agreement;
- e) the City shall obtain an amendment to the policy of title insurance meeting the requirements of the Lease Agreement with respect to such Substitute Projects;
- f) the Substitute Projects shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement; and
- g) notice of such substitution shall be given by the City to any rating agency then rating the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Lease Agreement will thereupon end as to the Former Projects and shall thereupon commence as to the Substitute Projects, and all references to the Former Projects will apply with full force and effect to the Substitute Projects. The City will not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement of record against the Former Projects.

*Release of Project.* The City has the option at any time to release any portion of the Projects; provided that the City shall satisfy all of the following conditions precedent:

- a) the City shall file with the Authority and the Trustee an amended legal description;
- b) the City shall obtain a report of an independent appraiser certifying that the appraised value of the Projects which will remain following such removal is not less than the aggregate principal amount of the Outstanding Certificates;
- c) the City shall obtain and cause to be filed with the Trustee an opinion of Special Counsel stating that such removal is permitted under the Lease Agreement and does not cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal income tax purposes;
- d) the City shall obtain an amendment to the policy of title insurance required pursuant to the Lease Agreement with respect to such released property; and

- e) notice of such release shall be given by the City to any rating agency then rating the Certificates.

The foregoing conditions precedent are not required to be met in connection with a sale of a portion of the Projects in which the sale proceeds are applied to prepay the Certificates as set forth under “THE CERTIFICATES—Prepayment—Prepayment from the Proceeds of the Sale of Project.” From and after the date on which all of the foregoing conditions precedent to such removal are satisfied, the Term of the Lease Agreement shall cease with respect to the property which is so removed. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such removal.

See “RISK FACTORS—Substitution and Release of the Projects” for a discussion of certain risk factors related to the City’s right to substitution and release of one or both of the Projects.

## **THE CITY**

The City, incorporated on January 20, 1925, is located in the County, approximately 20 miles east of downtown Los Angeles. The City is a suburban residential community that sits adjacent to the border between the County and Los Angeles County and has a population of approximately 63,371. The City is largely built out and encompasses an area of approximately 7.4 square miles (19 km<sup>2</sup>). The City is bordered by La Habra Heights on the north, Brea on the east, Fullerton on the south and southeast, La Mirada on the west and southwest and East Whittier on the west, Whittier on the northwest and a small unnamed section of unincorporated Los Angeles County on the northeast.

The City is a general law city and is governed by a City Council of five representatives. City Council members are elected on an at-large basis for staggered four-year terms. Each year, the members of the City Council choose one member to serve as Mayor and one member to serve as Mayor Pro Tem. The Mayor Pro Tem acts in the Mayor’s place when absent. The City Council appoints the City Manager (the “City Manager”) who is responsible for supervising day to day operations of the City and carrying out policies set by the City Council, and the City Attorney.

Members of the Council and key administrative personnel of the City are listed at the front of this Official Statement.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY for an additional description of the City as well as certain demographic and statistical information.

## **CITY FINANCIAL INFORMATION**

### **Financial Statements and Budgetary Process**

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

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

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

*Audited Financial Statements.* The City retained the firm of White Nelson Diehl Evans LLP, Irvine, California (the “City’s Auditor”), to examine the general purpose financial statements of the City as of and for the year ended June 30, 2019. The audited financial statements for fiscal year ended June 30, 2019, are included in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019. The City has not requested, and the City’s Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement.

*Budget Process.* The City Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City’s financial planning and control. The budget is prepared by fund, and by department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Council.

A comprehensive mid-year budget review is done to update revenue and expenditure projections. In addition, the City Council receives quarterly budget updates. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the City’s operating budget is the program area within each fund, and for the capital improvement budget it is each individual capital improvement project within each fund. For the operating budget, the City Manager has the authority to move appropriations between accounts (without dollar limitation) within a budget program and within the same fund as long as the transfers are within the same program area. For the capital improvement program, the City Manager has the authority to transfer appropriations (with no dollar limitation) between capital projects within the same fund. Appropriation increases, decreases or transfers between funds require the approval of the City Council.

All appropriations lapse at the end of the fiscal year unless specific carryovers are approved by the City Council.

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

*Impact of COVID-19 Pandemic on Future Budgeting.* The COVID-19 Pandemic is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the ramifications

of the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the City’s operations and finances is unknown.

The City is currently reviewing the short and long term impacts of the COVID-19 Pandemic and what – if any –expenditure reductions will be needed due to reduced revenue in Fiscal Year 2019-20 and future years. The depth, breadth and length of any economic downturn will directly impact City’s planning with regards to reductions in expenditures such as staffing cuts, program elimination, reductions in services.

See the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic.”

## General Fund Balance Sheet

The following table shows the City's audited General Fund balance sheet for the past five fiscal years.

**TABLE 1**  
**CITY OF LA HABRA**  
**GENERAL FUND**  
**BALANCE SHEET**

	Fiscal Year Ending June 30,				
	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited	2018-19 Audited
<b>ASSETS</b>					
Cash and investments	\$ 6,461,963	\$8,210,0990	\$10,384,026	\$10,121,288	\$11,196,631
Cash and investments w/ fiscal agent	-	-	-	-	511,379
Accounts receivable	3,556,041	5,829,814	4,087,588	4,755,074	4,679,809
Interest receivable	27,172	43,594	52,572	95,159	172,261
Prepaid items	50,829	29,734	41,715	68,4115	25,832
Due from other funds	3,031,314	1,578,342	1,085,909	316,968	553,645
Due from other governments	50,981	122,751	85,798	87,176	47,047
Due from Successor Agency	5,037	2,246	39,653	10,014	90,512
Loans to Successor Agency	10,703,188	10,092,961	9,352,905	7,452,395	5,166,592
Inventory	60,173	59,072	-	-	-
<b>Total Assets</b>	<b>23,946,68</b>	<b>25,968,604</b>	<b>25,130,166</b>	<b>22,906,489</b>	<b>22,443,708</b>
<b>LIABILITIES</b>					
Accounts payable	992,861	789,119	780,531	670,719	591,986
Accrued liabilities	2,025,406	2,051,137	1,864,607	1,958,761	1,667,827
Due to other funds	-	-	-	-	-
Advances from other funds (1)	3,090,000	10,384,932	9,824,890	3,646,140	2,793,640
Unearned revenues	130,064	254,623	310,121	183,355	119,944
<b>Total Liabilities</b>	<b>6,238,331</b>	<b>13,479,811</b>	<b>12,780,149</b>	<b>6,458,975</b>	<b>5,173,397</b>
<b>DEFERRER INFLOWS OF RESOURCES</b>					
Unavailable revenue	3,205,741	3,679,302	3,570,927	3,547,193	1,342,718
<b>FUND BALANCES</b>					
Non-spendable	8,169,482	7,406,791	6,311,389	5,214,884	4,425,438
Restricted	-	418,15	269,912	327,386	834,185
Assigned (2)	-	-	-	1,100,000	2,950,000
Unassigned	6,333,144	984,505	2,197,789	6,258,051	7,717,970
<b>Total Fund Balances (3)</b>	<b>14,502,626</b>	<b>8,809,491</b>	<b>8,779,090</b>	<b>12,900,321</b>	<b>15,927,593</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>23,946,68</b>	<b>25,968,604</b>	<b>25,130,166</b>	<b>22,906,489</b>	<b>22,443,708</b>

Source: City of La Habra 2014-19 CAFRs.

- (1) On November 1, 2015, the La Habra Utility Authority advanced \$2,000,000 to the City's general fund for assistance in funding the construction of the new civic center. The current balance is \$1,000,000. On December 10, 2015, the La Habra Civic Improvement Authority advanced \$5,600,000 to the City's general fund for assistance in funding the construction of the new civic center. All advances were repaid during fiscal year 2017-18.
- (2) Beginning in fiscal year 2017-18, the City Manager assigned certain year-end excess revenues over expenditures for various purposes such as pension rate stabilization, facility improvement, land acquisition, etc.
- (3) Increases in advances from other funds resulted in a temporary decrease of unassigned fund balances in fiscal years 2015-16 and 2016-17.

## General Fund Revenues, Expenditures, and Changes in Fund Balances

The following table shows the City's audited results for General Fund revenues and expenditures for fiscal years 2016-17 through 2018-19, unaudited actuals for fiscal year 2019-20 and budgeted projections for fiscal year 2020-21.

**TABLE 2  
CITY OF LA HABRA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

	Fiscal Year Ending June 30,				
	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Unaudited	2020-21 Budgeted
<b>REVENUES</b>					
Property taxes and special assessments	\$16,117,190	\$16,538,652	\$17,527,982	\$18,304,923	\$18,729,159
Sales tax	10,235,873	10,234,115	11,373,624	10,143,111	10,367,389
Transaction tax	5,063,240	5,381,995	5,854,399	5,293,181	5,223,819
Franchise tax	1,680,204	1,775,865	1,910,805	1,801,410	1,801,410
Intergovernmental	110,222	88,300	30,168	-	-
Licenses and permits	1,504,900	2,067,561	1,421,342	1,163,634	1,055,533
Charges for services	4,846,551	5,177,198	4,964,559	4,717,463	4,497,607
Fines, forfeitures, and penalties	1,140,276	938,095	848,817	725,309	707,650
Use of money and property	2,101,457	3,100,962	4,385,383	2,849,155	2,821,790
Other revenue	50,106	358,627	266,759	16,700	16,700
<b>Total Revenues</b>	<b>42,850,019</b>	<b>45,661,370</b>	<b>48,583,838</b>	<b>45,014,886</b>	<b>45,221,057</b>
<b>EXPENDITURES</b>					
Current:					
General government	3,196,147	3,009,121	3,027,302	3,366,721	3,467,120
Public safety	26,630,055	26,954,810	29,220,591	30,571,518	31,372,147
Public works	5,085,326	5,190,367	5,159,805	5,233,606	5,101,806
Community services	3,500,629	3,821,807	3,604,106	3,755,947	3,381,653
Community development	1,841,696	1,875,528	1,827,000	2,007,598	2,060,816
Capital outlay (1)	15,266	1,447,896	1,174,590	-	-
Debt service - Principal	219,627	234,599	319,754	203,403	130,997
Debt service - Interest	58,397	45,116	79,883	59,902	55,061
<b>Total Expenditures</b>	<b>40,547,143</b>	<b>42,579,244</b>	<b>44,413,031</b>	<b>45,198,695</b>	<b>45,569,600</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,302,876</b>	<b>3,082,126</b>	<b>4,170,807</b>	<b>(183,809)</b>	<b>(348,543)</b>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Proceeds from sale of capital assets (2)	741,229	5,591,847	1,733	1,000	1,000
Issuance of capital leases	-	1,430,097	-	-	-
Transfers in (1)(3)	-	-	904,000	-	-
Transfers out (4)	(3,074,506)	(5,982,839)	(2,049,268)	(151,568)	(106,173)
<b>Total Other Financing Sources</b>	<b>(2,333,277)</b>	<b>1,039,105</b>	<b>(1,143,535)</b>	<b>(150,568)</b>	<b>(105,173)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(30,401)</b>	<b>4,121,231</b>	<b>3,027,272</b>	<b>(334,377)</b>	<b>(453,716)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>8,809,491</b>	<b>8,779,090</b>	<b>12,900,321</b>	<b>15,927,593</b>	<b>15,593,216</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>8,779,090</b>	<b>12,900,321</b>	<b>15,927,593</b>	<b>15,593,216</b>	<b>15,139,500</b>

Source: City of La Habra 2016-19 CAFRs and City of La Habra Finance Department.

- (1) In fiscal year 2017-18, capital outlay and capital leases of \$1.4 million represented an acquisition of public safety radio equipment through a lease financing.
- (2) In fiscal year 2017-18, the City sold the old City Hall and received proceeds of \$5.6 million.
- (3) In fiscal year 2018-19, the City entered into a lease financing to borrow \$904,000 to acquire a parking lot next to the community center.
- (4) In fiscal year 2017-18, the City made a one-time transfer of \$3.5 million to capital projects to fund various capital projects. The remainder of the transfers were routine activities to replenish internal service funds.

## General Fund Budgets

The following table shows the City's General Fund budget figures for fiscal year 2018-19 and 2019-20 and a comparison of the final General Fund budget versus audited actuals for fiscal year 2018-19 and unaudited actuals for fiscal year 2019-20.

**TABLE 3  
CITY OF LA HABRA  
GENERAL FUND  
BUDGET COMPARISON  
Fiscal Years 2018-19 and 2019-20**

	Fiscal Year 2018-19			Fiscal Year 2019-20		
	Adopted Budget	Final Budget	Audited Actuals	Adopted Budget	Final Budget	Unaudited Actuals
<b>REVENUES</b>						
Property taxes and special assessments	\$16,899,910	\$16,899,910	\$17,527,982	\$18,014,579	\$18,014,579	\$18,304,923
Sales tax	10,589,765	10,589,765	11,373,624	11,008,000	11,008,000	10,143,111
Transaction tax	5,472,000	5,472,000	5,854,399	5,688,000	5,688,000	5,293,181
Franchise tax	1,740,000	1,740,000	1,910,805	1,801,410	1,801,410	1,801,410
Intergovernmental	-	-	30,168	-	-	-
Licenses and permits	1,150,100	1,150,100	1,421,342	1,079,600	1,079,600	1,163,634
Charges for services	4,737,197	4,737,197	4,964,559	4,403,109	4,403,109	4,717,463
Fines, forfeitures and penalties	1,051,180	1,051,180	848,817	1,042,800	1,042,800	725,309
Use of money and property	2,617,215	2,617,215	4,385,383	2,804,243	2,804,243	2,849,155
Other revenues	19,700	56,168	266,759	24,700	24,700	16,700
<b>Total Revenues</b>	<b>44,277,067</b>	<b>44,313,535</b>	<b>48,583,838</b>	<b>45,866,441</b>	<b>45,866,441</b>	<b>45,014,886</b>
<b>EXPENDITURES</b>						
Current:						
General government	3,341,383	3,354,377	3,393,298	3,027,302	3,393,298	3,366,721
Public safety	29,188,571	29,641,031	2,220,591	30,870,874	30,870,874	30,571,518
Public works	5,124,755	5,187,323	5,159,805	5,276,615	5,281,615	5,233,606
Community services	3,740,877	3,800,946	3,604,106	3,864,250	3,872,155	3,755,947
Community development	1,822,257	1,851,040	1,827,000	2,049,731	2,052,826	2,007,598
Capital outlay	-	1,149,594	1,754,590	-	-	-
Debt service - Principal	317,954	317,954	319,754	203,403	203,403	203,403
Debt service - Interest	77,633	77,633	79,883	59,902	59,902	59,902
<b>Total Expenditures</b>	<b>43,613,430</b>	<b>45,379,898</b>	<b>44,788,031</b>	<b>45,718,073</b>	<b>45,734,073</b>	<b>45,198,695</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>663,637</b>	<b>(1,066,363)</b>	<b>3,795,807</b>	<b>148,368</b>	<b>132,368</b>	<b>(183,809)</b>
<b>OTHER FINANCING SOURCES</b>						
Proceeds from sale of capital assets	5,000	5,000	1,733	-	-	-
Transfers in	-	904,000	904,000	(151,568)	(151,568)	(151,568)
Transfers out	(68,637)	(68,637)	(2,049,268)	3,200	3,200	1,000
<b>Total Other Financing Sources</b>	<b>(63,637)</b>	<b>840,363</b>	<b>(1,143,535)</b>	<b>(148,368)</b>	<b>(148,368)</b>	<b>(150,568)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>600,000</b>	<b>(226,000)</b>	<b>2,652,272</b>	<b>-</b>	<b>(16,000)</b>	<b>(334,377)</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>12,900,321</b>	<b>12,900,321</b>	<b>12,900,321</b>	<b>15,927,593</b>	<b>15,927,593</b>	<b>15,927,593</b>
<b>FUND BALANCES - End of Year</b>	<b>13,500,321</b>	<b>12,674,321</b>	<b>15,552,593</b>	<b>15,927,593</b>	<b>15,911,593</b>	<b>15,593,216</b>

Source: City of La Habra Finance Department.

*La Habra's Fiscal Year 2020-21 Budget.* Due to the unanticipated and severe disruption of the economy as a result of the COVID-19 pandemic, the City's fiscal year 2020-21 budget includes the following measures to mitigate the impact of the COVID-19 pandemic on the City's finances:

- One-time and permanent line item budget reductions;
- Deferred internal service charges;
- Phased hiring of certain vacant positions;
- Proposed hiring freezes of 10 vacant positions;
- Furloughs and reduction of hours of certain part time positions;
- Use of up to 130 furlough hours for most full-time employees whose labor costs are partial or fully allocated to the General Fund;
- Allocation of certain costs to special revenue funds;
- Use of \$457,932 of General Fund reserves;
- Reduction of City Council Stipends by 10 percent, from \$500 per month to \$450 per month (\$3,175 in total annual net payroll savings);
- Reduction of Planning Commissioners Stipends by 10 percent, from \$100 per month to \$90 per month (\$612 in total annual net payroll savings);
- Reduction of Community Services Commissioners Stipends by 10 percent, from \$50 per month to \$45 per month (\$429 in total annual net payroll savings)

As a result of the foregoing, the City projects that general fund revenues and expenditures will be reduced by \$647,584 and \$193,868, respectively, in fiscal year 2020-21 in comparison to the Fiscal Year 2019-20 adopted budget.

In addition to the mitigation measures described above, the City Council of the City has directed City staff to initiate formal discussions with the County Fire Department on potential cost saving options and service alternatives.

## City Financial Management Policies

The City Council has adopted financial management policies including: (1) an investment policy to ensure the prudent investment of City funds; and (2) a debt issuance policy. The City’s fiscal policies are reviewed at least annually and are adopted or reaffirmed in conjunction with approval of the budget.

*Investment Policy.* The investment of funds of the City (except pension and retirement funds) is made in accordance with the City’s Investment Policy, most recently approved December 16, 2019 (the “Investment Policy”), prepared by the City Finance Director as authorized by section 53601 of the Government Code of California. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

*Debt Management Policy.* In accordance with section 8855(i) of the California Government Code the City adopted a debt management policy on October 21, 2019, to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

## General Fund Revenues By Source

The City relies on several sources to balance its General Fund budget. The most important of these revenue sources (based on percentage of the total revenue budget) are taxes and fees including the following: property taxes, sales taxes, transaction taxes, and fines, forfeitures and penalties.

The following table shows the City’s General Fund tax revenues by source for the four most recent fiscal years and budgeted projections for fiscal year 2020-21:

**TABLE 4  
CITY OF LA HABRA  
ESTIMATED GENERAL FUND TAX REVENUES BY SOURCE**

	Fiscal Year				
	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Unaudited	2020-21 Budgeted
Property Tax	\$16,117,190	\$16,538,652	\$17,527,982	\$18,304,923	\$ 18,729,159
Sales Tax	10,235,873	10,234,115	11,373,624	10,143,111	10,367,389
Transaction Tax	5,063,240	5,381,995	5,854,399	5,293,181	5,223,819
Franchise Tax	1,680,204	1,775,865	1,910,805	1,801,410	1,801,410
Total Tax Revenues	<u>\$33,096,507</u>	<u>\$33,930,627</u>	<u>\$36,666,810</u>	<u>\$35,542,625</u>	<u>\$36,121,777</u>

Source: City of La Habra Finance Department.

In Fiscal Year 2018-19, the City’s General Fund tax revenues accounted for \$36,666,810 or approximately 75% of the City’s total General Fund revenues for Fiscal Year 2018-19. Together, the City’s General Fund tax revenues are expected to account for approximately \$35,542,625 or approximately 79%

of the total General Fund revenue for Fiscal Year 2019-20 and are projected to account for 80% of the total General Fund revenue budget for Fiscal Year 2020-21.

*Property Taxes.* The County levies a tax of 1% on the assessed valuation of property within the County. The City receives approximately a 17% share of this 1% levy for property located within the City limits. In Fiscal Year 2018-19, property taxes generated \$17,527,982, are expected to have generated \$18,304,923 for Fiscal Year 2019-20 and are projected to generate \$18,729,159 in fiscal year 2020-21. Property taxes are the General Fund's largest revenue source. See "Property Taxes" below for additional information relating to the property taxes and the assessed valuation of property located in the City. Property Tax revenues for Fiscal Year 2019-20 and future years may be impacted by the COVID-19 Pandemic. For additional discussion, see "PROPERTY TAXES."

*Sales and Use Taxes.* The City receives a 1% share of all taxable sales generated within its borders. In Fiscal Year 2018-19, sales and use taxes generated \$11,373,624, and are expected to have generated \$10,143,111 for Fiscal Year 2019-20 and are projected to generate \$10,367,389 in fiscal year 2020-21. Sales taxes are the General Fund's second largest revenue source. Sales and Use Tax revenues for Fiscal Year 2019-20 and 2020-21 are likely to be significantly impacted by the COVID-19 Pandemic. For additional discussion, see "SALES AND USE TAXES."

*Transaction Taxes.* In November of 2008, the voters of the City approved Measure T that established a ½% local transaction and use tax. Measure T taxes were approved for a 20 year period and are scheduled to terminate in 2028 if not renewed. Measure T is a general tax and Measure T tax collections are available for general fund purposes. In Fiscal Year 2018-19, transaction taxes generated \$5,854,399, are expected to have generated \$5,293,181 for Fiscal Year 2019-20 and are projected to generate \$5,223,819 in fiscal year 2020-21.

The City anticipates that it will experience declines in sales tax, property tax, transaction tax, and other general fund revenues in the coming months, or longer, as a result of the COVID-19 (coronavirus) Pandemic. See the caption "RISK FACTORS—COVID-19 (Coronavirus) Pandemic."

## **Property Taxes**

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

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed.

The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of “base” sources from all tax rate areas in the County. Each year’s growth allocation becomes part of each local agency’s allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

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

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

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

## **Teeter Plan**

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

The Teeter Plan is applicable to secured property tax levies. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The County’s cash position is protected by a special fund, known as the “Tax Loss Reserve Fund,” which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year’s tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County’s general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

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

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

## **Assessed Valuation**

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

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

property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The table below shows the assessed valuation of taxable property in the City for the most recent fiscal years.

**TABLE 5  
CITY OF LA HABRA  
HISTORIC ASSESSED VALUATIONS  
Fiscal Years 2010-11 to 2019-20**

Fiscal Year	Local Secured	Unsecured	Total Assessed Valuation
2010-11	\$4,550,648,948	\$150,041,264	\$4,700,690,212
2011-12	4,624,793,752	167,684,392	4,792,478,144
2012-13	4,709,053,003	147,989,659	4,857,042,662
2013-14	4,833,985,694	145,762,788	4,979,748,482
2014-15	5,139,054,103	184,167,860	5,323,221,963
2015-16	5,512,102,199	143,369,146	5,655,471,345
2016-17	5,780,579,382	160,937,502	5,941,516,884
2017-18	6,089,193,355	149,476,923	6,238,670,278
2018-19	6,456,023,149	166,319,740	6,622,342,889
2019-20	6,936,939,116	176,786,499	7,113,725,615

Source: Orange County Auditor-Controller

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the City’s control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8

reduction of the assessed value of such owner's property in any one year must apply to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

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

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

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

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

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

*Assembly Bill 102.* On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax

Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the City.

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

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

**TABLE 6  
CITY OF LA HABRA  
ASSESSED VALUATION AND PARCELS BY LAND USE**

	2019-20 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Commercial/Office/Recreational	\$ 922,107,587	13.29%	619	3.98%
Industrial	445,172,272	6.42	217	1.39
Government/Social/Institutional	0	0.00	153	0.98
Miscellaneous	812,750	0.01	34	0.22
Subtotal Non-Residential	<u>\$1,368,092,609</u>	<u>19.72%</u>	<u>1,023</u>	<u>6.58%</u>
<u>Residential:</u>				
Single Family Residence	\$4,245,647,226	61.21%	11,258	72.37%
Condominium/Townhouse	566,039,464	8.16	2,174	13.98
Mobile Home	8,368,930	0.12	584	3.75
2+ Residential Units/Apartments	748,431,517	10.79	517	3.32
Subtotal Residential	<u>\$5,568,487,137</u>	<u>80.28%</u>	<u>14,533</u>	<u>93.42%</u>
 Total	 <u>\$6,936,579,746</u>	 <u>100.00%</u>	 <u>15,556</u>	 <u>100.00%</u>

Source: California Municipal Statistics, Inc.

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

*Assessed Valuation of Single Family Homes.* The following table focuses on single-family residential properties only, which comprise approximately 72.37% of the assessed value of taxable property in the City.

**TABLE 7  
CITY OF LA HABRA  
PER PARCEL - ASSESSED VALUATION OF SINGLE FAMILY HOMES**

	No. of Parcels	2019-20 Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation	
Single Family Residential	11,258	\$4,245,647,226		\$377,123	\$344,107	

  

2019-20 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	214	1.901%	1.901%	\$ 7,808,772	0.184%	0.184%
\$50,000 - \$99,999	1,258	11.174	13.075	91,169,522	2.147	2.331
\$100,000 - \$149,999	543	4.823	17.898	66,851,924	1.575	3.906
\$150,000 - \$199,99	609	5.409	23.308	108,684,036	2.560	6.466
\$200,000 - \$249,999	1,048	9.309	32.617	237,569,017	5.596	12.061
\$250,000 - \$299,999	1,053	9.353	41.970	288,783,307	6.802	18.863
\$300,000 - \$349,999	950	8.438	50.409	308,599,338	7.269	26.132
\$350,000 - \$399,999	857	7.612	58.021	321,742,514	7.578	33.710
\$400,000 - \$449,999	808	7.177	65.198	343,011,391	8.079	41.789
\$450,000 - \$499,999	862	7.657	72.855	409,345,155	9.642	51.431
\$500,000 - \$549,999	673	5.978	78.833	353,235,770	8.320	59.751
\$550,000 - \$599,999	630	5.596	84.429	361,739,306	8.520	68.271
\$600,000 - \$649,999	457	4.059	88.488	284,847,690	6.709	74.980
\$650,000 - \$699,999	347	3.082	91.570	233,568,433	5.501	80.481
\$700,000 - \$749,999	222	1.972	93.542	160,552,593	3.782	84.263
\$750,000 - \$799,999	193	1.714	95.257	149,574,516	3.523	87.786
\$800,000 - \$849,999	170	1.510	96.767	139,899,316	3.295	91.081
\$850,000 - \$899,999	96	0.853	97.619	83,477,358	1.966	93.047
\$900,000 - \$949,999	48	0.426	98.046	44,196,849	1.041	94.088
\$950,000 - \$999,999	47	0.417	98.463	45,819,254	1.079	95.167
\$1,000,000 and greater	173	1.537	100.000	205,171,165	4.833	100.000
	11,258	100.000%		\$4,245,647,226	100.000%	

Source: California Municipal Statistics, Inc.

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

*Principal Taxpayers.* Based on fiscal year 2019-20 locally assessed taxable valuations, the top twenty taxable property owners in the City represent approximately 10.92% of the total fiscal year 2019-20 taxable value.

The following table shows the 20 largest owners of taxable property in the City as determined by secured assessed valuation in fiscal year 2019-20.

**TABLE 8  
CITY OF LA HABRA  
LARGEST LOCAL SECURED PROPERTY TAXPAYERS**

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total <sup>(1)</sup>
1.	CVS Pharmacy Inc.	Industrial	\$106,460,269	1.53%
2.	La Habra Assoc LLC	Commercial	100,633,522	1.45
3.	Fairfield 951 Beach LLC	Apartments	83,099,868	1.20
4.	La Habra Westridge Partners LP	Commercial	69,432,710	1.00
5.	BEX Portfolio Inc.	Apartments	50,153,679	0.72
6.	Carefree Communities CA LLC	Retirement Community	40,120,041	0.58
7.	Ralphs Grocery Co.	Industrial	31,713,042	0.46
8.	Monterra Springs LLC	Apartments	31,316,040	0.45
9.	First Security Bank of Utah Trust	Commercial	31,174,802	0.45
10.	Essex Hillsborough Park LP	Apartments	28,792,427	0.42
11.	Costco Wholesale Corporation	Commercial	27,906,521	0.40
12.	Clipperton Partners	Commercial	21,717,321	0.31
13.	SSC Properties Holdings Inc.	Industrial	21,630,114	0.31
14.	Lincoln Center Properties II LLC	Industrial	20,116,895	0.29
15.	West S9 LLC	Commercial	18,214,456	0.26
16.	Sand Castle Investors LLC	Apartments	15,443,447	0.22
17.	The Springs Apartment Company LP	Apartments	15,402,416	0.22
18.	2444 Orangethorpe Properties LLC	Apartments	15,052,666	0.22
19.	Farnsworth Holdings LP	Commercial	14,816,620	0.21
20.	Kaiser Foundation Health Plan Inc.	Commercial	14,019,532	0.20
	Total Top 20		\$757,216,388	10.92%

Source: California Municipal Statistics, Inc.

(1) 2019-20 Local Secured Assessed Valuation: \$6,936,579,746.

*Tax Levies and Delinquencies.* Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following table sets forth the secured tax charges and delinquencies for the most recent fiscal years.

**TABLE 9  
CITY OF LA HABRA  
SECURED TAX CHARGES AND DELINQUENCIES**

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amt. Del. June 30	% Del. June 30
2009-10	\$ 7,348,226.52	\$170,024.96	2.31%
2010-11	7,350,118.80	119,925.70	1.63
2011-12	7,482,640.44	108,883.33	1.46
2012-13	7,640,934.01	86,507.09	1.13
2013-14	7,944,386.79	79,835.27	1.00
2014-15	8,423,216.01	84,708.74	1.01
2015-16	9,153,727.07	208,533.97	2.28
2016-17	9,613,283.98	187,282.51	1.95
2017-18	10,081,087.90	154,237.71	1.53
2018-19	10,646,355.67	157,161.75	1.48

Source: California Municipal Statistics, Inc.

(1) 1% General Fund apportionment

*Potential Impacts of COVID-19 (Coronavirus) Pandemic on Property Tax Revenues.* In response to the COVID-19 outbreak described under the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic,” the Governor of California signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Order N-61-20 have on property tax revenues are unknown at this time.

The City cannot predict whether the County or the state of California will further relax their positions with respect to late payment penalties, which could result in significant property tax delinquencies. The waiver of late payment penalties and resulting property tax delinquencies could have a material adverse impact on the timely payment of property taxes with respect to property in the City. The COVID-19 outbreak may also result in increased property tax assessment appeals which could reduce property tax revenue growth in future years. See the caption “RISK FACTORS— COVID-19 (Coronavirus) Pandemic.”

### **Sales and Use Taxes**

A sales tax is imposed on the privilege of consuming personal property in California. California does not tax services. The tax rate is established by the State Legislature, and is presently 7.25%, statewide (of which 1% is paid to the City). In addition, many of California’s cities, counties and communities have special taxing jurisdictions to impose a transaction (sales) or use tax. These so-called district taxes increase the tax

rate in a particular area by adding the local option tax to the statewide tax. These district taxes can vary up to 1%, and more than one district tax may be in effect for a particular location.

The City also receives an additional ½% sales tax from Measure T, passed by the voters of the City in November of 2008. Measure T taxes were approved for a 20 year period and are scheduled to terminate in December of 2028 if not renewed.

**TABLE 10  
CITY OF LA HABRA  
CURRENT SALES TAX RATES**

Component	Tax Rate
State General Fund	6.00%
Orange County Local Transportation Authority	0.75
City of La Habra Portion	1.00
Measure T	0.50
Total	8.25%

Source: City of La Habra

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

*Effects of COVID-19 Pandemic on Sales Tax Collections.* The City anticipates that sales tax revenues will be immediately impacted by the COVID-19 Pandemic. “Stay at home” orders issued by State and County authorities have impacted consumers’ ability (and desire) to go out shopping or to dine out. Similar orders closing bars and prohibiting “dine in” service negatively impact local restaurants. The City’s sales tax receipts for Fiscal Years 2019-20 and 2020-21 are expected to significantly decline from prior levels. The City estimates that sales tax collections for Fiscal Year 2020-21 could see a reduction of 6.6% from 2019-20 collections.

On March 30, 2020, the Governor signed an executive order allowing the California Department of Tax and Fee Administration to offer a 90-day extension for sales, use and transactions tax returns and tax payment for all businesses filing a return for less than \$1 million tax liability. In addition, on April 2, 2020, the Governor announced a one-year sales tax deferral for small businesses limited to \$50,000. As a result of these measures, the City estimates delayed cash flows from fiscal year 2019-20 of approximately \$ \_\_\_\_\_. See the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic.”

**Other Sources of General Fund Revenues**

In addition, the City receives the following General Fund revenues:

*Licenses and Permits.* The City charges certain permits, licenses and fees for the cost recovery of providing current planning, building inspection, recreation and other municipal services.

*Fines, Forfeitures and Penalties.* These revenues include parking citations and other fines for municipal code violations.

*Fees and Charges.* The City charges fees for plan checking, building inspection and a variety of other municipal services.

The following table illustrates other revenue sources for the four most recent fiscal years and the budgeted data for the current fiscal year:

**TABLE 11  
CITY OF LA HABRA  
OTHER REVENUE SOURCES**

	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
	Audited	Audited	Audited	Unaudited	Budgeted
Charges for services	\$ 4,846,551	\$ 5,177,198	\$ 4,964,559	\$ 4,717,463	\$4,497,607
Licenses and permits	1,504,900	2,067,561	1,421,342	1,163,634	1,055,533
Intergovernmental	110,222	88,300	30,168	-	-
Fines, forfeitures and penalties	1,140,276	938,095	848,817	725,309	707,650
Use of money and property	2,101,457	3,100,962	4,385,383	2,849,155	2,821,790
Other revenues	50,106	358,627	266,759	16,700	16,700
<b>TOTAL OTHER REVENUE SOURCES</b>	<b>\$9,753,512</b>	<b>\$11,730,743</b>	<b>\$11,917,028</b>	<b>\$9,472,261</b>	<b>\$9,099,280</b>

Source: City of La Habra Finance Department.

*Impact of COVID-19 Pandemic on Other Revenue Sources.* Fiscal Years 2019-20 and 2020-21 revenues from charges for services, licenses and permits and fines and forfeitures may be delayed or reduced as compared to prior years. The City has canceled programs that will result in reduced revenue from charges for services. Sources of revenues tied to building or planning activities have slowed due to customer’s responses to the COVID-19 Pandemic and the closure of City Hall to the public. Planning and building activities are still taking place in the City but are on reduced scale compared to the level of prior years. Fines and forfeitures revenues may be delayed or reduced as the County Court System lacks the capacity to continue its regular collection and remittance of fine and forfeiture payments to local agencies.

### **Reliance on State Budget**

The City does not rely on the State for a material amount of revenues.

The economic uncertainty caused by the COVID-19 outbreak will significantly affect the State’s fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy, and substantially increased expenditures related to fighting the COVID-19 Pandemic. The City cannot predict the short or long-term impacts that Coronavirus will have on global, State-wide and local economies, which may impact City operations and local property values.

There can be no assurance that future State budget difficulties will not adversely affect the City’s revenues or its ability to make payments under the Lease Agreement. See “STATE BUDGET INFORMATION.”

## OTHER FINANCIAL INFORMATION

### Labor Relations

Currently, 196 permanent City employees are covered by negotiated agreements as detailed in the table below.

**TABLE 12  
CITY OF LA HABRA  
NEGOTIATED EMPLOYEE AGREEMENTS**

Bargaining Unit	Contract Expiration Date	Number of Employees
Municipal Employees' Group (Field Services)	6/30/21	42
General Services	6/30/21	43
Professional	6/30/21	14
Police Association—Civilian	6/30/21	32
Police Association—Sworn	6/30/21	65
Total		196

Source: City of La Habra

### Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City established a self-insurance program, the Risk Management Fund, to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$750,000 for each miscellaneous claim, \$1,000,000 for each safety workers' compensation claim, and \$500,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of amounts needed to pay claims.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 3(c).

### Employee Retirement Plans

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

*Plan Description.* All qualified permanent and probationary employees are eligible to participate in the City's Safety Plan (police and fire) and Miscellaneous Plan (all others), agent multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

Benefit provisions under the Plans 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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.

*Employees Covered.* At June 30, 2019 (valuation date), the following employees were covered by the benefit terms for each Plan.

**TABLE 13  
CITY OF LA HABRA  
COVERED EMPLOYEES**

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	289	196
Inactive employees entitled to but not yet receiving benefits	450	66
Active employees	243	63
Total	982	325

Source: City of La Habra 2018-19 CAFR.

*Contributions.* Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

The City's contributions to its Miscellaneous and Safety Plans for the past three years is summarized in the following table.

**TABLE 14  
CITY OF LA HABRA  
HISTORICAL PENSION CONTRIBUTIONS**

Fiscal Year Ending June 30,	Miscellaneous Plan	Safety Plans	Total Contributions
2017	\$2,136,109	\$3,296,710	\$5,432,819
2018	2,214,726	3,576,391	5,791,117
2019	2,567,072	4,161,228	6,728,300

Source: City of La Habra 2017-19 CAFRs.

*Changes in the Net Pension Liability.* As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of \$27,453,377 for the Miscellaneous Plan and \$52,128,243 for the Safety Plan.

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liabilities. The net pension liabilities of the Plans are measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The City's proportion of the net pension liabilities was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

*Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.* For the year ended June 30, 2019, the City recognized pension expense of \$5,144,315 and \$6,956,430 for Miscellaneous Plan and Safety Plans, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TABLE 15  
CITY OF LA HABRA  
DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
FISCAL YEAR 2018-19**

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$2,567,072	-	\$ 4,161,228	-
Diff. btw. actual and expected experience	-	\$294,859	1,120,060	\$ 4,249
Changes in assumptions	2,197,258	262,103	5,114,690	690,063
Net diff. btw. projected and actual earnings on investment	170,074	-	352,933	-
Changes in employer's portion	-	-	231,718	1,059,356
Total	4,934,404	556,962	10,980,629	2,877,474

Source: City of La Habra 2018-19 CAFR.

For information concerning the City’s pension obligations, including descriptions of the actuarial methods and assumptions, and an explanation of the discount rate used, please see APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 3(a).

*Funded Status.* The following table sets forth a summary of the funding progress for the City’s Miscellaneous and Safety Plans for the three most recent actuarial valuation dates.

**TABLE 16  
CITY OF LA HABRA  
HISTORICAL PENSION FUNDING PROGRESS**

Valuation Date June 30,	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2016	\$ 99,735,330	\$ 76,277,709	\$ 23,457,621	76%	\$ 13,577,030
2017	111,274,303	83,419,822	27,854,481	75%	13,928,651
2018	116,192,809	88,739,432	27,453,377	76%	13,848,797
Safety Plans					
2016	\$ 146,269,164	\$ 100,585,579	\$ 45,683,585	69%	\$ 8,142,184
2017	158,160,996	106,643,774	51,517,222	67%	8,702,118
2018	164,013,383	111,885,140	52,128,243	68%	8,300,113

Source: City of La Habra.

*Coronavirus Impacts on Pension Obligations.* Recent investment losses in the CalPERS portfolio as a result of the general market downturn caused by the COVID-19 Pandemic will likely result in increases in the City’s required contributions in future years. The City cannot predict the level of such increases, if any.

As of June 30, 2020, CalPERS estimated that the rate of return for its investment portfolio for the fiscal year was 4.7%. Investment returns below 7% create additional liabilities for public agencies, including the City. Any increase in the unfunded actuarial liability created by the Fiscal Year 2019-20 rate of return will begin affecting the City’s UAL costs starting in Fiscal Year 2021-22. Pursuant to CalPERS methodology, the amounts payable will increase annually during the first five years and then level out for the remaining 15 years over which to amortize investment losses.

*Actions Taken by CalPERS.* At its April 17, 2013, meeting, CalPERS’ Board of Administration (the “Board of Administration”) approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. As a result, CalPERS now employs an amortization and smoothing policy that will pay for all gains and losses over a 20-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and smoothing policy was used for the first time in the June 30, 2013 actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to

increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund’s unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, which at that time was 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS’ web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City or the Underwriter and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2017-18	7.375%
2018-19	7.250
2019-20	7.000

For public agencies like the City, the 7.0% discount rate took effect on July 1, 2019. Lowering the discount rate means 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, under the Public Employees’ Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

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

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

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

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

### **Other Post-Employment Benefits**

*Plan Description.* The City has established an agent multiple-employer Defined Benefit Postemployment Healthcare Plan (“OPEB”) that provides post-retirement medical benefits to retirees through the California Public Employees Medical and Hospital Care Act (“PEMCHA”) and managed through the California Retiree Benefit Trust (“CEBRT”). The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees. The City contributes the PEMHCA minimum for eligible retirees and surviving spouses. The City additionally provides full medical coverage for life under a special agreement to one annuitant and dependents. No dental, vision, or life insurance benefits are provided.

*Employees Covered.* Membership of the plan consisted of 78 retirees and beneficiaries receiving benefits, 13 inactive members entitled to but not yet receiving benefits and 284 active plan members at June 30, 2019, the date of the latest actuarial valuation.

*Funding Policy.* There is no statutory requirement for the City to fund more than the PEMHCA minimum for eligible retirees and surviving spouses. The City has currently chosen to contribute 100% of the actuarially determined contribution. For the measurement period ended June 30, 2018, the City’s cash contributions were \$432,000 in payment to the trust and \$144,000 in payment outside the trust. The estimated implied subsidy was \$150,000. This results in a total contribution of \$726,000. There are no employee contributions.

*Annual OPEB Cost and Net OPEB Obligation.* The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan:

**TABLE 17**  
**CITY OF LA HABRA**  
**OPEB OBLIGATIONS**  
**Fiscal Year 2018-19**

Service Costs	\$ 200,241
Interest on net OPEB obligation	468,398
Administrative Expense	2,867
Annual OPEB cost (expense)	671,506
Assumption changes	(612,224)
Net investment income	(116,706)
Experience changes	(63,237)
Benefits payments	(726,001)
Increase in net OPEB obligation	(846,662)
Net OPEB obligation, beginning of the year	5,349,000
Net OPEB obligation, end of the year	\$4,502,338

Source: City of La Habra 2018-19 CAFR.

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

For information concerning the City’s OPEB obligations, including descriptions of the actuarial methods and assumptions, please see APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 3(b).

**Short-Term General Fund-Secured Obligations**

The City has no outstanding short-term obligations secured by its general fund.

**Long-Term General Fund-Supported Obligations**

On October 8, 1998, the City delivered \$5,640,000 in certificates of participation (the “1998A Certificates”) and \$1,065,000 in taxable certificates of participation (the “1998B Certificates”) for the purpose of refinancing outstanding bonds to finance various redevelopment projects. The City is required to make lease payments of principal and interest in conjunction with the 1998A Certificates and the 1998B Certificates. Principal is due and payable annually on each September 1 and interest is due and payable semiannually on each March 1 and September 1. The 1998A Certificates and the 1998B Certificates mature on September 1, 2022.

On March 25, 2010, the City caused the execution and delivery of the 2010 Certificates.

On July 26, 2018, the City entered into a \$904,000 3.270% lease agreement assigned to and purchased by Opus Bank (the “2018 Lease Agreement”) to finance a portion of the cost of acquiring property at 115-121 North Euclid Street, La Habra, California, to be used by the City for surface parking. Principal and interest payments are due semi-annually on February 1 and August 1. The 2018 Lease Agreement matures on August 1, 2028.

The following table shows the City’s debt service requirements with respect to the 1998A Certificates, the 1998B Certificates, the 2010 Certificates and the 2018 Lease Agreement.

Fiscal Year Ending June 30	1998A Certificates	1998B Certificates	2010 Certificates <sup>(1)</sup>	2018 Lease	Total
2021	\$ 383,440	\$ 82,350	\$ 1,022,281	\$106,173	\$ 1,594,244
2022	386,640	82,638	1,021,213	106,130	1,596,621
2023	384,000	82,600	1,023,900	106,086	1,596,586
2024	—	—	1,025,240	106,040	1,131,280
2025	—	—	1,025,240	105,993	1,131,233
2026	—	—	1,023,400	105,944	1,129,344
2027	—	—	1,024,775	105,893	1,130,668
2028	—	—	1,024,900	105,842	1,130,742
2029	—	—	1,023,775	105,788	1,129,563
2030	—	—	1,021,400	—	1,021,400
2031	—	—	1,022,650	—	1,022,650
2032	—	—	1,021,625	—	1,021,625
2033	—	—	1,023,156	—	1,023,156
2034	—	—	1,022,850	—	1,022,850
2035	—	—	1,025,575	—	1,025,575
2036	—	—	1,021,331	—	1,021,331
2037	—	—	1,024,988	—	1,024,988
2038	—	—	1,021,413	—	1,021,413
2039	—	—	1,025,475	—	1,025,475
2040	—	—	1,022,044	—	1,022,044
2041	—	—	1,021,119	—	1,021,119
Total	<u>\$1,154,080</u>	<u>\$247,588</u>	<u>\$21,488,350</u>	<u>\$953,889</u>	<u>\$23,843,907</u>

(1) To be refunded from the proceeds of the Certificates of this issue.

### Other Obligations

The City has certain other outstanding obligations, including utility revenue bonds, which are not secured by the City’s general fund.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2019—Notes to Basic Financial Statements—NOTE 7.

### Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective August 1, 2020. The Debt Report is included for general information

purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

**TABLE 18  
CITY OF LA HABRA  
DIRECT AND OVERLAPPING BONDED DEBT  
as of August 1, 2020**

CITY OF LA HABRA

2019-20 Assessed Valuation: \$7,113,725,615

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/20</u>
Metropolitan Water District	0.230%	\$ 85,790
North Orange County Joint Community College District	5.124	12,584,749
Fullerton Joint Union High School District	19.017	36,482,213
La Habra City School District	81.285	19,976,712
Lowell Joint School District	36.680	<u>4,658,360</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>73,787,824</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	1.137	4,397,291
Orange County Pension Obligation Bonds	1.137	3,989,617
Orange County Board of Education Certificates of Participation	1.137	147,014
North Orange County Regional Occupation Program Certificates of Participation	5.272	471,844
Fullerton Joint Union High School District Certificates of Participation	19.017	3,419,257
<b>City of La Habra Certificates of Participation</b>	<b>100.000</b>	<b><u>15,151,019</u><sup>(1)</sup></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>27,576,042</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	3,935,000
<b>COMBINED TOTAL DEBT</b>		<b>105,298,866<sup>(2)</sup></b>

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.04%
<b>Combined Direct Debt (\$15,151,019) .....</b>	<b>0.21%</b>
Combined Total Debt .....	1.48%

Ratios to 2018-19 Redevelopment Incremental Valuation (\$563,777,631):

Total Overlapping Tax Increment Debt.....	0.70%
-------------------------------------------	-------

Source: California Municipal Statistics, Inc.

- (1) Excludes Certificates to be sold but includes the 2010 Certificates to be refunded.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**INVESTMENT OF CITY FUNDS**

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

Funds held by the City are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Finance Director and the City Treasurer as authorized by section 53601 of the California Government Code. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for

limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years. The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

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

## THE AUTHORITY

The Authority was created by the City pursuant to City Resolution No 4146, adopted by the City Council on September 22, 1992. The Authority was established pursuant to the Housing Authorities Law of the State of California. The Authority was formed to assist the City in financing the acquisition and construction of low and moderate income housing projects within the City. The Authority has no liability to the Owners of the Certificates.

## STATE BUDGET INFORMATION

*Information regarding the State Budget is regularly available at various State-maintained websites. The fiscal year 2020-21 State Budget further described below can be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the City, and neither the City nor the Underwriter takes responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

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

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

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

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

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

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

The California State Treasurer's Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and the state budget process in greater detail.

The State Legislative Analyst's Office ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading "Products."

*2020-21 State Budget.* On June 29, 2020, Governor Gavin Newsom signed the State budget for Fiscal Year 2020-21 (the "2020-21 Budget"). While the Governor's initial budget projections in January 2020 projected a budget surplus of \$5.6 billion, the 2020-21 Budget addresses a projected budget deficit of \$54.3 billion, representing a four-month swing of approximately \$60 billion caused primarily by the effects of the COVID-19 Pandemic. The 2020-21 Budget projects general fund revenues decreasing by \$9.8 billion compared to 2019-20 levels due in part to a combination of projected decreases of nearly 20% in income tax collections and sales and use tax collections. The 2020-21 Budget cuts general fund expenditures by \$13.0 billion compared to 2019-20 levels with substantial cuts to spending on K-12 and higher education, legislative, judicial, executive functions and general reductions in governmental operations.

To balance the 2020-21 Budget the following list of solutions has been adopted to close the \$54.3 billion gap:

*Reserves.* The 2020-21 Budget draws down \$8.8 billion in reserves from the State's Rainy Day Fund (\$7.8 billion), Safety Net Reserve Fund (\$450 million), and all of the funds in the Public School System Stabilization Account.

*Potential Reductions and Deferrals.* The 2020-21 Budget includes \$11.1 billion in reductions and deferrals that will be restored depending on the receipt of additional federal aid. If at least \$14 billion in federal funds are received by October 15, 2020, all reductions and deferrals will be restored. If the State receives a lesser amount, between \$2 billion and \$14 billion, reductions and deferrals will be partially restored. The reductions and deferrals include \$6.6 billion in deferred

spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing.

*Reliance on Federal Funds.* The 2020-21 Budget relies on \$10.1 billion in federal funds, including \$8.1 billion already received as of June 30, 2020. This includes the enhanced Federal Medical Assistance Percentage, a portion of the State’s Coronavirus Relief Fund allocation and funds provided for childcare programs.

*Additional Revenue Generation.* The 2020-21 Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.

*Borrowing/Transfers/Deferrals.* The 2020-21 Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.)

*Cancelled Expansions, Updated Assumptions and Other Solutions.* The remaining \$10.6 billion of solutions includes cancelling multiple program expansions and anticipating increased government efficiencies and the addition of higher ongoing revenues and lower ongoing expenses that projected.

*Federal Stimulus Received to Date.* The federal government has provided temporary federal funding to support the State’s response to the COVID-19 pandemic. This funding was made available through four federal bills to help pay for emergency response, testing and contact tracing, health care, and financial relief to individuals, families, and businesses as well as state and local governments, including schools and higher education institutions. The following summarizes the four bills passed by Congress since March 2020:

*Coronavirus Preparedness and Response Supplemental Appropriations Act (HR 6074).* Provided emergency funding for public health and health care.

*Families First Coronavirus Response Act (HR 6201).* Provided some early assistance to families and temporarily increased the federal match for some state programs including Medi-Cal and In-Home Supportive Services. Federal funding was also extended for testing and testing-related services for uninsured individuals.

*Coronavirus Aid, Relief, and Economic Security (“CARES”) Act (HR 748).* Broadened the assistance available to include funding for states, local governments, education, child care, individuals and families. Funding was also expanded, extended, and supplemented for unemployment insurance benefits. Finally, this measure provided assistance to businesses, including the health care sector, small businesses, farmers, airports, and transit agencies.

*Paycheck Protection Program and Health Care Enhancement Act (HR 266).* Expanded funding for small businesses, hospitals, community and rural health centers, and substantially expanded funding for testing and contact tracing to support reopening businesses and the economy.

As of late June 2020, the State expected to receive over \$72 billion in assistance to state programs. Unemployment insurance represents about \$52 billion of this total. In addition, over \$142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local government.

While the State anticipates future federal COVID-19 Pandemic funding relief beyond the four measures described above, should such additional relief not be forthcoming the State will face additional restrictions and deferrals.

For additional information regarding the 2020-21 Budget, please see the Department of Finance website at [ebudget.ca.gov](http://ebudget.ca.gov). The City can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

The City cannot predict the impact that the 2020-21 Budget or subsequent budgets will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the State's 2020-21 Budget.

*Future State Budgets.* The City receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities in the State.

In addition, the City cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the COVID-19 Pandemic and the associated economic downturn, over which the City has no control. See also "RISK FACTORS—Dependence on State for Certain Revenues."

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

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

### **Article XIII A of the California Constitution**

*Basic Property Tax Levy.* On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A 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 on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or

community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in 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 have 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, 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 the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% 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.

*Inflationary Adjustment of Assessed Valuation.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Fresno County Superior Court, in *County of Fresno v. Fresno County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Fresno County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court which petition was denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

### **Article XIII B of the California Constitution**

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes"

excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

### **Articles XIII C and XIII D of the California Constitution**

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

*Taxes.* Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

*Property-Related Fees and Charges.* Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

*Reduction or Repeal of Taxes, Assessments, Fees and Charges.* Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the Certificates could be adversely affected.

*Burden of Proof.* Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more

than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIID.

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

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

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

### **Proposition 1A; Proposition 22**

*Proposition 1A.* Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

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

### **Proposition 26**

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

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that

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

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

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

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

### **Possible Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 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.

## **RISK FACTORS**

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

### **Lease Payments Are Not Debt**

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

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

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

### **Valid and Binding Covenant to Budget and Appropriate**

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

COUNSEL) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City.

### **Additional Obligations of the City**

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

### **Abatement**

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

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

### **No Acceleration Upon Default**

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

### **Risk of Uninsured Loss**

The City covenants under the Lease Agreement to maintain certain insurance policies on the Projects. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance." These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. The City does not insure its facilities against the risk of earthquake. Additionally, the Projects could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be

no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Projects will be sufficient to prepay the Certificates.

Under the Lease Agreement the City may obtain casualty insurance which provides for a deductible up to \$100,000. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

### **Eminent Domain**

If the Projects are taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Projects is taken permanently, or if the Projects or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Projects. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Projects is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Projects is condemned.

### **Hazardous Substances**

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

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

The City is unaware of the existence of hazardous substances on the Projects' sites which would materially interfere with the beneficial use thereof.

## **Natural Calamities**

*General.* From time to time, the City has been and could be subject to natural calamities, including, but not limited to, earthquake, flood or wildfire, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Projects, or that the City would have insurance or other resources available to make repairs to the Projects in order to make the Lease Payments under the Lease Agreement. See “—Abatement” above.

*Seismic.* The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity. Although the most recent significant seismic event, the Northridge earthquake in January 1994, did not cause any significant damage in the City, a major earthquake in the Southern California area could cause significant damage to buildings, roads and property within the City.

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

See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance” above. Also see “THE PROJECTS” for information about the Projects.

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

*Wildfires.* In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. Fires may cause damage to the Projects, which could result in Lease Payments being subject to abatement or an adverse impact on the City’s General Fund.

## **Bankruptcy**

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

In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim

against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

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

### **Pension Benefit Liability**

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

### **Early Redemption Risk**

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Projects or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see "THE CERTIFICATES—Prepayment"), if the City exercises its right to prepay Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement. If Certificates are purchased at a premium, the Owners may receive less than their purchase price in the event of a prepayment.

### **Limitations on Remedies**

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

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

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

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

### **Dependence on State for Certain Revenues**

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

### **Secondary Market Risk**

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

## **Changes in Law**

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

## **COVID-19 Pandemic**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a Pandemic (the “COVID-19 Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the City, California, and the United States. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

The COVID-19 Pandemic has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools in the City). The United States is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On March 4, 2020, the Governor of California proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State’s police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

Since declaring the emergency, the Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include his March 19, 2020 Executive Order N-33-20, which orders all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of certain critical infrastructure sectors, as described in that order and later designations. In March 2020, the County issued a series of orders, which substantially aligns, among other matters, with the Governor’s order. These actions are focused on “social distancing,” or limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and impacts enterprise operations and the economy. The shelter in place orders from the State and the County are ongoing and will continue to be enforced until the threat to public health from the COVID-19 Pandemic can be adequately managed.

The Governor issued Executive Orders N-29-20 and N-35-20 relaxing state and local agency open meeting laws to accommodate social distancing. The City has held meetings of its City Council remotely, unhindered by the COVID-19 Pandemic. As permitted under Executive Order N-33-20, certain of the City’s employees have continued to come to work under designated exceptions for critical sectors. And some of the City’s employees are teleworking. The City does not expect its business operations to be materially curtailed by employee absences prompted by the stay-home order. However, the City offers no

assurances that City Council member or employee absences due to COVID 19 illnesses will not materially and adversely impact its operations.

The COVID-19 Pandemic has negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. While federal and state governments (including California) have enacted legislation and taken executive actions seeking to mitigate the negative public health and economic impacts of the Pandemic, the City offers no assurances that these interventions will have the intended effects.

These negative economic impacts may reduce or otherwise negatively affect revenues to the City's General Fund including declines in sales tax, property tax, and transient occupancy tax receipts as discussed under "CITY FINANCIAL INFORMATION." The City cannot predict the magnitude of these impacts on its revenues and on its expenditures, but the impacts will be material and adverse.

The COVID-19 Pandemic has resulted in reductions in the value of investments of the City's pension funds and funds for post-employment benefits. Notwithstanding the issuance of the Certificates, if these investment value reductions are not sufficiently and timely reversed, the City may be required to materially increase its contributions to fund or pay pension and other post-employment benefits in the future.

The City continues to monitor the spread of the COVID-19 Pandemic and is working with local, state, and national agencies to address its impacts on the City. While the overall impact of the COVID-19 Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 coupled with continued "shelter in place" orders could lead to additional or modified public health restrictions and have additional material adverse effects on the City's operations and financial condition.

The COVID-19 Pandemic is ongoing, and the ultimate geographic spread of the coronavirus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of the COVID-19 Pandemic on the City's operations and finances is unknown. As of the date of this Official Statement, the City does not believe that the impacts of the COVID-19 Pandemic will prevent the City from making payments of principal and interest on the Certificates when due.

### **Risks Related to Cyber Security**

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

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

### **Split Roll Initiatives**

On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "Ballot Measure 1851"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1851 would amend Article XIII A such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, Ballot Measure 1851 would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Ballot Measure 1851, approximately 40% of the remaining additional tax revenues generated as a result of Ballot Measure 1851 would be deposited into a fund created pursuant to Ballot Measure 1851 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement.

Proponents of Ballot Measure 1851 subsequently announced a revised version of its ballot initiative (the "Ballot Measure 1870" and, together with Ballot Measure 1851, the "Split Roll Measures"). Ballot Measure 1870 has received sufficient signatures and has qualified for the November 2020 Statewide ballot. Like Ballot Measure 1851, Ballot Measure 1870 would similarly amend the determination of "full cash value" of commercial and industrial real property, however the Split Roll Measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The City cannot predict whether either Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the City cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on City revenues or the assessed valuation of real property in the City.

### **ABSENCE OF LITIGATION**

At the time of delivery of and payment for the Certificates, the City and the Authority will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Authority affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement or any other applicable agreements or any action of the City or the Authority contemplated by any of said documents, or in any way contesting the completeness or

accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Authority or their authority with respect to the Certificates or any action of the City or the Authority contemplated by any of said documents, nor, to the knowledge of the City or the Authority, is there any basis therefor.

### **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City has agreed, for the benefit of holders of the Certificates, to provide certain financial information and operating data relating to the City and the balances of funds relating to the Certificates, by not later than March 31 of each year commencing with the report for the 2019-20 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events. The Annual Information and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

The City has not materially defaulted on any obligation under its continuing disclosure undertakings including, without limitation, to timely provide an annual report in accordance with the Rule in the past five years.

### **MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”), is registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor has assisted the City in connection with the planning, structuring, sale and issuance of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Certificates are contingent upon their sale and delivery. The Municipal Advisor is an independent advisory firm and not engaged in the business of underwriting, trading or distributing municipal or other public securities.

### **LEGAL MATTERS**

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Kutak Rock LLP, Irvine, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Jones and Mayer, Fullerton, California, the City Attorney. Certain legal matters will also be passed on for the Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

## TAX MATTERS

*General Matters.* In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the City and the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the Certificates. Failure to comply with such requirements could cause interest with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The City and the Authority have covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

Special Counsel is also of the opinion that the portion of each Lease Payment constituting interest with respect to the Certificates (including any original issue discount) is exempt from State of California personal income tax. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

*Original Issue Discount.* The Certificates that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Discount Certificates”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Certificates and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Certificate or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the Certificate in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Certificate (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Certificate that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Certificate, on days that are determined by reference to the maturity date of such Discount Certificate. The amount treated as original issue discount on such Discount Certificate for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Certificate (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Certificate at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Certificate during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Certificate the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Certificate is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Certificate. Subsequent purchasers of Discount Certificates that purchase such Certificates for a price that is higher or lower than the “adjusted issue price” of the Certificates at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

*Original Issue Premium.* The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Certificates”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

*Recognition of Income Generally.* Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Certificates under the Code.

*Backup Withholding.* As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Certificates that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

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

## **UNDERWRITING**

The Certificates are being purchased by Piper Sandler & Co. (the “Underwriter”). The Underwriter has agreed to purchase the Certificates at a purchase price of \$\_\_\_\_\_ (being equal to the aggregate principal amount of the Certificates (\$\_\_\_\_\_ .00), plus an original issue premium of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter agrees to purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement (the “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 Certificates from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Certificates that CS&Co. sells.

## **RATING**

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned the rating of “\_\_\_” to the Certificates. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Certificates.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The Verification Agent will verify as to the Escrow Fund, the mathematical accuracy as of the date of the closing and deliver of the certificates of the computations contained in the provided schedules to determine that the deposit therein shall be sufficient to pay the redemption price of the 2010 Certificates on September 28, 2020.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

## **FINANCIAL STATEMENTS**

The City’s Audited Financial Statements for fiscal year ended June 30, 2019, and the City’s Auditor’s Report regarding such financial statements, are set forth in APPENDIX B— COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED

JUNE 30, 2019. The City's Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the City's Auditor with respect to any event subsequent to its report.

### ADDITIONAL INFORMATION

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

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

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

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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

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

CITY OF LA HABRA

By \_\_\_\_\_  
James D. Sadro,  
City Manager

## APPENDIX A

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

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

*Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.*

#### **Introduction**

*City of La Habra.* The City of La Habra (the “City”), incorporated on January 20, 1925, is located in Orange County (the “County”) in the state of California, approximately 20 miles east of downtown Los Angeles. The City is a suburban residential community that sits adjacent to the border between Orange County and Los Angeles County. The City is largely built out and encompasses an area of approximately 7.4 square miles (19 km<sup>2</sup>). The City is bordered by La Habra Heights on the north, Brea on the east, Fullerton on the south and southeast, La Mirada on the west and southwest and East Whittier on the west, Whittier on the northwest and a small unnamed section of unincorporated Los Angeles County on the northeast.

*Orange County.* Orange County was incorporated in 1889 and is located in the southern part of the State of California. Orange County is one of the major metropolitan areas in the state and nation. Orange County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the State and ranks sixth in the nation.

Orange County is a charter county as a result of the March 5, 2002, voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of Orange County in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In all other respects, Orange County is like a general law county. Orange County is governed by a five-member Board of Supervisors each of which serves four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population. Orange County provides a full range of services countywide, for the unincorporated areas, and contracted through cities.

## Population

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

### CITY OF LA HABRA, ORANGE COUNTY, and CALIFORNIA Population

<u>Year</u>	<u>City of La Habra</u>	<u>Orange County</u>	<u>State of California</u>
2016	62,254	3,162,789	39,131,307
2017	62,318	3,184,229	39,398,702
2018	62,486	3,192,092	39,586,646
2019	63,319	3,192,987	39,695,376
2020	63,371	3,194,332	39,782,870

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Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-20, with 2010 Census Benchmark.

## Employment

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

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

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2015	Orange County	1,597,100	1,525,600	71,500	4.5
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	Orange County	1,602,400	1,538,000	64,300	4.0
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Orange County	1,619,200	1,562,600	56,600	3.5
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	Orange County	1,625,400	1,577,900	47,500	2.9
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019 <sup>(2)</sup>	Orange County	1,623,400	1,578,300	45,100	2.8
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-19, and US Department of Labor.

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

(2) Latest available full-year data.

## Major Industries in the County

The following table lists the top 10 largest industries within the County as of June 30, 2019.

### ORANGE COUNTY Top 10 Industries as of June 30, 2019

Employer	Employees	% of Total County Employment
Walt Disney Co.	30,000	1.86%
University of California, Irvine	23,884	1.48
Orange County	18,313	1.14
St. Joseph Health System	14,000	0.87
Kaiser Permanente	8,178	0.51
Albertsons	7,670	0.48
Target Corporation	6,300	0.39
Walmart Inc.	6,200	0.38
Hoag Memorial Hospital	6,100	0.38
Boeing Co.	6,000	0.37
Total Top 10	126,645	7.86%

Source: Orange County 2018-19 CAFR.

## Construction Activity

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

### CITY OF LA HABRA Building Permits and Valuation (Dollars in Thousands)

	2015	2016	2017	2018	2019 <sup>(1)</sup>
<u>Permit Valuation:</u>					
New Single-family	\$ 6,016	\$ 3,882	\$23,316	\$ 2,176	\$ 4,214
New Multi-family	-	34,618	-	4,096	1,667
Res. Alterations/Additions	7,906	7,868	7,361	7,571	7,317
Total Residential	13,923	46,370	30,678	13,844	13,199
Total Nonresidential	17,889	36,518	14,953	5,046	13,546
Total All Building	31,813	82,888	45,631	18,890	26,746
<u>New Dwelling Units:</u>					
Single Family	20	12	111	14	22
Multiple Family	-	335	-	19	8
Total	20	347	111	33	30

### ORANGE COUNTY Building Permits and Valuation (Dollars in Thousands)

	2015	2016	2017	2018	2019 <sup>(1)</sup>
<u>Permit Valuation:</u>					
New Single-family	\$1,288,428	\$1,464,920	\$1,809,779	\$1,442,020	\$ 1,094,668
New Multi-family	1,052,113	1,195,586	880,561	726,503	1,010,555
Res. Alterations/Additions	486,341	491,132	498,259	582,094	537,089
Total Residential	2,826,883	3,151,639	3,188,600	2,750,618	2,642,313
Total Nonresidential	2,203,105	2,495,687	2,090,028	3,532,284	3,152,501
Total All Building	5,029,988	5,647,326	5,278,629	6,282,903	5,794,814
<u>New Dwelling Units:</u>					
Single Family	3,667	4,226	5,097	3,975	3,125
Multiple Family	7,230	7,908	5,197	4,130	7,169
Total	10,897	12,134	10,294	8,105	10,294

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

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

(1) Latest available full year data.

## Median Household Income

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

**CITY OF LA HABRA, ORANGE COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES  
Median Household Effective Buying Income**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of La Habra	\$ 1,399,443	\$ 56,357
	Orange County	90,963,458	64,420
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of La Habra	1,434,466	57,391
	Orange County	95,757,421	66,303
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	City of La Habra	1,511,804	60,260
	Orange County	100,982,959	69,088
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	City of La Habra	1,642,327	65,507
	Orange County	108,768,390	73,894
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2019	City of La Habra	1,723,772	69,750
	Orange County	110,301,021	75,672
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: Nielsen, Inc.

## **APPENDIX B**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2019**

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

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**APPENDIX C**  
**INVESTMENT POLICY OF THE CITY**

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## APPENDIX D

### FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

City Council  
City of La Habra  
110 East La Habra Blvd.  
La Habra, California 90633

\$ \_\_\_\_\_\*  
CITY OF LA HABRA, CALIFORNIA  
2020 REFUNDING CERTIFICATES OF PARTICIPATION, SERIES A  
(PARK LA HABRA AND VIEWPARK REFINANCING PROJECT)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of the captioned 2020 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project) (the "Certificates"). The Certificates are authorized pursuant to the Trust Agreement, dated as of September 1, 2020 (the "Trust Agreement"), by and among the City of La Habra Housing Authority (the "Authority"), the City of La Habra (the "City") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Assignment Agreement, dated as of September 1, 2020 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned all of its rights, title and interest in, to and under the Amended and Restated Lease Agreement, dated as of September 1, 2020 (the "Lease") between the Authority, as lessor, and the City, as lessee (other than the rights, title and interest of the Authority with respect to certain payments or reimbursements for its costs, fees and expenses as provided the Lease), to the Trustee for the benefit of the registered owners of the Certificates. The Certificates evidence direct, undivided fractional interests of the registered owners thereof in the right to receive lease payments (the "Lease Payments"), payable by the City under the Lease, which payments include portions designated and paid as interest and principal, as provided in the Lease. Capitalized terms used but not defined herein have the meanings assigned to them in the Trust Agreement.

We have examined the Constitution and the laws of the State of California; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraphs 5 and 6 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the Certificates by the Trustee.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The City has the power to enter into the Lease and the Trust Agreement and perform the agreements on its part contained therein.
2. The Lease and the Trust Agreement have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute the valid and binding obligations of the City, enforceable against the City in accordance with their terms.

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\* Preliminary, subject to change.

3. Subject to the terms and provisions of the Lease, the Lease Payments of the City under the Lease are payable from the General Fund of the City lawfully available therefore.

4. By virtue of the Trust Agreement and the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease and the Trust Agreement, including the right to receive their proportionate share of the Lease Payments, in accordance with the terms and provisions of the Trust Agreement.

5. Under existing laws, regulations, rulings and judicial decisions, the portion of the Lease Payments paid by the City which is designated and paid as interest as provided in the Lease, and received by the owners of the Certificates, is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the City with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the Certificates. Failure to comply with such covenants could cause such interest with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The City has covenanted in the Lease and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Certificates to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Certificates, and we express no opinion as to the effect of any termination of the City's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received by the owners of the Certificates subsequent to such termination.

6. The portion of the Lease Payments paid by the City which is designated and paid as interest, as provided in the Lease, and received by the owners of the Certificates, is exempt from personal income taxation imposed by the State of California.

The rights of the registered owners of the Certificates and the enforceability of the Certificates, the Trust Agreement, the Assignment Agreement, and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion in appropriate cases and by the exercise by the State of California and its governmental bodies of the police power inherent in the sovereignty of the State of California and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth above and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the Trust Agreement, the Lease and the Assignment Agreement against the Trustee or the Authority; legal title to the Projects; the creditworthiness or financial condition of the City; or the accuracy or completeness of the statements made in connection with the offer and sale of the Certificates.

This opinion is based solely on the Constitution and laws of the State of California, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraphs 5 and 6 above, the other items described in the second paragraph hereof and the assumptions set forth herein; and we have no obligation to update or supplement this opinion based on or with respect to changes in any of such items or based on or with respect to other events or circumstances that occur after the date hereof.

Respectfully submitted,

**APPENDIX E**

**SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS**

[TO COME]

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## APPENDIX F

### DTC'S BOOK-ENTRY ONLY SYSTEM

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

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by S&P Global Ratings. 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](http://www.dtcc.com). Information set forth in such website is not incorporated by reference herein.

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

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) (the “Disclosure Certificate”) is executed and delivered by the CITY OF LA HABRA (the “City”) in connection with the execution and delivery of \$ \_\_\_\_\_\* City of La Habra (Orange County, California) 2020 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2020 (the “Trust Agreement”), by and among the City, the City of La Habra Housing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to the Trust Agreement, the City covenants and agree as follows:

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

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

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

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

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

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

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

“*Participating Underwriter*” means the original underwriter of the Certificates.

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

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

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

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\* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for fiscal year 2019-20 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

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

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

- (i) General Fund Statement of Revenues, Expenditures and Changes in Fund Balance;
- (ii) General Fund Balance Sheet;
- (iii) General Fund Tax Revenues By Source;
- (iv) Assessed Valuations
- (v) Top 10 Principal Property Taxpayers; and
- (vi) Outstanding principal amount of the Certificates as of the end of the most recently completed fiscal year.

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

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

#### Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

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

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: [Closing Date]

CITY OF LA HABRA

By \_\_\_\_\_  
City Manager

URBAN FUTURES, INCORPORATED, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of La Habra, California

Name of Issue: 2020 Refunding Certificates of Participation, Series A (Park La Habra and Viewpark Refinancing Project)

Date of Issuance: [Closing Date]

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

Date: \_\_\_\_\_

URBAN FUTURES, INCORPORATED, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

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