

'Attachment E'

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2025****NEW ISSUE - FULL BOOK-ENTRY****S&P RATING (INSURED BONDS): "\_\_\_\_"****S&P RATING (UNDERLYING): "\_\_\_\_"****See "RATINGS"**

*In the opinion of Jones Hall LLP, as Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

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

**Authority for Issuance.** The bonds captioned above (the "**Bonds**") are being issued by the Kerman Public Financing Authority (the "**Authority**") pursuant to an Indenture of Trust dated as of [October 1], 2025 (the "**Indenture**") by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"), which was authorized by a resolution adopted by the Board of Directors of the Authority as described herein. See "THE BONDS – Authority for Issuance."

**Use of Proceeds.** The Bonds are being issued to finance public capital improvements of the City of Kerman (the "**City**") anticipated to consist of, but not limited to, a new multi-generational community resiliency center and improvements to the City's new police station and to pay costs of issuance of the Bonds. See "FINANCING PLAN."

**Security for the Bonds.** Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of [October 1], 2025, by and between the Authority, as lessor, and the City, as lessee (the "**Lease**"), consisting primarily of semi-annual lease payments (the "**Lease Payments**") made by the City under the Lease with respect to the lease of certain real property, as further described herein. See "SECURITY FOR THE BONDS."

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

**Redemption.** The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption."

**[Bond Insurance; Reserve Fund Insurance.** [To come, if applicable.]

NEITHER THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**MATURITY SCHEDULE**  
(see inside cover)

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

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall LLP, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth LLP, Newport Beach, California. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2025\*.

[Oppenheimer logo]

The date of this Official Statement is: \_\_\_\_\_, 2025.

## MATURITY SCHEDULE

\$\_\_\_\_\_ Serial Bonds

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$\_\_\_\_\_ % Term Bonds due October 1, 20\_\_\_\_; Price: \_\_\_\_\_%; Yield: \_\_\_\_\_;  
CUSIP†: \_\_\_\_\_

\* Preliminary, subject to change.

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**KERMAN PUBLIC FINANCING AUTHORITY**  
**(Fresno County, California)**

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**AUTHORITY BOARD / CITY COUNCIL**

Maria Pacheco, *Chair/Mayor*  
Gary Yep, *Boardmember/Mayor Pro Tem (District 1)*  
Berdie Hall, *Boardmember/Councilmember (District 2)*  
Ismael Herrera, *Boardmember/Councilmember (District 3)*  
Raj Dhaliwal, *Boardmember/Councilmember (District 4)*

**CITY / AUTHORITY STAFF**

John Jansons, *City Manager/Executive Director*  
Josefina Alvarez, *Finance Director/Treasurer*  
Josie Camacho, *City Clerk/Secretary*  
Hilda Montoy of Montoy Law Corporation, *City Attorney/General Counsel*

**PROFESSIONAL SERVICES**

**Municipal Advisor**

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

**Bond Counsel and Disclosure Counsel**

Jones Hall LLP  
*San Mateo, California*

**Trustee**

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

## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, 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 an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the Bonds since the date of this Official Statement.

This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds. Prospective investors should not construe the contents of this Official Statement as legal, tax or investment advice.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

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," "project," "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 forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites and any links contained within those websites are not incorporated herein by reference and do not constitute part of this Official Statement.

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[REGIONAL LOCATION MAP]

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## OFFICIAL STATEMENT

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**KERMAN PUBLIC FINANCING AUTHORITY**  
**2025 Lease Revenue Bonds**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

**Authority for Issuance.** The Kerman Public Financing Authority (the “**Authority**”) is issuing the bonds captioned above (the “**Bonds**”) under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the “**Bond Law**”), a resolution adopted by the Board of Directors (the “**Board**”) of the Authority on August 27, 2025 (the “**Authority Resolution**”), a resolution adopted by the City Council (the “**City Council**”) of the City of Kerman (the “**City**”) on August 27, 2025 (the “**City Resolution**”), and an Indenture of Trust (the “**Indenture**”) dated as of [October 1], 2025, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

**Purpose of the Bonds.** The Bonds are being issued to finance public capital improvements of the City anticipated to consist of, but not limited to, a new multi-generational community resiliency center and improvements to the City’s new police station, and to pay costs of issuance of the Bonds. See “FINANCING PLAN.”

**The Authority and the City.** The Authority is a joint powers authority established pursuant to that certain Joint Exercise of Powers Agreement dated as of August 15, 2007, by and between the City and the Kerman Redevelopment Agency, whose membership was recently replaced by the California Statewide Infrastructure Communities Development Authority. The Authority is governed by a five-member Board of Directors (the “**Board**”), which consists of the members of the City Council of the City. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities of benefit to the City. Under the Bond Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. See “THE AUTHORITY.”

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\* Preliminary; subject to change.

The City, incorporated in 1946, is located 16 miles west of the City of Fresno in the San Joaquin Valley. While predominately agricultural, there has been a shift in economic development in recent years, leading to new development. For additional background, and certain demographic and economic information regarding the City and the County, see APPENDIX B.

**Bond Terms; Book-Entry Only.** The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on April 1 and October 1 of each year, commencing on [April 1], 2026. The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company (“**DTC**”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Security for the Bonds.** The City and the Authority will enter into a Site Lease dated as of [October 1], 2025 (the “**Site Lease**”), under which the City will lease certain real property to the Authority, as described herein (the “**Leased Property**”) and as further described herein under the caption “THE LEASED PROPERTY.” The net proceeds of the Bonds will be used by the Authority to fund the payment obligation under the Site Lease.

In order to secure the payments of principal of and interest on the Bonds, the Authority will lease the Leased Property back to the City under a Lease Agreement (the “**Lease Agreement**”), under which the City is obligated to pay semiannual lease payments (the “**Lease Payments**”) as rental for the Leased Property, and the Authority will assign substantially all of its rights under the Lease Agreement to U.S. Bank Trust Company, National Association as trustee for the Bonds. The Bonds are payable from and secured by a first pledge of and lien on the Revenues received by the Authority under the Lease Agreement, consisting primarily of the Lease Payments.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City. See “SECURITY FOR THE BONDS.”

**[Bond Insurance; Reserve Fund Insurance.** [To come, if applicable.]

**Redemption.** The Bonds are subject to redemption prior to their stated maturity dates. See “THE BONDS – Redemption.”

**Abatement.** The 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 use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the Bond Owners may receive less than the full amount of principal of and interest on the Bonds. See “SECURITY FOR THE BONDS – Abatement” and “BOND OWNERS’ RISKS.”

**Additional Obligations.** Under the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred by the Authority which are payable out of the Revenues in whole or in part. However, the City is permitted to enter into other

obligations which constitute additional charges against its revenues, including pursuant to additional leases involving the Leased Property, without the consent of Owners of the Bonds.

***Risks of Investment.*** Debt service on the Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. The Lease Payments are payable from revenues available in the City's general fund, which revenues may be materially adversely affected by numerous factors outside the City's control. For a discussion of some of the risks associated with the purchase of the Bonds, see "BOND OWNERS' RISKS."

NEITHER THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

## FINANCING PLAN

### General

The Bonds are being issued to finance development of a new multi-generational community resiliency center and tenant improvements to the City's police station, and to pay costs of issuance for the Bonds.

***Multi-Generational Resiliency Center.*** The City received a \$7.25 million grant to be used for the construction of a 15,400 square foot addition to the existing 11,618 square foot Kerman Community Center to create the Kerman Area Multi-Generational Resiliency Center located at 15101 West Kearney Boulevard in the City. The total project cost is estimated at approximately \$16.383 million; however, the amount funded through the grant program will specifically cover the hard costs associated with the construction project's resiliency features. The City will match the remaining funds necessary for the project using a portion of the proceeds of the Bonds.

***New Police Station Improvements.*** The City recently purchased a new building, including an adjacent vacant lot anticipated to be used for parking, located at West B Street and South Madera Avenue in the City for approximately \$2.9 million. It will be relocating the existing police station facility to the new location, following making tenant improvements expected to be in a cost range of approximately \$10-12 million. The tenant improvements will be paid in part from proceeds of the Bonds.

### Estimated Sources and Uses

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

Sources:

Principal Amount of Bonds	\$
Plus/Less [Net] Original Issue	
Premium/Discount	
<b><i>TOTAL SOURCES</i></b>	<b>\$</b>

Uses:

Deposit to Project Fund	
Costs of Issuance <sup>(1)</sup>	
<b><i>TOTAL USES</i></b>	<b>\$</b>

(1) Represents funds to be used to pay Costs of Issuance, which include rating agency fees, bond counsel, disclosure counsel, Trustee fees, Underwriter's discount and other costs of issuing the Bonds[, including premiums for bond insurance and reserve fund insurance].

## THE LEASED PROPERTY

### Leased Property

The Leased Property consists of the City's interest in [(i) the Police Station located at 850 S Madera Avenue, (ii) the Office Building and the Warehouse and Shop Building each located at 15061 W C Street, (iii) the Public Works Office Building, the Public Works Shop Building and the Public Works Shop each located at 15201 W California Avenue, (iv) the Office Building located at 942 S. Madera Avenue, (v) the Animal Shelter located at 15375 W California Ave ("A" Street), (vi) the Community Center located at 15101 W Kearney Plaza, (vii) Lion's Park located at 744 S Park Ave and (viii) Kerckhoff Park located at 15023-15099 W G Street] [To be finalized].

Simultaneously with the delivery of the Bonds, the Authority will acquire a leasehold interest in the Leased Property from the City. The Authority will sublease the Leased Property to the City pursuant to the Lease. Under the Lease, the City has agreed to maintain the Leased Property in good working condition.

The City estimates that the Leased Property has a value of at least the aggregate principal amount of the Bonds. The City and the Authority, based on records they maintain, estimate the current annual fair rental value of the Leased Property to be not less than the amount of the annual Lease Payments.

Bondholders do not have a mortgage on any portion of the Leased Property and no ability to foreclose on the Leased Property or accelerate the Lease Payments in the event of a default. See "BOND OWNERS' RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Lease Payments" and "SECURITY FOR THE BONDS – Remedies on Default" herein.

### Substitution and Release

***Substitution of Lease Property.*** Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the conditions set forth in the Lease, which consist of the following:

- No Event of Default has occurred and is continuing.
- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Fresno County Recorder's Office, sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement, which adds the legal description of the Substitute Property to the Lease and deletes therefrom the legal description of the Former Property.
- The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the then-aggregate principal amount of Lease Payments then due hereunder.
- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City, constitutes property which the

City is permitted to lease under the laws of the State of California, and has been determined to be important to the proper, efficient and economic operation of the City.

- The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease.
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidence stating that (i) the estimated value of the Leased Property following such substitution is at least equal to the aggregate principal amount of the Lease Payments then due under the Lease, (ii) the estimated fair rental value of the Leased Property following such substitution is at least equal to the remaining Lease Payments due under the Lease, and (iii) the useful life of the Substitute Property at least extends to the stated termination date of the Lease.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property as set forth above.

***Release of Leased Property.*** Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the “**Released Property**”) provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such release, which consist of the following:

- No Event of Default has occurred and is continuing.
- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Fresno County Recorder’s Office, sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement, which removes the Released Property therefrom.
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidence stating that (i) the estimated value of the Leased Property following such release is at least equal to the aggregate principal amount of the Lease Payments then due hereunder, and (ii) the estimated fair rental value of the Leased Property following such release is at least equal to the remaining Lease Payments due thereunder.

Upon the satisfaction of all the conditions precedent set forth in the Lease, the term of the Lease will end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

## DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Bonds.

<b>Year Ending October 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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Total:

## THE BONDS

*This section provides summaries of the Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.*

### Authority for Issuance

The Bonds are being issued under the Bond Law and the Indenture, approved pursuant to the Authority Resolution and the City Resolution.

### General Provisions

**Bond Terms.** The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

**Payments of Principal and Interest.** Interest on the Bonds will be payable on April 1 and October 1 in each year, beginning [April 1], 2026 (each an “**Interest Payment Date**”). Interest on the Bonds is payable from the Interest Payment Date next preceding the date of its authentication unless: a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, a Bond is authenticated on or before 15 days prior to the first Interest Payment Date, in which event interest thereon will be payable from the Closing Date, or interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is computed on the basis of a 360-day year composed of 12 months of 30 days each and payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

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

*While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See “– Book-Entry Only System” below.*

**Record Date.** Under the Indenture, “**Record Date**” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

## **Transfer, Registration and Exchange**

*The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC’s book-entry system. While the Bonds are subject to DTC’s book-entry system, their exchange and transfer will be affected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”*

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

**Transfer and Exchange.** Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond is or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

The Trustee may refuse to transfer or exchange, under the provisions of the Indenture described above, any Bonds selected by the Trustee for redemption under the Indenture, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

## **Redemption**

**Optional Redemption.** The Bonds maturing on or before October 1, \_\_\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after

October 1, \_\_\_\_\_, are subject to optional redemption in whole, or in part at the at the election of the Authority (at the direction of the City) among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after October 1, \_\_\_\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

***Mandatory Sinking-Fund Redemption.*** The Bonds maturing October 1, \_\_\_\_\_ (the “Term Bonds”) are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on October 1 in the respective years as set forth in the following tables; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

**Term Bonds Maturing October 1, \_\_\_\_\_**

Sinking Fund Redemption Date (October 1)	Principal Amount To Be Redeemed
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***Extraordinary Mandatory Redemption.*** The Bonds are subject to mandatory redemption prior to maturity in whole or in part among maturities as determined by the Authority, on any date, at a redemption price equal to 100% of the principal amount thereof to be redeemed (plus accrued but unpaid interest to the redemption date), without premium, from Net Proceeds received under the Lease Agreement and from amounts deposited in the Insurance and Condemnation Fund pursuant to the Indenture, and any other funds available for such purpose under the Indenture.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Bonds shall be selected for redemption on a pro-rata basis among outstanding maturities. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

***Notice of Redemption.*** The Trustee will mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the

redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

*However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.*

**Rescission of Redemption Notice.** The Authority has the right to rescind any notice of the redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

**Effect of Redemption.** When notice of redemption has been duly given as set forth in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

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

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

## SECURITY FOR THE BONDS

*The principal of and interest on the Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.*

*This section provides summaries of the security for the Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See “APPENDIX C – Summary of Principal Legal Documents” for a more complete summary of the Indenture, the Lease, the Site Lease and the Assignment Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.*

### **Revenues; Pledge of Revenues**

***Pledge of Revenues and Other Amounts.*** Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts held in any fund or account established under the Indenture (excluding amounts in the Cost of Issuance Fund and the Project Fund) are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

“**Revenues**” are defined in the Indenture as (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts the City is obligated to pay under the Lease or under another lease as additional amounts of rental for the use and occupancy of the Leased Property if such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or obligations other than the Bonds,, and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

### **Assignment to Trustee**

Under the Assignment Agreement, the Authority will transfer to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, repayment of advances, indemnification, and the payment of attorneys’ fees). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture regarding the duties of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

## **Allocation of Funds by Trustee**

***Deposit of Revenues into Bond Fund.*** All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

***Transfers from the Bond Fund.*** On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

***Deposit to Interest Account.*** The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

***Deposit to Principal Account.*** The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

### ***Application of Accounts within Bond Fund.***

***Application of Interest Account.*** All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

***Application of Principal Account.*** All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

***Application of Redemption Fund.*** The Trustee will establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under the Indenture.

***[Application of Reserve Fund; Reserve Fund Insurance Policy.*** To come, if applicable]

## Lease Payments

**Requirement to Make Lease Payments.** Under the Lease, subject to the provisions of the Lease concerning rental abatement (see – “Abatement,” below) and prepayment of Lease Payments, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease (defined as the 5th Business Day immediately preceding each Interest Payment Date).

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease.

The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

**Rate on Overdue Lease Payments.** If the City fails to make any of the payments of Lease Payments required in the Lease, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

**Fair Rental Value.** The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The Authority and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

**Additional Rental Payments.** In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority:

- (a) All fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) All reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and

other disbursements incurred in and about the performance of its powers and duties under the Indenture;

- (c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture;
- (d) Amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and
- (e) The reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the Bonds, the Indenture or any of the other documents contemplated thereby, or otherwise incurred in connection with the administration of the Lease.

### **Limited Obligation**

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY 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.

### **Additional Obligations**

Under the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part.

However, the Lease provides that the Lease may be amended to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if

(a) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, and

(b) the City has filed with the Trustee a written certificate stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate then-outstanding principal amount of the Bonds and all such other bonds, notes or other obligations.

## **Source of Lease Payments; Covenant to Budget and Appropriate**

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement. See “– Abatement” herein.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease.

## **Abatement**

***Termination or Abatement Due to Eminent Domain.*** Under the Lease, if the Leased Property is 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 thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently and the remainder is useable for the City’s purposes, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

***Abatement Due to Damage or Destruction.*** The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will 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 continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

## **Remedies on Default**

Failure by the City to make Lease Payments, or failure to pay Additional Rental Payments or to observe and perform any other terms, covenants or conditions contained in the Lease or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute Events of Default under the Lease. Such events permit the Trustee or the Authority to pursue any and all available remedies. However, notwithstanding anything in the Lease or in the Indenture to the contrary, neither the Authority nor the Trustee have any right, under the Lease, the Site Lease or otherwise, to foreclose or sell the Leased Property, nor is there any right under any circumstances to

accelerate the Lease Payments or otherwise declare any Lease Payments that are not then in default to be immediately due and payable. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Lease Payments” herein.

Following an event of default, the Authority or the Trustee may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Lease Payments as they become due. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture. See “BOND OWNERS’ RISKS – Limited Recourse on Default; No Right to Repossess; No Acceleration of Lease Payments” herein.

In the Event of Default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease and neither the Authority nor the Trustee are empowered to sell the Leased Property.

The City will be liable only for Lease Payments on an annual basis and, in the Event of Default, the Authority or Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Property Insurance**

***Liability Insurance.*** Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Such policy or policies must 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 Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems 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 regarding self-insurance, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

***Casualty Insurance.*** The City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the then-outstanding Lease Payments. Such insurance must, 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, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems 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 the participation by

the City in a joint powers agency or other program providing pooled insurance. The Net Proceeds of such insurance must be applied as provided in the Lease.

***Rental Interruption Insurance.*** The City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by the Lease, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. 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 the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

***Title Insurance.*** The city is required obtain a CLTA title insurance policy insuring the City's leasehold estate under the Lease in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under the Lease.

***Insurance Net Proceeds; Form of Policies.*** Each policy of casualty insurance, rental interruption insurance, and title insurance if any, maintained under the Lease must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Net Proceeds of such insurance must be applied as provided in the Lease.

The City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a certificate of the City stating that all policies of insurance required under the Lease are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any liability and property damage insurance maintained under the Lease is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

## **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that Joint Exercise of Powers Agreement dated as of August 15, 2007, by and

between the City and the Successor Agency to the Kerman Redevelopment Agency (as successor to the Kerman Redevelopment Agency), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code. **[Updates to come]**

The Authority was formed for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements that are of public benefit to the City. Under the Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Directors (the “**Board**”), which consists of the members of the City Council of the City. The Mayor serves as the Chairman, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City’s Finance Director serves as the Treasurer of the Authority.

## THE CITY

### General

The City was incorporated as a general law city in 1946. The City operates under a Council-Manager form of government. For additional background, and certain demographic and economic information regarding the City and the County, see APPENDIX B.

### City Government

The City operates under a Council-Manager structure of government. Policy making and legislative authority are vested in the City Council, which is responsible, among other matters, for passing resolutions and ordinances, adopting the City budget, appointing committees, and hiring the City Manager. The City Council is comprised of five members, including a City-wide-elected Mayor and four Councilmembers elected by district. Each member serves a staggered 4-year term. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City Council of the City currently consists of the following persons:

<b>Name and Office</b>	<b>Current Term Expires</b>
Maria Pacheco, <i>Mayor</i>	November 2028
Gary Yep, <i>Mayor Pro Tem (District 1)</i>	November 2026
Berdie Hall, <i>Councilmember (District 2)</i>	November 2028
Ismael Herrera, <i>Councilmember (District 3)</i>	November 2026
Raj Dhaliwal, <i>Councilmember (District 4)</i>	November 2028

Following are short biographies of the City Manager and Finance Director:

**John Jansons, City Manager.** Mr. Jansons has over 25 years' experience in local government and has served as Kerman City Manager since 2019. His prior experience includes serving as City Manager in Farmersville, Tulare County and as Town Manager, in Windsor in Sonoma County. He has a successful track record and experience serving as Redevelopment Director and Community Investment Director completing significant projects in economic development, redevelopment, and affordable housing in California and Oregon cities. Mr. Jansons has a Bachelors in International Relations from University California-Davis where he was selected in a national competition to serve a semester aboard at the American Embassy, London England with the United States Department of State.

**Josefina Alvarez, Finance Director.** Ms. Alvarez has over 20 years of local government experience working for the City of Kerman. Her experience includes processing all functions of the Finance Department, and managing multiple city, state and federal grants. Ms. Alvarez has an Associates Degree in Accounting, and has been a notary public since April 2017.

**Theresa Johnson, CPRP, Community Services Director.** Ms. Johnson has over 24 years of experience in the local government sector, specializing in Parks, Recreation, and Community Services, and has served as Community Services Director since 2022. Her prior experience includes serving as a Community Services Coordinator, Recreation Coordinator, and Recreation Supervisor in the cities of Kingsburg, Selma, San Gabriel,

and for the past 11 years in Kerman. She has managed local, state, and federally funded programs and projects, including but not limited to park and facility development, program planning, and implementation. Ms. Johnson earned a Bachelor's degree in Recreation Administration with an emphasis in Leisure Service Management with certificates in Special Event Planning and Serving At-Risk Youth, as well as a Certified Park and Recreation Professional (CPRP) through the National Recreation and Park Association.

## **Labor Relations**

The City had approximately 83 full-time employees as of June 30, 2025. All employees are covered by the City's Personnel Rules and Regulations adopted by the City Council. Under State law, public employees have the right to "collective bargaining", the right to be represented by unions regarding wages, hours and working conditions. Most City employees are represented by one of four bargaining units that are covered by a Memorandum of Understanding, union contracts that result from good faith negotiations under the terms of State law. All other employees, including Management, are categorized as "unrepresented" or "confidential" employees (ineligible for union representation because of their job access to confidential personnel matters), and have a Schedule of Benefits outlining benefits, and policies, etc. The City characterizes labor relations as being good, stable and productive. Negotiations with one labor group is currently ongoing. The City has not experienced a major work stoppage by City employees in the last 20+ years.

## **CITY FINANCIAL INFORMATION**

### **Accounting and Financial Reporting**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accumulated unpaid vacation, sick pay and other employee benefit amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual are sales taxes and interest revenue. Forfeitures, licenses, other permits and miscellaneous revenue are not susceptible to accrual because they

are not measurable until received in cash. Grant funding received in advance of the related expenditure is accounted for as unearned revenue.

Grant revenues are recognized in the Fiscal Year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City Council employs, at the beginning of each Fiscal Year, an independent certified public accounting firm which, at such time or times as specified by the City Council, at least annually, at such other times as such firm shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the Fiscal Year, a final audit and report is submitted by such firm to the City Council and a copy of the financial statements as of the close of the Fiscal Year is published.

For additional details, see APPENDIX A.

### **General Fund, the Budget Process and Information**

**General Fund.** The City's General Fund is its primary operating fund and is where the City accounts for all its general-purpose revenues. It is distinguished from the City's other governmental funds that are used to account for special purpose revenues, capital projects, debt service activities, and monies held for the benefit of others.

**Fiscal Year Budget Process.** The City operates on a Fiscal Year basis that begins on July 1 of each year and ends on June 30 of the following year. The annual budget adopted by the City Council provides for the general operation of the City. Development of the City's annual budget is a process which generally begins in February and March and continues until the budget is adopted by the City Council in June. The General City Budget includes programs which are provided on a largely City-wide basis. The programs and services are financed primarily by the City's share of sales tax, property tax, revenues from the State and/or federal government, and charges for services provided.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the Fiscal Year. Appropriations lapse at Fiscal Year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the Fiscal Year. The budgetary level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

**Fiscal Year 2025-26 Adopted Budget.** The adopted budget for Fiscal Year 2025-26 was approved on June 11, 2024. The adopted budget projects General Fund revenues to be approximately \$11.9 million and expenditures to be approximately \$16.8 million. The adopted budget includes an expected capital reserve investment from Measure M of approximately \$5.4 million. The vast majority of these revenues come from taxes and assessments.

## Financial Statements

The City's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by GASB. The City's Annual Comprehensive Financial Report ("ACFR") for Fiscal Year 2023-24, including the City's audited financial statements, is set forth in Appendix A. The following table provides a five-year history of the City's General Fund revenues, expenditures, and changes in fund balances for Fiscal Years 2019-20 through 2023-24.

**TABLE 1**  
**City of Kerman**  
**Statements of Revenues, Expenditures and Changes in General Fund Balance**  
**Fiscal Years 2019-20 through 2023-24**

	<b>Audited 2019-20</b>	<b>Audited 2020-21</b>	<b>Audited 2021-22</b>	<b>Audited 2022-23</b>	<b>Audited 2023-24</b>
<b><u>Revenues</u></b>					
Taxes	\$6,737,248	\$7,600,359	\$8,085,737	\$9,218,980	\$9,135,520
Licenses, permits and impact fees	599,114	493,781	1,005,511	798,919	935,220
Intergovernmental	474,459	466,474	501,321	652,435	556,088
Charges for services	210,877	241,968	239,627	246,419	240,764
Fines and forfeitures	33,886	37,643	49,180	21,548	46,727
Rents	132,920	81,704	102,660	100,926	87,372
Investment earning, net of unrealized gain/(loss)	97,160	(6,078)	(64,751)	87,490	465,427
Other revenue	54,876	335,146	124,492	216,175	137,574
<b>Total Revenues</b>	<b>8,340,540</b>	<b>9,250,997</b>	<b>10,043,777</b>	<b>11,342,892</b>	<b>11,604,692</b>
<b><u>Expenditures</u></b>					
Current:					
General Government	617,833	733,650	1,237,962	1,092,891	1,458,732
Public works	811,115	849,204	875,589	1,048,214	1,249,444
Community development	503,717	371,266	377,775	467,290	590,126
Social services	623,057	703,337	718,143	667,896	777,468
Public safety	3,217,594	3,508,651	3,900,552	4,013,978	4,386,219
Capital outlay	138,981	1,474,244	1,010,676	400,339	977,391
<b>Total expenditures</b>	<b>5,912,297</b>	<b>7,640,351</b>	<b>8,120,697</b>	<b>7,690,608</b>	<b>9,439,380</b>
Excess (deficiency) of revenues over (under) expenditures	2,428,243	1,610,645	1,923,080	3,652,284	2,165,312
<b><u>Other financing sources(uses)</u></b>					
Lease revenues		--	106,388	147,947	98,650
Sale of an asset	--	128,409	--	--	--
Transfers in		10,496	--	--	--
Transfers (out)		--	(243,700)	(94,689)	(590,567)
<b>Total other financing sources<sup>(1)</sup></b>	<b>(193,920)</b>	<b>138,905</b>	<b>(137,312)</b>	<b>53,258</b>	<b>(491,917)</b>
<b>Net Change in fund balances</b>	<b>2,234,323</b>	<b>1,749,550</b>	<b>1,785,768</b>	<b>3,705,542</b>	<b>1,673,395</b>
<b>Beginning of year</b>	<b>4,426,596</b>	<b>6,660,919</b>	<b>8,410,469</b>	<b>10,196,237</b>	<b>13,901,779</b>
<b>End of year</b>	<b>\$6,660,919</b>	<b>\$8,410,469</b>	<b>\$10,196,237</b>	<b>\$13,901,779</b>	<b>\$15,575,174</b>

(1) Only net transfers in/(out) information available for certain fiscal years.

Source: City Finance Department and City of Kerman - Audited Financial Statements for Fiscal Years 2019-20 through 2023-24.

**Statements of Revenues and Expenditures.** The following table provides a five-year history of the City's General Fund revenues, expenditures, and changes in fund balances for Fiscal Years 2019-20 through 2023-24.

**TABLE 2**  
**City of Kerman**  
**General Fund Balance Sheets**  
**Fiscal Years 2019-20 through 2023-24**

	<b>Audited 2019-20</b>	<b>Audited 2020-21</b>	<b>Audited 2021-22</b>	<b>Audited 2022-23</b>	<b>Audited 2023-24</b>
<b><u>Assets</u></b>					
Cash and investments	\$4,457,333	\$7,058,206	\$8,779,669	\$11,168,887	\$13,386,679
Accounts receivable	22,211	34,986	22,255	21,076	19,785
Taxes receivable	1,009,923	970,993	1,072,342	1,774,305	1,269,563
Leases receivable	--	--	745,077	653,761	560,909
Prepays	1,034	--	2,784	--	55,007
Due from other governments	52,440	91,332	102,164	139,978	104,824
Interest receivable	19,649	7,558	22,388	107,673	199,072
Due from other funds	1,446,853	1,095,958	609,981	1,173,703	1,321,770
<b>Total Assets</b>	<b>7,009,443</b>	<b>9,259,033</b>	<b>11,356,660</b>	<b>15,039,383</b>	<b>16,917,609</b>
<b><u>Liabilities</u></b>					
Accounts payable	335,898	836,502	431,961	506,464	810,147
Due to other funds	--	--	--	--	--
Deposits payable	9,379	8,750	10,578	12,400	12,200
Unearned revenue	3,247	3,312	--	--	3,378
<b>Total Liabilities</b>	<b>348,524</b>	<b>848,564</b>	<b>442,539</b>	<b>522,242</b>	<b>825,725</b>
<b><u>Deferred Inflow of Resources</u></b>					
Deferred right to use lease revenue	--	--	717,884	615,362	516,710
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>717,884</b>	<b>615,362</b>	<b>516,710</b>
<b><u>Fund Balances</u></b>					
Unfunded liability	100,000	100,000	100,000	100,000	100,000
Emergency reserve	1,478,074	1,885,088	2,005,174	1,897,652	2,334,845
Revenue stability reserve	886,845	1,131,053	1,203,105	1,138,591	1,400,907
Major asset repair and replacement reserve	886,845	1,131,053	1,203,105	1,138,591	1,400,907
Unassigned	3,309,156	4,163,275	5,684,854	9,626,945	10,338,515
<b>Total Fund Balance</b>	<b>6,660,919</b>	<b>8,410,469</b>	<b>10,196,237</b>	<b>13,901,779</b>	<b>15,575,174</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$7,009,443</b>	<b>\$9,259,033</b>	<b>\$11,356,660</b>	<b>\$15,039,383</b>	<b>\$16,917,609</b>

Source: City of Kerman - Audited Financial Statements for Fiscal Years 2019-20 through 2023-24.

**Governmental Activities Key Revenue Components (Taxes and Assessments).** The following tables sets forth the components of the City largest category of revenues (Taxes and Assessments), encompassing the General Fund and funds related to other governmental activities.

**TABLE 3**  
**City of Kerman**  
**Governmental Activities – Components of Taxes and Assessments**  
**Fiscal Years 2019-20 through 2023-24**

Type of Tax	2019-20	2020-21	2021-22	2022-23	2023-24
Property taxes	\$2,607,496	\$2,811,398	\$2,978,759	\$3,331,004	\$3,671,701
Special assessments	237,404	240,602	237,806	355,159	380,457
Sales taxes	4,291,380	4,969,193	5,310,960	6,102,938	5,759,619
Franchise and other taxes	127,452	136,653	150,911	177,341	189,465
Business licenses	70,970	95,902	87,503	93,766	117,084
Rents	374,787	324,332	273,087	344,623	421,168
Interest income /(loss)	147,952	14,831	(40,259)	168,185	598,169
Gain on sale of assets	--	128,409	--	--	--
Other	108,655	400,885	190,780	276,491	208,398
Transfers	(31,283)	252,456	430,879	61,150	309,105
<b>Totals</b>	<b>\$7,934,813</b>	<b>\$9,374,661</b>	<b>\$9,620,426</b>	<b>\$10,910,657</b>	<b>\$11,655,166</b>

Source: City of Kerman - Audited Financial Statements for Fiscal Years 2019-20 through 2023-24.

## Sales and Use Taxes

**Overview.** Sales and use taxes typically represents the largest source of tax revenues to the City's General Fund. Sales and use taxes are less stable sources of revenues to the City, given that they are based on consumer spending within the City which is impacted by a variety of factors including the overall economy and other factors.

**Historic Taxable Transactions.** The following table shows historical taxable transactions in the City for the most recent three years available.

**TABLE 4**  
**City of Kerman**  
**Taxable Transactions**  
**Fiscal Years 2022 through 2024**  
**(In Thousands of Dollars)**

	2022	2023	2024	% Change from 2023-24
Motor Vehicle and Parts Dealers	\$12,117	\$15,322	\$16,065	4.62%
Home Furnishings and Appliances	--	\$ 477	--	--
Building Materials	--	--	--	--
Food and beverage stores	5,029	5,871	6,124	4.13%
Gasoline stations	24,181	23,818	22,590	-5.43%
Clothing and Clothing Accessories stores	2,984	2,977	3,150	5.49%
General merchandise stores	--	--	--	--
Food services and drinking places	26,785	29,885	30,657	2.52%
Other retail stores	86,939	83,431	83,836	0.48%
<b>Total Retail and Food Services</b>	<b>158,035</b>	<b>161,782</b>	<b>162,423</b>	<b>0.39%</b>
All other outlets	37,080	63,620	61,181	-3.99%
<b>Total All Outlets</b>	<b>\$195,115</b>	<b>\$225,402</b>	<b>\$223,604</b>	<b>-0.80%</b>

Source: California Department of Tax and Fee Administration.

**City of Kerman Measure M (1.0%).** In November 2018, voters in the City approved Measure M, which established an additional 1.0% sales and use tax on taxable transactions within the City. Measure M was approved by 73.17% of the voters voting on the question and is a “general tax,” which means funds are available for all general purposes of the City and not restricted to particular projects or services. There is no sunset date on this 1.0% sales and use tax.

The City intends to use a portion of Measure M revenues to pay the lease payments securing the Bonds.

**State-Wide Sales Tax Law.** Taxable transactions in the City are currently subject to the following sales and use tax, of which the City’s share is only a portion. The City collects a percentage of taxable sales in the City (minus certain administrative costs) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”). The State collects and administers the sales tax under the Sales Tax Law, and makes distributions on taxes collected within the City, as shown in the following table. Measure M, a 1% general sales tax measure for essential city services and projects in the City (described further herein), was passed by the voters in November 2018.

**TABLE 5**  
**City of Kerman**  
**Sales Tax Rate as of January 1, 2025**

State of California	6.00%
Fresno County	0.25
City of Kerman Measure M	1.00
Fresno County Local Tax	1.00
Fresno County District Tax	<u>0.725</u>
<b>Total</b>	<b>8.975%</b>

*Source: California Department of Tax and Fee Administration (CDTFA).*

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

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

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

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

**Applicability of Sales and Use Tax.** Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

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

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

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the CDTFA's Publication 61 (December 2022) entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the CDTFA's website at <http://www.cdtfa.ca.gov/>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

## **Property Taxes**

Property Taxes represents the second-largest sources of taxes to the City's General Fund, after sales and use taxes. Property taxes represent a very stable source of revenue to the City, and are based in large part on assessed valuations of property located in the City.

**Property Tax Delinquencies; Teeter Plan.** The Board of Supervisors of Fresno County has adopted 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. Under the Teeter Plan, each entity levying property taxes in Fresno County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. As a result, participating entities receive 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the City's receipt of revenues with respect to the levy of ad valorem property taxes levied in Fresno County will not be dependent upon actual collections of the ad valorem property taxes by each County. However, under the statute creating

the Teeter Plan, a Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire county and, in addition, a Board of Supervisors can terminate the Teeter Plan with respect to the City if the delinquency rate for all ad valorem property taxes levied within the City in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of ad valorem property taxes in the City would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the City.

**General Method of Property Tax Calculations.** Proposition 13, passed in 1978, established the current property tax regime for local agencies, including the City, throughout the State. Under Proposition 13, subject to voter-approved debt and certain other exceptions, the base property tax rate on a parcel is limited to 1% of its assessed value and the property tax collected by this 1% County-wide rate is shared by the local agencies eligible to receive property taxes within the applicable County pursuant to applicable State law. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is also established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for additional information.

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

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

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

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office

of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

**Historical Assessed Valuations.** The table below presents the assessed valuation of taxable property in the City for the prior ten fiscal years.

**TABLE 6**  
**City of Kerman**  
**Assessed Valuations of All Taxable Property**  
**Fiscal Years 2015-16 through 2024-25**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>Percent Change</b>
2015-16	\$600,286,525	\$295,160	\$30,938,900	\$631,520,585	--%
2016-17	628,890,853	295,160	27,628,679	656,814,692	4.0
2017-18	681,421,657	295,160	28,651,470	710,368,287	8.2
2018-19	720,913,254	295,160	34,163,140	755,371,554	6.3
2019-20	777,949,156	313,915	30,620,810	808,883,881	7.1
2020-21	842,549,900	313,915	24,497,833	867,361,648	7.2
2021-22	878,929,354	329,115	29,604,634	908,863,103	4.8
2022-23	961,552,596	454,096	35,091,955	997,098,647	9.7
2023-24	1,062,884,576	502,118	35,365,686	1,098,752,380	10.2
2024-25	1,142,716,732	370,573	47,616,108	1,190,703,413	8.4

Source: California Municipal Statistics Inc.

**Principal Property Taxpayers.** The top twenty largest local secured property taxpayers in the City, as shown on the 2024-25 secured tax roll, are listed in the table below. See “– Property Taxes” above for additional information on the levy and collection of property taxes in the City.

**TABLE 7**  
**City of Kerman**  
**Principal Property Taxpayers (Secured Roll)**  
**Fiscal Year 2024-25**

	<b>Property Owner</b>	<b>Primary Land Use</b>	<b>2024-25 Assessed Valuation</b>	<b>% of Total <sup>(1)</sup></b>
1.	Perfect Pac LP	Industrial	\$ 30,336,022	2.65%
2.	Wal-Mart Real Estate Business Trust	Commercial	20,098,461	1.76
3.	Golden Meadows LLC	Apartments	18,373,244	1.61
4.	Joseph Crown Construction & Development	Residential Properties	12,987,220	1.14
5.	Kalpakkoff Properties LLC	Industrial	12,855,946	1.13
6.	15649 West California Avenue LP	Apartments	12,100,000	1.06
7.	Kerman Strauss LLC	Commercial	9,192,177	0.80
8.	Pebble Brook LLC	Apartments	9,042,611	0.79
9.	Golden West Mobile Estates LLC	Mobile Home Park	7,807,509	0.68
10.	Helena Chemical Company	Industrial	7,472,639	0.65
11.	J S West & Company	Industrial	6,946,468	0.61
12.	Pacific West Coast Properties LLC	Commercial	5,561,923	0.49
13.	Pinnacle Agriculture Distribution Inc.	Industrial	5,407,639	0.47
14.	Kathana LLC	Commercial	4,521,795	0.40
15.	CA Manufacturing & Engineering Co LLC	Industrial	4,515,038	0.40
16.	G & B Investments	Apartments	4,400,330	0.39
17.	DBB Properties LLC	Commercial	3,438,216	0.30
18.	Kerman Go LLC	Commercial	3,127,972	0.27
19.	4G Holdings XI LLC	Commercial	3,060,000	0.27
20.	Century Communities of California LLC	Residential Properties	2,884,635	0.25
			<u>\$184,129,845</u>	<u>16.11%</u>

(1) The total City secured assessed valuation for fiscal year 2024-25 is \$1,142,716,732.

Source: California Municipal Statistics, Inc.

## Transient Occupancy Tax

The City levies a “hotel/motel” tax, which is also known as a transient occupancy tax (“TOT”) on short-term lodging stays in the City in the amount of 10% of the room rates charged by hotels, motels and similar establishments in the City. This revenue is included in the City’s financial statements as Miscellaneous Revenue.

## Other Sources of Revenues

**Administration and Overhead Fees.** Fiscal Year 2025-26 revenues remain the same as Fiscal Year 2024-25 with \$310,771 for Administration and Overhead. These fees are charged to the various departments outside of the General Fund for their estimated share of costs related to the infrastructure and administration services provided by the City. No fee increases for administration and overhead are included in Fiscal Year 2025-26 budget.

**Building Fees.** Building Fees are projected at \$987,500 for Fiscal Year 2025-26 which consist of Planning and Zoning Fees, Building Permits, Engineering Inspection Fees, Plan Check Inspection Fees and C & D Recycle Program.

**Franchise Taxes.** Franchise taxes are projected to increase 6.54% when compared to the Fiscal Year 2024-25 estimated year end budget. Franchise tax revenue is expected to be \$236,549 for Fiscal Year 2025-26. Franchise taxes are paid to the City by PG&E and Comcast Cable Television.

**Rents.** Rental income is expected to slightly decrease by about 2.01% when compared to Fiscal Year 2024-25 estimated year end budget. This decrease is due to a lease that is expected to end December 2025. If the lessee agrees to renew the lease, revenues for rents should be back on track with an increase. The Fiscal Year 2025-26 projection for rental revenues is \$189,962. The City's General Fund receives rent from the Community Teen Center, 942 S. Madera Avenue building, agricultural properties, cell tower leases and from other facilities and parks rentals.

**Licenses and Permits.** This revenue category is mainly comprised of business licenses, animal licenses and other licenses and permits. Total revenues for Fiscal Year 2025-26 in this category are \$136,464, with business license revenue of \$122,716, animal license of \$7,000 and Miscellaneous Permits of \$6,747.

### **Direct and Overlapping Bonded Debt**

Set forth on the following page is a direct and overlapping debt report for the City (the "**Debt Report**") prepared by California Municipal Statistics, Inc. 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 representations 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 from the general fund or other revenues of such public agency. Neither the City, the Authority nor the Underwriter has verified this information.

**TABLE 8**  
**City of Kerman**  
**Direct and Overlapping Debt Statement**  
**As of February 1, 2025**

**2024-25 Assessed Valuation:** \$1,190,703,413

<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 2/1/25</u></b>
State Center Community College District	0.971%	\$ 3,388,644
Kerman Unified School District	51.477	<u>20,039,537</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$23,428,181
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Fresno County General Fund Obligations	1.070%	\$200,518
Fresno County Pension Obligation Bonds	1.070	1,789,443
<b>City of Kerman General Fund Obligations</b>	<b>100.000</b>	<b><u>2,659,000</u></b> <sup>(1)</sup>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$4,648,961
COMBINED TOTAL DEBT		\$28,077,142 <sup>(2)</sup>

**Ratios to 2024-25 Assessed Valuation:**

<b>Direct Debt (\$2,659,000).....</b>	<b>0.22%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	1.97%
Combined Total Debt .....	2.36%

(1) Excludes Bonds to be sold.

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

Source: *California Municipal Statistics, Inc.*

**Relevant Fiscal Policies**

**General.** The City has adopted a comprehensive set of fiscal policies to provide guidance for all fiscal activities and resource allocation decisions as defined in the annual budget. The policies set forth guidelines for both current activities and long-range planning. In addition, the City Council approved or adopted several other fiscal policies including:

- Investment Policy.
- Debt Management Policy.
- Reserve Policy

The following are certain highlighted aspects of the adopted policies.

**City Investment Policy.** The City invests its funds in accordance with the City's Investment Policy, in accordance with Section 53600 et seq. of the State Government Code. Idle cash management and investment transactions are the responsibility of the City Manager and City Treasurer. The Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy's stated overarching purpose is to (i) ensure that public funds are invested in such a manner as to comply with state and local laws; (ii) ensure prudent money management; (iii) provide for daily cash flow requirements; and (iv) meet the objectives of the Investment Policy (per California Government Code Section 53600.5) in the following order of priority:

**Safety of Principal:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure

the preservation of capital in the overall portfolio. To attain this objective, the City strives to diversify its investments by investing funds among a variety of securities with independent returns.

Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Maturities of investments are selected in anticipation of disbursement needs, thereby obviating the need for forced liquidation or lost interest penalties.

Return on Investments: The City's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the City's investment risk constraints identified in the Investment Policy and the cash flow characteristics of the portfolio.

***Debt Management Policy.*** The City's Debt Management Policy sets forth parameters for issuing debt and managing the City's debt portfolio and generally sets forth the following: (i) the purposes for which the debt proceeds may be used, (ii) the types of debt that may be issued, (iii) the relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable, (iv) policy goals related to the City's planning goals and objectives, and (v) the internal control procedures that the City has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. This policy will also assist the City in pursuing and maintaining quality credit ratings in addition to providing guidance to decision makers.

***Reserve Policy.*** The City maintains four Reserve Policies to support the City during economic cycle fluctuations that affect City revenue generation, to secure greater stability in multi-year municipal financing, and to safeguard the public welfare and interest to provide continued service delivery to the Kerman residents, during unexpected revenue shortage or unplanned, necessary expenditures.

- Emergency Reserve- comprises 25% of operating expenditures, to cover an emergency, unanticipated expense or cash flow needs;
- Revenue Stability Reserve- comprises 15% of operating expenditures, to cover any unanticipated drop in sales or property tax revenues;
- Major Asset Repair and Replacement Reserve- comprises 5% of operating expenditures for repairs and 10% of operating expenditures for replacements, to cover any repairs and replacement of major facilities and equipment; and
- Undesignated Reserve- comprises any amount remaining after meeting minimum reserves, to cover any discretionary expenditures approved by the Council.

As of June 30, 2024, the General Fund had a Reserve Balance of \$15,575,174. ***Risk Management.*** The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority ("CSJVRMA"). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled

by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$25,000 of each occurrence is charged directly to the member. Each member maintains a \$1,000,000 self-insured retention ("**SIR**") amount covered by the Authority pooled investments. The Authority purchases excess liability coverage through the California Affiliated Risk Management Authority for the amount in excess of \$1,000,000.

The City maintains a self-insured retention level of \$50,000 for workers' compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$5,000,000 to \$200,000,000. Each program year is retrospectively adjusted three years after the end of the program year and annually thereafter.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

See APPENDIX A Note 9 for additional details regarding the City's pension and other employee benefits, including as relates to Risk Management.

### **Employee Retirement System; CalPERS**

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

*The comprehensive annual financial reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

**General Information about the Pension Plans.** All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan ("**Plan**"), administered by CalPERS. The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Plan consists of a miscellaneous pool and a safety pool (referred to as "**risk pools**"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the City. The City's employer rate plans in the safety risk pool include the

Miscellaneous Plan (“**Miscellaneous**”), PEPRAs Miscellaneous plan (“**PEPRA Miscellaneous**”), the Safety Classic plan (“**Safety Classic**”), and the PEPRAs Safety plan (“**PEPRA Safety**”).

**PEPRA.** On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees’ Pension Reform Act of 2012 (“**PEPRA**”) and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, PEPRA: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

**Actions Taken by CalPERS Related to Discount Rate and Other Assumptions.** In 2013, the CalPERS’ Board of Administration (the “**Board of Administration**”) approved a recommendation to change the CalPERS amortization and smoothing policies. In 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities. In 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. In 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. In 2016, the Board of Administration voted to lower its discount rate for local agencies over time.

On July 12, 2021, CalPERS announced it had achieved a preliminary investment return of 21.3% for the 12-month period ending June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the double-digit return triggered a November 2021 reduction in the discount rate from 7.00% to 6.80%.

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 PEPRA will also see their contribution rates rise. PEPRA included certain other provisions to try to minimize pension costs for covered employees. 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.

**Asset Volatility Ratio (AVR).** Plans that have higher asset-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return. For

example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset-to-payroll ratio of 4. Shown below is the asset volatility ratio for the Miscellaneous Plan, the PEPRA Miscellaneous, the Safety Classic and the PEPRA Safety plan which a measure of each plan's current contribution volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

**Benefits Provided.** The Plan 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. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The provisions and benefits of each Plan that were in effect at June 30, 2024, are summarized as follows:

#### **Miscellaneous Plan**

<u>Hire Date</u>	<b>Miscellaneous</b>	
	<b>Prior to January 1, 2013</b>	<b>PEPRA On or after January 1, 2013</b>
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	60
Monthly benefits, as a % of eligible	2.00%	2.00%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	10.10%	7.68%

#### **Employer Rate Plans in the Safety Risk Pool**

<u>Hire Date</u>	<b>Safety Classic</b>	<b>PEPRA Safety</b>
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Benefit Formula	2.0% @ 55	2.0% @ 57
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	55
Monthly Benefits, as a % of Eligible	2.00%	2.00%
Required Employee Contribution Rates	7.00%	11.00%
Required Employer Contributions Rates	16.45%	10.85%

*Source: City of Kerman - Audited Financial Statements for Fiscal Year 2023-24.*

**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 July 1 following the 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. For the year ended June 30, 2024, the contributions recognized \$777,836 as part of the pension expense.

***Net Pension Liability.*** At June 30, 2024, the City reported a net pension liability for its Miscellaneous Plan of \$3,614,718, and for its Safety Police Plan of \$2,091,321. See Note 11 to the City's audited financial statements for the fiscal year ending June 30, 2024 attached hereto as Appendix A for more information.

#### **No Other Post-Employment Benefit (OPEB) Plan**

The City does not offer Other Post-Employment Benefits.

#### **General Fund Long-Term Indebtedness**

The following is the only long-term debt obligation payable from the City's General Fund.

***2020 Refunding Lease Financing.*** In September 2020, the City and Authority entered into a lease refinancing agreement to refinance lease revenue bonds issued in 2007. Under this arrangement, the Authority agreed to assign its right to receive semiannual lease payments from the City in consideration of the receipt of funding in an amount of \$3,041,000. The lease payments are made each April 1 and October 1 beginning in 2021 through 2037, with an interest rate of 2.31%. Webster Bank is the sole assignee under this financing.

## **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 State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975–76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “newly constructed” the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also 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, provided 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.

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

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental

entity. The “base year” for establishing this appropriations limit is the 1978–79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long term General Fund lease obligations are generally excluded from the City’s appropriations limit. The City has never exceeded its appropriations limit.

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

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

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

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

**Property-Related Fees and Charges.** Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional

special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

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

***Burden of Proof.*** Article XIIC 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.

### **Unitary Property**

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

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

### **Possible Future Initiatives**

Article XIII A, Article XIII B and Propositions 218, 26, IA and 22 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 the City's revenues or its ability to expend revenues.

## **BOND OWNERS' RISKS**

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

### **No Pledge of Taxes**

**General.** The obligation of the City to pay the Lease Payments and Additional Rental Payments 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 pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – General Fund Long-Term Indebtedness."

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

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

### **Abatement**

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Leased Property caused by material damage, title defect, destruction to or condemnation of the Leased Property, Lease Payments will be subject to abatement. See "SECURITY FOR THE BONDS – Abatement" herein. In the event that such component of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of in which proceeds of rental interruption insurance, if any, 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 Leased Property or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full. It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of issuance of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Leased Property results in abatement of the Lease Payments related to such Leased Property and if such abated Lease Payments, if any, together with moneys from rental interruption or use and occupancy insurance, if any, (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Bonds during the period that the Leased Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Reduction in Lease Payments due to abatement as provided in the Lease does not constitute a default thereunder, and no remedy is available to the Bond Owners under the Lease or the Indenture for nonpayment under such circumstances. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Abatement of Rental.”

#### **Limited Recourse on Default; No Right to Repossess; No Acceleration of Lease Payments**

Failure by the City to make Lease Payments, or failure to pay Additional Rental Payments or to observe and perform any other terms, covenants or conditions contained in the Lease or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute Events of Default under the Lease. Such events permit the Trustee or the Authority to pursue any and all remedies available. However, notwithstanding anything in the Lease or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments that are not then in default to be immediately due and payable.

Following an event of default, the Authority or the Trustee may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Lease Payments as they become due. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease” herein.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease and neither the Authority nor the Trustee are empowered to sell the Leased Property. The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Authority or Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Additional Obligations of the City**

**General.** The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds, and may in the future be subject to liabilities payable from the general fund (some of which are described below). To the extent that additional obligations are incurred by (or imposed upon) the City, the funds available to pay Lease Payments may be decreased.

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

**Litigation.** The City is subject to litigation arising in the normal course of business, and no assurance can be provided regarding the financial impact of any future litigation against the City. See "LITIGATION."

**CalPERS Obligations.** Many cities and other local agencies in the State have been faced with increased payments due to CalPERS in recent years. The City, like many other cities and local agencies in the State, is responsible for payments to CalPERS for its share of employee pension costs. Amounts owed to CalPERS for pension costs have increased in recent years and are expected to continue to increase, as CalPERS implements changes to its discount rate and other methodologies for calculating pension costs. See "THE CITY – Pension Plans" for additional information on CalPERS.

## **Default**

Whenever any event of default referred to in the Lease happens and continues, the Trustee (as assignee of the Authority) is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Bonds or pay debt service on the Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Sales Taxes**

Sales tax revenues are typically the biggest source of revenue to the City, behind property taxes. Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, before final maturity of the Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the CDTFA for administering the City's sales tax could also be changed.

## **Property Taxes**

Property taxes are a significant source of General Fund revenue to the City. Certain risks associated with property tax revenues follow.

***Levy and Collection.*** The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the Bonds when due.

***Reduction in Inflationary Rate.*** Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

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

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

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

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

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

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

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

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

## **Natural Calamities**

**General.** Natural disasters, such as seismic events, flooding, landslides or wildfires, could affect economic activity in the City, and 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 and costs for the City or impact the Leased Property.

**Seismic.** Like much of the State, the City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, such an occurrence may adversely affect economic activity in the City, and could have a negative impact on City finances. The City could be at risk from strong ground motion and secondary effects related to a seismic event, including ground failure and seismically induced flooding caused by dam failures.

**Droughts.** California is subject to droughts from time-to-time. Although California is not currently in a drought, drought may reoccur in the future, and have a material adverse impact on the economic activity in the City, which in turn could have a material adverse impact on the City’s General Fund finances.

**Wildfires and Fire Insurance.** In the past, drought conditions in the State (see “– Natural Calamities – Droughts” above) have led to increased risk of wildfire. In particular, certain electrical

operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives. In 2023, as in several prior years, for example, devastating wildfires burned in various communities in California, causing wide-spread damage. In 2025, communities in Los Angeles County, including Pacific Palisades, Malibu and Altadena, experienced widespread devastation from wildfires causing losses of life, thousands of burned homes, and billions of dollars in property damage. Although not located in a very high fire hazard severity zone, no assurance can be given that wildfires will not erupt in the City and negatively impact development of property in the City or willingness and ability to pay property taxes in the future.

On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the "Governor's Order") which canceled penalties, costs and interest on overdue property taxes ) within certain zip codes affected by the Palisades Fire and the Altadena Fire during calendar year 2025. This will likely cause a delay in the payment of taxes by certain property owners in any areas affected by the Governor's Order. In the event of a major fire or other natural disaster affecting the City, a similar order affecting the City could impact the debt service payment for the Bonds.

***Climate Change.*** City finances may be negatively impacted by climate change. Local impacts of climate change are not definitive, but parcels in the City could experience changes to local and regional weather patterns; increased risk of flooding from severe weather events including heavy rain, hail and thunderstorms; and water restrictions resulting from future drought conditions. See, for example, the discussions above regarding extreme heat, wildfires and droughts.

## **Pandemic Diseases**

In recent years, the COVID-19 pandemic impacted governments, businesses and people in a manner having negative effects on global and local economies. In response to the pandemic, the City took actions to activate its emergency operations center, temporarily close all non-essential City services, introduced teleworking as and where appropriate, implemented daily screening of all employees, and abided by all state and federal guidelines and orders.

Although the COVID-19 pandemic is now officially over, the City cannot predict the impact that COVID-19 or another future pandemic or other health event may have on the City's General Fund. There can be no assurances that the spread of future pandemics or other health events, such as declining business and travel activity, will not materially adversely impact the financial condition of the City and the City's General Fund. In addition, the City may experience increased personnel costs and/or reduced revenues due to any such situation and the related impact on economic and other activity in and around the City.

## **Cyber Security**

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The City has cyber safety protocols in place and maintains insurance coverage for loss resulting from cyber security incidents, however no assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. To date, the City

experienced one cyber security incident, which was discovered as a result of the City's cyber safeguards and resolved by the City and its cyber insurer with no adverse consequences to the City.

The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of property taxes, the Trustee, and the dissemination agent. No assurance can be given that the City and/or the other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

### **Limitations on Remedies Available to Bond Owners**

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the Bonds, will include a qualification that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being

made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **TAX MATTERS**

***Federal Tax Status.*** In the opinion of Jones Hall LLP, as Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not

purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

## **CERTAIN LEGAL MATTERS**

Jones Hall LLP, as Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which is set forth in "APPENDIX E – FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth LLP.

## **LITIGATION**

Except as may otherwise be set forth in this Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal,

state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

## **RATINGS**

It is anticipated that S&P Global Ratings ("**S&P**"), a division of Standard & Poor's Financial Services LLC will assign its municipal bond rate of "\_\_\_\_\_" on the [Insured Bonds/Bonds] in anticipation of the Insurer issuing its Policy on the [Insured Bonds/Bonds]. S&P has also assigned an underlying municipal bond rating of "\_\_\_\_\_" to the Bonds.

These ratings reflect only the views of S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, 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. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

## **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data by not later than nine months after the end of the City's fiscal year, or April 1, of each year (based on the City's current fiscal year-end of June 30), commencing April 1, 2026, with the report for the 2024-25 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed 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 (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate."

The City has not been subject to continuing disclosure obligations under the Rule during the past five years.

## **MUNICIPAL ADVISOR**

The City and the Authority have retained Fieldman, Rolapp & Associates, Inc., of Irvine, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the Bonds. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness

of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

### **UNDERWRITING**

Oppenheimer & Co. Inc., as underwriter (the “**Underwriter**”), has entered into a Bond Purchase Agreement with the Authority and the City under which it will purchase the Bonds at a purchase price of \$\_\_\_\_\_, which is equal to the par amount of the Bonds, [plus a purchase premium][minus a purchase discount] of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

### **CONTINGENT FEES**

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds: Jones Hall LLP, as Bond Counsel and Disclosure Counsel; Fieldman, Rolapp & Associates, Inc., as municipal advisor; Stradling Yocca Carlson & Rauth LLP, as counsel to the Underwriter; and U.S. Bank Trust Company, National Association, as Trustee.

### **EXECUTION**

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

KERMAN PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

CITY OF KERMAN

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

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS**  
**FOR FISCAL YEAR ENDING JUNE 30, 2024**

## APPENDIX B

### GENERAL INFORMATION ABOUT THE CITY OF KERMAN AND THE COUNTY OF FRESNO

*The following information concerning the County of Fresno (the “**County**”) and the City of Kerman (the “**City**”) is included only for the purpose of supplying general information regarding the area. The Bonds are not a debt of the County, the City, the State of California (the “**State**”) or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor. The City and the Underwriter take no responsibility for the accuracy or completeness of such information.*

#### **General**

**The City.** The City, incorporated in 1946, is located 16 miles west of the City of Fresno in the San Joaquin Valley. It is one of the fastest growing cities in California, and while predominately agricultural, there has been a shift on economic development in recent years, leading to industrial expansions.

**The County.** The County is California’s fifth-largest county as measured by area, covering approximately 6,000 square miles. It is located in the geographic center of the State and is the nation’s leading crop-producing county.

Within the County, there are roughly four different agricultural areas. East and south of the City of Fresno, grapes and other fruit and nut crops are grown, harvested and processed for shipment; west of the City of Fresno is a melon-producing area, which lies within the Mendota Unified School District. Also, to the west, large crops of cotton, alfalfa, barley, rice, wheat and vegetables are produced. In the southwest are oil wells, extensive cattle and sheep ranches.

The County is the trade, financial and commercial center for many surrounding counties in the Central Valley and is a hub of transportation facilities connecting the Central Valley to all parts of the Country. Two major north-south highways, State Highway 99 and Interstate Highway 5, pass through the County. State Routes 180 and 198 run east and west. Railroads, major airlines, bus lines and numerous trucking companies also serve the area.

*[Remainder of page intentionally left blank]*

## Population

The most recent estimate of the County's population at January 1, 2025 was 1,037,053 persons according to the State Department of Finance. The City, with an estimated population of 17,535 persons at January 1, 2025. The table below shows population estimates for the cities in the County for the last five years, as of January 1.

### FRESNO COUNTY Population Estimates for Cities Within the County Calendar Years 2021 through 2025

	2021	2022	2023	2024	2025
Clovis	121,581	123,801	125,000	127,674	129,121
Coalinga	17,519	17,328	17,259	17,252	17,608
Firebaugh	8,145	8,434	8,524	8,510	8,714
Fowler	6,837	6,952	7,193	7,436	7,667
Fresno	542,445	544,097	545,585	552,751	557,032
Huron	6,180	6,187	6,153	6,421	6,932
<b>Kerman</b>	<b>16,034</b>	<b>16,646</b>	<b>17,014</b>	<b>17,403</b>	<b>17,535</b>
Kingsburg	12,527	12,496	12,953	13,167	13,285
Mendota	12,496	12,505	12,493	12,598	12,710
Orange Cove	9,588	9,559	9,504	9,622	9,717
Parlier	14,535	14,504	14,459	14,535	14,649
Reedley	24,906	25,014	25,494	25,950	26,603
Sanger	26,647	26,439	26,421	26,652	27,037
San Joaquin	3,688	3,656	3,636	3,653	3,654
Selma	24,674	24,513	24,453	24,487	24,585
Balance of County	160,884	160,219	159,492	160,009	160,204
<b>Total</b>	<b>1,008,686</b>	<b>1,012,350</b>	<b>1,015,633</b>	<b>1,028,120</b>	<b>1,037,053</b>

Source: State Department of Finance estimates (as of January 1).

*[Remainder of page intentionally left blank]*

## Industry and Employment

The unemployment rate in the Fresno MSA was 7.8 percent in May 2025, down from a revised 8.4 percent in April 2025, and above the year-ago estimate of 7.3 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 4.0 percent for the nation during the same period. The unemployment rate was 7.9 percent in Fresno County, and 7.2 percent in Madera County.

The table below provides information about employment by industry type for Fresno County for calendar years 2020 through 2024.

### FRESNO COUNTY Civilian Labor Force, Employment and Unemployment, Unemployment by Industry (Annual Averages) (March 2024 Benchmark)

	2020	2021	2022	2023	2024
Civilian Labor Force <sup>(1)</sup>	504,100	503,000	511,300	527,400	538,700
Employment	445,500	456,700	477,800	488,200	496,200
Unemployment	58,700	46,300	33,400	39,100	42,500
Unemployment Rate	11.6%	9.2%	6.5%	7.4%	7.9%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	51,800	52,500	53,000	54,200	53,600
Mining and Logging	300	400	400	400	400
Construction	20,700	22,300	24,400	24,800	25,200
Manufacturing	29,100	29,400	30,300	30,200	30,300
Wholesale Trade	15,500	15,900	17,100	17,300	17,700
Retail Trade	40,800	43,300	44,100	44,400	43,600
Trans., Warehousing, Utilities	19,200	20,500	21,700	21,200	21,600
Information	3,200	3,200	3,500	3,200	2,800
Financial and Insurance	9,200	8,600	8,200	7,500	7,100
Professional and Business Services	34,900	35,000	36,900	36,200	36,500
Educational and Health Services	80,500	83,900	88,100	92,800	98,900
Leisure and Hospitality	32,100	36,600	41,100	41,900	42,300
Other Services	12,100	13,100	14,100	15,700	16,000
Federal Government	11,200	10,400	9,900	9,700	9,700
State Government	15,100	14,600	14,900	15,200	15,700
Local Government	57,000	56,900	60,400	63,100	66,300
Total All Industries <sup>(3)</sup>	437,800	451,600	473,500	483,300	493,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not sum to totals due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table shows the major employers in the County as of July 2025, in alphabetical order without regard to the number of employees.

### FRESNO COUNTY Major Employers (Listed Alphabetically)

Employer Name	Location	Industry
Air National Guard	Fresno	Veterans' & Military Organizations
Amazon Fulfillment Ctr	Fresno	Mail Order Fulfillment Service
California State Univ Fresno	Fresno	Schools-Universities & Colleges Academic
Cargill	Fresno	Meat Packers (mfrs)
City of Fresno	Fresno	Theatres-Live
Community Regional Medical Ctr	Fresno	Hospitals
Foster Farms	Fresno	Poultry Farms
Fresno County Sheriff	Fresno	Police Departments
Fresno Police Dept	Fresno	Police Departments
Fresno Police Dept-Central	Fresno	Police Departments
Fresno Police-Mgmt Support	Fresno	Police Departments
Fresno VA Hospital Medical Ctr	Fresno	Hospitals
Kaiser Permanente Fresno Med	Fresno	Hospitals
Lion Dehydrators	Selma	Dehydrating Service (mfrs)
Pelco Inc	Fresno	Security Control Equip & Systems-Mfrs
Phebe Conley Art Gallery	Fresno	Art Galleries & Dealers
Pitman Family Farms	Sanger	Farms
Pleasant Valley State Prison	Coalinga	Government Offices-State
St Agnes Medical Ctr	Fresno	Medical Centers
St Agnes Medical Ctr	Fresno	Hospitals
Stamoules Produce Co	Mendota	Fruits & Vegetables & Produce-Retail
State Center Community College	Fresno	Junior-Community College-Tech Institutes
Table Mountain Casino	Friant	Casinos
Taylor Communications	Fresno	Communications
Teaching Fellows	Fresno	Employment Service-Govt Co Fraternal

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

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## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State, and the United States for the period 2021 through 2025.

**CITY OF KERMAN, FRESNO COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES  
EFFECTIVE BUYING INCOME  
As of January 1, 2021 through 2025**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2021	City of Kerman	\$240,713	\$45,813
	Fresno County	20,194,328	48,681
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Kerman	\$288,736	\$53,836
	Fresno County	23,555,796	57,777
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Kerman	\$317,484	\$59,322
	Fresno County	24,597,995	58,117
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Kerman	\$315,730	\$56,523
	Fresno County	26,806,122	63,348
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Kerman	\$301,158	\$52,321
	Fresno County	27,508,071	64,590
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687

Source: Claritas, LLC.

## Commercial Activity

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

Total taxable sales during calendar year 2024 in the City were reported to be \$12,414,531,955, a 4.00% decrease from the total taxable sales of \$12,932,172,866 reported during calendar year 2023.

**CITY OF KERMAN**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2020 through 2024 (Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	8,373	\$6,264,108	13,770	\$8,312,385
2021	8,056	10,320,892	13,398	12,810,755
2022	8,264	10,611,042	13,837	13,379,875
2023	7,941	9,999,468	13,415	12,932,173
2024	8,003	9,602,489	13,568	12,414,532

*Source: State Department of Tax and Fee Administration.*

Total taxable sales reported during calendar year 2024 in the County were \$22,935,579,795, a 3.17% decrease from the total taxable sales of \$23,686,220,050 reported during calendar year 2023.

**COUNTY OF FRESNO**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2020 through 2024 (Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	14,811	\$11,671,337	24,307	\$17,078,806
2021	14,162	16,672,884	23,521	22,960,963
2022	14,654	17,230,232	24,512	24,307,053
2023	14,316	16,410,906	23,970	23,686,220
2024	14,520	15,871,353	24,413	22,935,580

*Source: State Department of Tax and Fee Administration.*

## **APPENDIX C**

### **SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

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

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

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

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

“*Annual Report Date*” means nine months after the end of the City’s fiscal year, or April 1, of each year (based on the City’s current fiscal year-end of June 30).

“*Dissemination Agent*” means \_\_\_\_\_, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Oppenheimer & Co. Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

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

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) in a timely manner 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) Audited Financial Statements of the City 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) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) the principal amount of Bonds outstanding and the balance in each fund under the Indenture, as of June 30 preceding the Annual Report; and

(ii) updates to the substance of the information contained in the following tables in the Official Statement: **[Review/Confirm]**

(1) Table 1 – Statements of Revenues, Expenditures and Changes in General Fund Balance

(2) Table 2 – General Fund Balance Sheets

(3) Table 6 – Assessed Valuations of All Taxable Property

(4) Table 7 – Principal Property Taxpayers (top 10 only)

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

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

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

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) 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.

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for definition of "financial obligation," see clause (f)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for definition of "financial obligation," see clause (f)).

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

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

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

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

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

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such 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 Bonds, or type of business conducted;

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

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

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles

on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

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

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

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

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

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

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

Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: \_\_\_\_\_, 2025

CITY OF KERMAN

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ACCEPTED AND AGREED:

\_\_\_\_\_,  
As Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Board of Directors  
Kerman Public Financing Authority  
850 S Madera Avenue  
Kerman, California 93630

*OPINION:*     \$\_\_\_\_\_Kerman Public Financing Authority  
                    2025 Lease Revenue Bonds

Ladies and Gentlemen:

We have acted as bond counsel to the Kerman Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of the above-referenced bonds (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”), and (ii) the Indenture of Trust (the “Indenture”), dated as of [October 1], 2025, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), which were approved by a resolution adopted by the Board of Directors of the Authority on [August 27], 2025 (the “Authority Resolution”). Under the Indenture, the Authority has pledged certain revenues (the “Revenues”) for the payment of principal and interest on the Bonds when due, including primarily lease payments to be made by the City of Kerman (the “City”) pursuant to the Lease Agreement, dated as of [October 1], 2025, between the City and the Authority (the “Lease”), which was approved by a resolution adopted by the City Council of the City on [August 27], 2025 (the “City Resolution”).

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Lease, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Authority Resolution, to enter into the Indenture, and to perform the agreements on its part contained therein, and to issue the Bonds.
2. The City is a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with the power to adopt the City Resolution, to enter into the Lease, and to perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Lease has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

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

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

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

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of \_\_\_\_\_. 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). *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

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

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

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

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