

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

**\$25,125,000**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**CITY OF SACRAMENTO, COUNTY OF SACRAMENTO,**  
**STATE OF CALIFORNIA**  
**SPECIAL TAX REFUNDING BONDS, SERIES G (2023)**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside front cover**

This Official Statement describes bonds (the “Bonds”) being issued by the City of Sacramento (the “City”) with respect to the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the “Community Facilities District”) and delivered primarily to refund and defease the outstanding North Natomas Community Facilities District No. 4 City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013). The Community Facilities District has been formed by and is located within the boundaries of the City in Sacramento County (the “County”), California.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds are being issued pursuant to City Resolution No. 2023-0279 adopted on August 29, 2023 and a Seventh Supplemental Indenture dated as September 1, 2023, by and between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), which supplements a Master Indenture, dated as of February 1, 1999, as supplemented by the First Supplemental Indenture dated as of February 1, 1999, the Second Supplemental Indenture dated as of April 1, 2001, the Third Supplemental Indenture dated as of October 1, 2003, the Fourth Supplemental Indenture dated as of November 1, 2006, the Fifth Supplemental Indenture dated as of July 1, 2013, and the Sixth Supplemental Indenture dated as of July 1, 2015 (collectively, the “Indenture”). The Bonds are special obligations of the City issued on behalf of the Community Facilities District and are payable solely from revenues derived from certain annual special taxes to be levied on the Taxable Parcels (as defined herein) within the Community Facilities District (the “Special Tax”) and from certain other funds pledged under the Indenture. The Bonds are payable from the Special Tax on parity with the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series F (2015) which are currently outstanding in the aggregate principal amount of \$15,045,000 (the “Series F Bonds”).

The scheduled payment of the principal of and interest on the Bonds maturing on September 1, 2027 through September 1, 2032, inclusive (the “Insured Bonds”), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). See “BOND INSURANCE” herein.



The Bonds are being issued in book-entry form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of Bonds will not receive certificates representing their beneficial ownership thereof but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Individual purchases may be made in integral multiples of \$5,000.

Interest on the Bonds will be payable on March 1 and September 1 of each year commencing March 1, 2024. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Neither the full faith and credit nor the taxing power of the City, the County, the State of California or any of its political subdivisions (other than the taxing power of the City conferred on it by the Community Facilities District) is pledged to the payment of the Bonds. No taxes other than the Special Tax are pledged to the payment of the Bonds.

The Bonds are subject to redemption resulting from the prepayment of the Special Tax, as described herein.

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MATURITY SCHEDULE  
(See Inside Cover Page)

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This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as and if issued and received by BofA Securities, Inc., the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company or its agent on or about September 26, 2023.*

**BofA Securities**

Dated: September 14, 2023

**MATURITY SCHEDULE  
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
STATE OF CALIFORNIA  
SPECIAL TAX REFUNDING BONDS, SERIES G (2023)**

**BASE CUSIP: 661253**

<i><b>Maturity Date (September 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP No.<sup>®†</sup></b></i>
2024	\$2,340,000	5.00%	3.40%	101.450	CH5
2025	2,430,000	5.00	3.31	103.133	CJ1
2026	2,615,000	5.00	3.27	104.794	CK8
2027 <sup>I</sup>	2,805,000	5.00	3.15	106.786	CL6
2028 <sup>I</sup>	2,995,000	5.00	3.20	108.147	CM4
2029 <sup>I</sup>	3,215,000	5.00	3.22	109.537	CN2
2030 <sup>I</sup>	3,445,000	5.00	3.25	110.779	CP7
2031 <sup>I</sup>	3,670,000	5.00	3.30	111.774	CQ5
2032 <sup>I</sup>	1,610,000	5.00	3.37	112.478	CR3

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<sup>I</sup> *Insured Bonds.*

<sup>†</sup> *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

**CITY OF SACRAMENTO**

**CITY COUNCIL**

*Darrell Steinberg, Mayor*  
*Lisa Kaplan, District 1*  
*Sean Loloee, District 2*  
*Karina Talamantes, District 3*  
*Katie Valenzuela, District 4*  
*Caity Maple, District 5*  
*Eric Guerra, District 6*  
*Rick Jennings II, District 7*  
*Mai Vang, District 8*

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**ADMINISTRATIVE OFFICES**

*Howard Chan, City Manager*  
*Michael Jasso, Assistant City Manager*  
*Mario Lara, Assistant City Manager*  
*Leyne Milstein, Assistant City Manager*  
*Ryan Moore, Assistant City Manager*  
*John Colville, City Treasurer*  
*Susana Alcalá Wood, City Attorney*  
*Jorge Oseguera, City Auditor*  
*Mindy Cuppy, City Clerk*

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**PROFESSIONAL SERVICES**

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***Disclosure Counsel***

Stradling Yocca Carlson & Rauth, A Professional Corporation

***Municipal Advisor***

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***Trustee***

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

***Special Tax Consultant***

Goodwin Consulting Group, Inc.  
Sacramento, California

***Verification Agent***

Robert Thomas CPA, LLC  
Minneapolis, Minnesota

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("EMMA"), which can be found at [www.emma.msrb.org](http://www.emma.msrb.org).

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

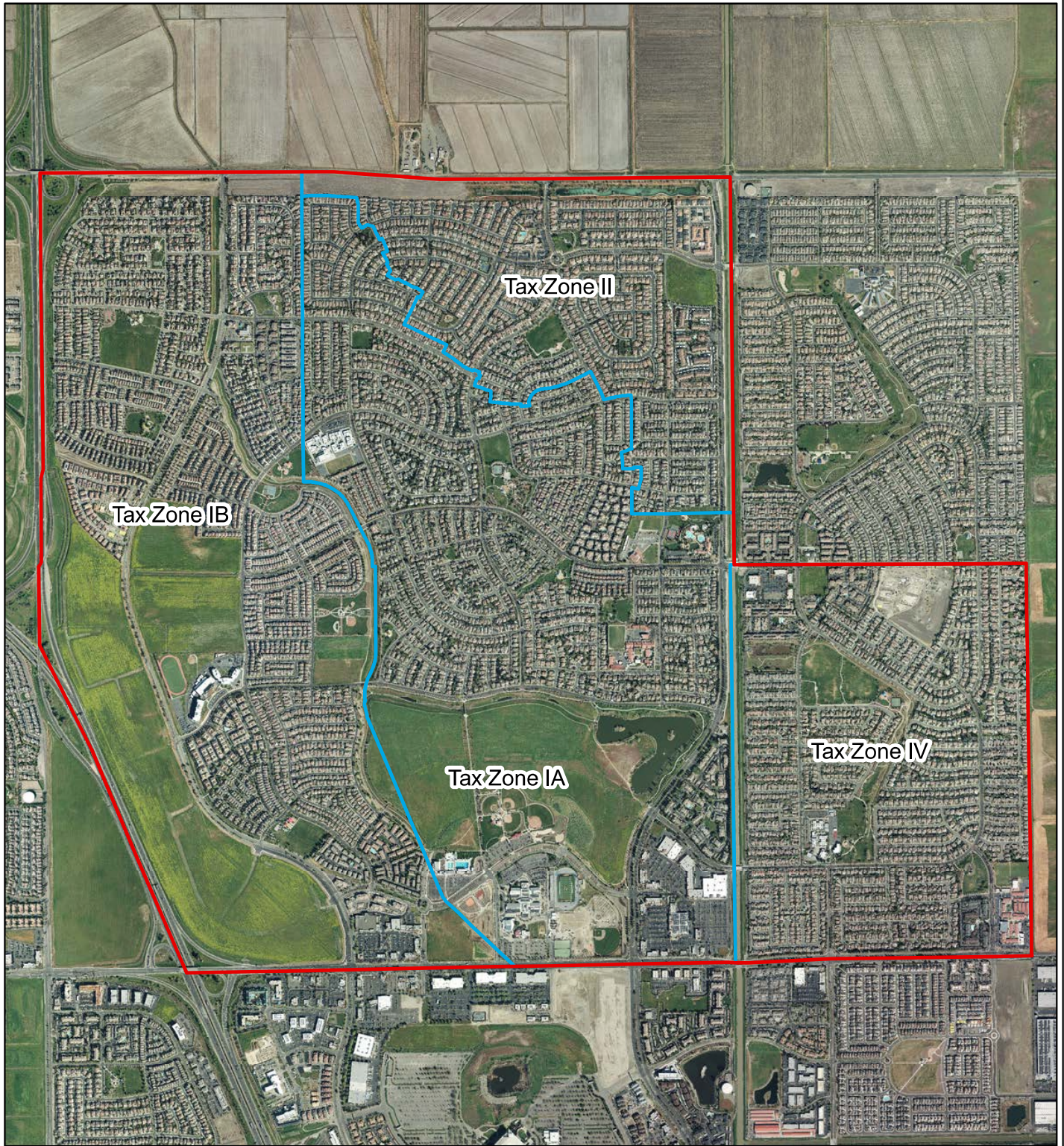
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

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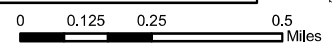
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# North Natomas Community Facilities District 4

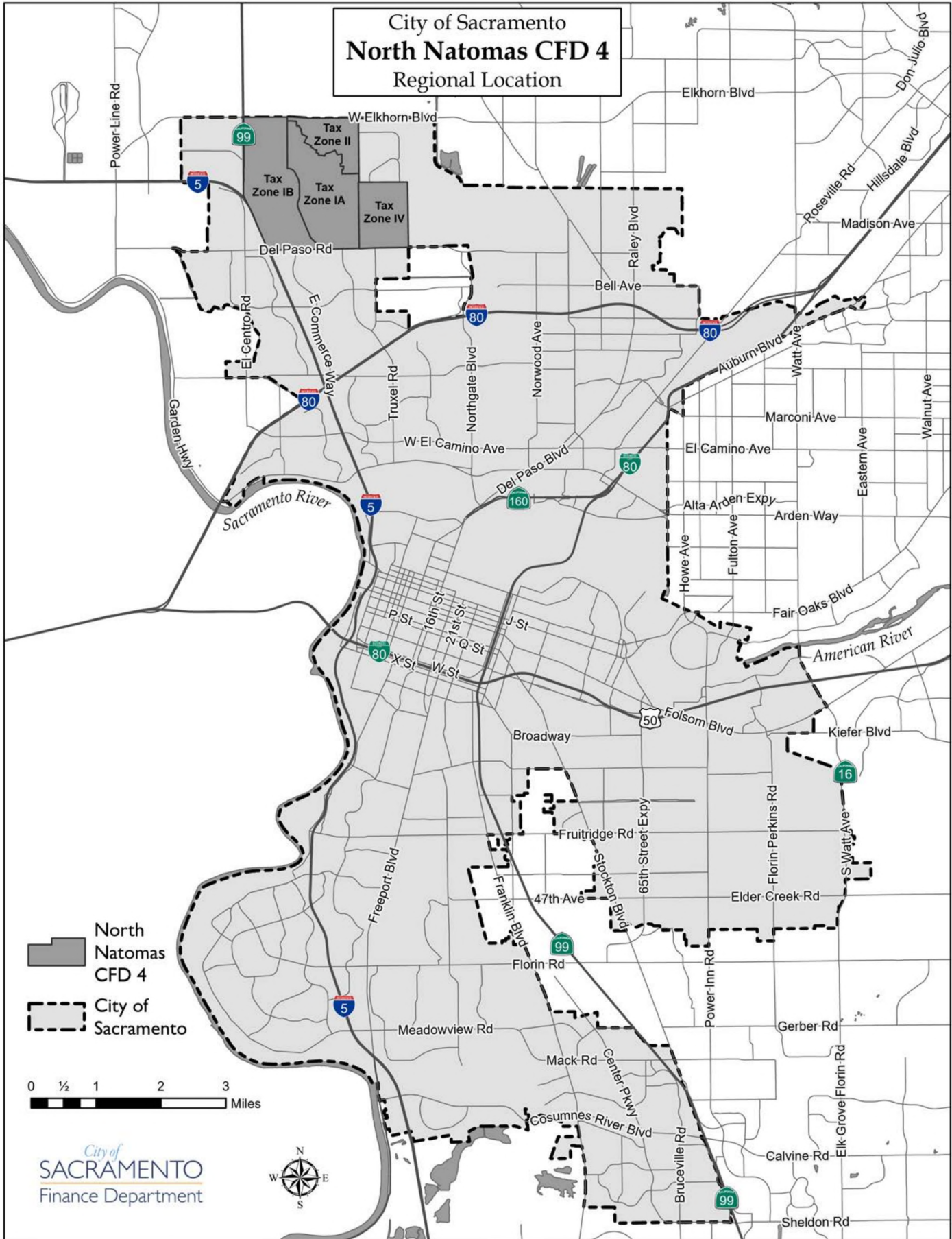




Aerial Photo Flown Spring 2022

- CFD #4 District Boundary
- Tax Zone Boundaries



# City of Sacramento North Natomas CFD 4 Regional Location



 North Natomas CFD 4  
 City of Sacramento

0 1/2 1 2 3 Miles

  
 City of SACRAMENTO  
 Finance Department



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**\$25,125,000**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**CITY OF SACRAMENTO, COUNTY OF SACRAMENTO,**  
**STATE OF CALIFORNIA**  
**SPECIAL TAX REFUNDING BONDS, SERIES G (2023)**

**INTRODUCTION**

**General**

The purpose of this Official Statement, which includes the cover page and the appendices, is to provide certain information concerning the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series G (2023) (the “Bonds”).

The Bonds are being issued pursuant to Resolution No. 2023-0279 (the “Resolution”) adopted by the City Council (the “City Council”) of the City of Sacramento (the “City”) on August 29, 2023, and a Seventh Supplemental Indenture dated as of September 1, 2023, by and between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), which supplements a Master Indenture, dated as of February 1, 1999 (the “Master Indenture”), as supplemented by the First Supplemental Indenture dated as of February 1, 1999, the Second Supplemental Indenture dated as of April 1, 2001, the Third Supplemental Indenture dated as of October 1, 2003, the Fourth Supplemental Indenture dated as of November 1, 2006, the Fifth Supplemental Indenture dated as of July 1, 2013 and the Sixth Supplemental Indenture dated as of July 1, 2015 (collectively, the “Indenture”). The Bonds are payable from the Special Tax levied in the North Natomas Community Facilities District No. 4 City of Sacramento, County of Sacramento, State of California (the “Community Facilities District”) and from certain other funds pledged under the Indenture.

The Bonds are payable from the Special Tax on parity with the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series F (2015) which are currently outstanding in the aggregate principal amount of \$15,045,000 (the “Series F Bonds”). Additional bonds secured on parity with the Bonds and the Series F Bonds may only be issued to refund other bonds outstanding under the Indenture, including Bonds or Series F Bonds. See “SECURITY FOR THE BONDS — No Additional Bonds Except for Refunding Purposes.”

The proceeds of the Bonds, together with certain available funds of the City relating to the Refunded Bonds (defined below), will be used to refund and defease all of the outstanding North Natomas Community Facilities District No. 4 City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013), originally issued in the aggregate principal amount of \$46,075,000 and now outstanding in the principal amount of \$28,845,000 (the “Refunded Bonds”). A portion of the proceeds of the Bonds will also be used to pay costs of issuance of the Bonds. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Mello-Roos Community Facilities Act of 1982, as amended, Section 53311, *et seq.*, of the California Government Code (the “Act”), was enacted by the California Legislature to provide an alternative method of funding certain essential public capital facilities and services, especially in developing areas of the State of California (the “State”). Subject to approval by a two-thirds vote of the qualified electors voting and compliance with the provisions of the Act, the legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such community facilities district to repay such indebtedness.

## **The Community Facilities District**

On September 8, 1998, the City Council adopted a resolution stating its intention to establish the Community Facilities District and a resolution stating its intention to authorize bonded indebtedness for the Community Facilities District. On October 20, 1998, the City established the Community Facilities District and authorized bonded indebtedness in an aggregate amount not to exceed \$85,000,000 to be issued pursuant to the provisions of the Act. The City administers the Community Facilities District.

At the November 5, 1998 election within the Community Facilities District, the qualified electors within the Community Facilities District (a) authorized the City to incur bonded indebtedness of up to \$85,000,000 to finance certain public facilities and various related costs, (b) approved a rate and method of apportionment of special tax for the Community Facilities District (the “Rate and Method of Apportionment”), and (c) approved the levy of a special tax on the Taxable Parcels within the Community Facilities District (the “Special Tax”) to pay the principal of, and interest on, the Bonds and annual administrative expenses, and to make any replenishments to the reserve fund for the Bonds (the “Bond Reserve Fund”).

The area within the Community Facilities District is divided into four tax zones (Tax Zone IA, IB, II and IV) (each a “Tax Zone”). Pursuant to the Rate and Method of Apportionment, the applied Special Tax levy and the maximum amount of the Special Tax levy for each Tax Zone is determined by allocation of Annual Costs (as defined below) to each Tax Zone.

The allocation of Annual Costs is generally determined by the proportion of facilities funded by bond proceeds and special taxes for a Tax Zone to the total amount of facilities funded by bond proceeds and special taxes within the Community Facilities District. The allocation of facilities funded by bond proceeds for each Tax Zone was set at the time each series of bonds issued to finance facilities were issued for the Community Facilities District. As a result, notwithstanding the Maximum Annual Special Tax rate (as set forth in the Rate and Method of Apportionment), the Special Tax may only be levied on property in each Tax Zone up to an amount necessary to pay its allocation of Annual Costs. Notwithstanding such allocation, debt service on the Bonds and the Series F Bonds are payable on parity from amounts deposited in the Special Tax Fund. See “THE COMMUNITY FACILITIES DISTRICT—Rate and Method of Apportionment” and “—Allocation of Annual Costs.”

“Annual Costs” is defined in the Rate and Method of Apportionment as (i) Debt Service for the Calendar Year commencing January 1 of each Fiscal Year through December 31 of the following Fiscal Year, (ii) Administrative Expenses for such Fiscal Year, (iii) any amounts needed to replenish any bond reserve fund for the bonds of the City issued for the Community Facilities District to the level required under the documents pursuant to which such bonds were issued, (iv) an amount equal to the amount of delinquencies in payments of the Special Tax levied in the previous Fiscal Year and an amount for anticipated delinquencies for the current Fiscal Year, (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the Community Facilities District, less any credit from earnings on the bond reserve fund, less any reimbursements, less any grants/other project funding and/or less the application of any funds from Special Tax repayments.

The Bonds are secured by the Special Tax and amounts on deposit in certain funds established under the Indenture, including the Special Tax Fund and Bond Reserve Fund, subject to the provisions of the Indenture.

The Special Tax levy is included in the secured property tax bills sent to the record owners of Taxable Parcels within the Community Facilities District. See “SECURITY FOR THE BONDS — The Special Tax.” The City has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, it will annually on or before October 1 of each year review the public records of the County of Sacramento (the “County”) to determine the Special Tax collected in the prior Fiscal Year and, if certain conditions are met, commence judicial foreclosure proceedings with respect to delinquent Special Tax amounts by the succeeding December 1 and will diligently pursue such proceedings. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.”

Neither the full faith and credit nor the taxing power of the City, the County, the State or any of its political subdivisions (other than the taxing power of the City conferred upon it by the Community Facilities District) is pledged to the payment of the Bonds. Except for the Special Tax, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City but are limited obligations of the City payable solely from the Special Tax and certain amounts held under the Indenture as more fully described in the Official Statement.

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The Community Facilities District was formed by the City to finance various public improvements needed to develop property located within the Community Facilities District. The property in the Community Facilities District is located in the northern portion of the City, adjacent to the County border. The Community Facilities District is bounded by Interstate 5 and Highway 99 on the west, Del Paso Road on the south, the City limits on the east, and Elkhorn Boulevard on the north. The Community Facilities District contains approximately 2,700 gross acres and approximately 1,860 net developable acres. Development in the Community Facilities District is substantially complete. Based on development status as of May 1, 2022, the Community Facilities District includes 8,968 Taxable Parcels, 8,962 of which are classified as Developed Parcels under the Rate and Method of Apportionment with residential (single family detached units, multi-family units and other residential uses) and non-residential uses. Of the 8,962 parcels that were classified as Developed Parcels for the Fiscal Year 2022-23 Special Tax levy, 89 did not have improvement value as of January 1, 2022. See “THE COMMUNITY FACILITIES DISTRICT.”

The Community Facilities District is located in and about the City’s North Natomas Community Plan and North Natomas Financing Plan Areas, within the greater Natomas Basin. At build out, the North Natomas Area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — “General Information About the City of Sacramento and the County of Sacramento” for certain demographic information regarding the City and the County.

The City has not engaged an independent appraiser to provide an opinion concerning the updated values of the parcels that comprise the taxable parcels within the Community Facilities District. The aggregate assessed value of the Taxable Parcels within the Community Facilities District as shown on the Fiscal Year 2022-23 County Assessor’s roll is \$3,920,392,028 (based on the January 1, 2022 lien date). See “THE COMMUNITY FACILITIES DISTRICT — Assessed Value-to-Lien Ratios.”

This Official Statement sets forth brief descriptions of the Bonds, the Indenture, the City’s Continuing Disclosure Certificate, and certain other matters. Those descriptions do not purport to be comprehensive or definitive. All references herein to any of the above documents are qualified in their entirety by reference to their forms, which are available for inspection at the office of the City Clerk in Sacramento, California. Capitalized terms not defined in this Official Statement have the meanings ascribed to them in Appendix A or, if not defined in Appendix A, the meanings ascribed to them in the Indenture. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

## **Bond Insurance**

Concurrently with the issuance of the Bonds AGM will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds maturing on September 1, 2027 through September 1, 2032, inclusive (the “Insured Bonds”). See the caption “BOND INSURANCE.” A specimen of the Policy is set forth in Appendix G. The Policy secures only the Insured Bonds and may not be drawn upon to pay interest or principal due on the Bonds that mature on September 1, 2024, 2025, and 2026.

## THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used along with other funds held by the City relating to the Refunded Bonds to defease and redeem the Refunded Bonds. The City will enter into an Escrow Agreement relating to the Refunded Bonds (the “Escrow Agreement”), dated as of September 1, 2023, with U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”). An irrevocable escrow fund will be established under the Escrow Agreement (the “Escrow Fund”). A portion of the amounts deposited with the Escrow Agent in the Escrow Fund will be invested in Federal Securities (as defined in the Indenture), the interest on and principal of which, together with the other amounts held in the Escrow Fund, will be sufficient to redeem the Refunded Bonds on December 22, 2023 (the “Redemption Date”), at a redemption price equal to 100% of the principal amount of the Refunded Bonds, together with accrued interest thereon to the date of redemption, without premium (the “Redemption Price”).

Upon deposit of the amounts and securities into the Escrow Fund as described above, the Refunded Bonds will be deemed to have been paid under the Indenture, and the owners of the Refunded Bonds will have no rights under the Indenture except to be paid the Redemption Price of the Refunded Bonds from the amounts and securities held in the Escrow Fund.

Robert Thomas CPA, LLC, upon delivery of the Bonds, will deliver a verification report relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay the Redemption Price of the Refunded Bonds on the Redemption Date.

Amounts and securities deposited in the Escrow Fund will not be available to pay debt service on the Bonds.

### Estimated Sources and Uses of Funds

The Bond proceeds and funds related to the Refunded Bonds are expected to be applied approximately as follows:

#### Sources:

Principal amount of the Bonds	\$25,125,000.00
Plus Original Issue Premium	1,980,727.65
Prior Funds <sup>(1)</sup>	<u>2,416,736.00</u>
Total	<u>\$29,522,463.65</u>

#### Uses:

Escrow Fund	\$28,924,228.91
Costs of Issuance	480,390.40
Underwriter’s Discount	<u>117,844.34</u>
Total	<u>\$29,522,463.65</u>

<sup>(1)</sup> Certain funds transferred from the Bond Reserve Fund relating to the Refunded Bonds.

## THE BONDS

### Authority for Issuance

The Community Facilities District was established on October 20, 1998, and bonded indebtedness in an aggregate amount not to exceed \$85,000,000 was authorized to be issued under the Act. A proposition relating to the incurrence of the indebtedness in this amount was submitted to and approved by the qualified electors of the Community Facilities District on November 5, 1998. The Rate and Method of Apportionment and the

amount of the Special Tax that can be collected from the land within the Community Facilities District are more fully described in the sections herein entitled “SECURITY FOR THE BONDS — The Special Tax” and “THE COMMUNITY FACILITIES DISTRICT.” See also Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Bonds are being issued pursuant to the Act, the Resolution and the Indenture.

**General Provisions**

The Bonds will be dated as of the date of their initial delivery and bear interest at the rates and mature (subject to prior redemption as described below) on the dates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on March 1 and September 1 of each year commencing March 1, 2024 (each such date, an “Interest Payment Date”). The Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in integral multiples of \$5,000. See the subsection entitled “Book-Entry System.”

The principal of, and interest on, the Bonds will be payable in lawful money of the United States of America.

Additional bonds secured on parity with the Bonds can be issued under the Indenture only to refund other bonds outstanding under the Indenture, including the Bonds or the Series F Bonds. See “SECURITY FOR THE BONDS — No Additional Bonds Except for Refunding Purposes.”

**Redemption**

**Extraordinary Redemption from Prepayments.** The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
Any interest payment date from March 1, 2024 through and including September 1, 2030	103%
March 1, 2031 and September 1, 2031	102
March 1, 2032 and September 1, 2032	101

**Selection of Bonds for Redemption.** If less than all of the Bonds outstanding are to be redeemed at any one time, the City will select the maturity dates from which the Bonds are to be redeemed. If less than all of the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select such outstanding Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of \$5,000 in any manner that the Trustee deems appropriate.

**Notice of Redemption.** When Bonds are to be redeemed under the Indenture the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the principal corporate trust office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that additional interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered

for redemption at the principal corporate trust office of the Trustee so designated. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) to securities depositories and securities information services selected by the City in accordance with the Indenture, and (c) to the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders of the Bonds to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

***Effect of Redemption.*** If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

### **Book-Entry System**

DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully-registered bond certificate will be issued for each maturity of the Bonds, in each case in the aggregate principal amount of such maturity of such Bonds, and will be deposited with DTC. **So long as Cede & Co. is the registered owner of the Bonds, references herein to the Holders of the Bonds are references to Cede & Co. and do not refer to the actual purchasers (the "Beneficial Owners") of the Bonds. The City does not give any assurances that DTC, its Participants or others will distribute payments with respect to the Bonds or notices concerning the Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.**

See Appendix D for a further description of DTC and its book-entry system based solely on information provided by DTC. The City makes no representation concerning the accuracy of information provided in Appendix D.

## DEBT SERVICE SCHEDULE

The table below sets forth the estimated annual debt service payments for the Bonds and the Series F Bonds, assuming no redemptions of Bonds or Series F Bonds before maturity.

<i>Period Ending</i>	<i>Bonds Principal</i>	<i>Bonds Interest</i>	<i>Series F Bonds Debt Service</i>	<i>Total Semi-Annual Debt Service</i>	<i>Total Annual Debt Service</i>
3/1/2024	--	\$ 540,885.42	\$ 364,425.00	\$ 905,310.42	--
9/1/2024	\$ 2,340,000	628,125.00	1,444,425.00	4,412,550.00	\$ 5,317,860.42
3/1/2025	--	569,625.00	337,425.00	907,050.00	--
9/1/2025	2,430,000	569,625.00	1,507,425.00	4,507,050.00	5,414,100.00
3/1/2026	--	508,875.00	319,875.00	828,750.00	--
9/1/2026	2,615,000	508,875.00	1,554,875.00	4,678,750.00	5,507,500.00
3/1/2027	--	443,500.00	289,000.00	732,500.00	--
9/1/2027	2,805,000	443,500.00	1,629,000.00	4,877,500.00	5,610,000.00
3/1/2028	--	373,375.00	255,500.00	628,875.00	--
9/1/2028	2,995,000	373,375.00	1,700,500.00	5,068,875.00	5,697,750.00
3/1/2029	--	298,500.00	219,375.00	517,875.00	--
9/1/2029	3,215,000	298,500.00	1,774,375.00	5,287,875.00	5,805,750.00
3/1/2030	--	218,125.00	180,500.00	398,625.00	--
9/1/2030	3,445,000	218,125.00	1,850,500.00	5,513,625.00	5,912,250.00
3/1/2031	--	132,000.00	138,750.00	270,750.00	--
9/1/2031	3,670,000	132,000.00	1,938,750.00	5,740,750.00	6,011,500.00
3/1/2032	--	40,250.00	93,750.00	134,000.00	--
9/1/2032	1,610,000	40,250.00	2,023,750.00	3,674,000.00	3,808,000.00
3/1/2033	--	--	45,500.00	45,500.00	--
9/1/2033	--	--	1,865,500.00	1,865,500.00	1,911,000.00
<b>Total</b>	<b><u>\$25,125,000</u></b>	<b><u>\$6,337,510.42</u></b>	<b><u>\$19,533,200.00</u></b>	<b><u>\$50,995,710.42</u></b>	<b><u>\$50,995,710.42</u></b>

## LIMITATION OF LIABILITY

The Bonds are secured only by the Special Tax and amounts on deposit in the Special Tax Fund and the Bond Reserve Fund established by the Indenture. In the event of delinquencies in the payment of the Special Tax, neither the City nor the Community Facilities District is required to advance any funds for the payment of debt service on the Bonds. The City will only be required to enforce delinquent amounts of the Special Tax in the manner provided in the Act and in its covenant to take judicial foreclosure proceedings as set forth in the Indenture. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” The full faith and credit of the City and the Community Facilities District are not pledged to the payment of the Bonds, nor is the payment of the Bonds secured by any encumbrance, mortgage or other pledge of property of the City or the Community Facilities District, except the pledge described above.

## SECURITY FOR THE BONDS

### General

The Bonds are payable from and secured on parity with the Series F Bonds by the proceeds of the Special Tax levied on Taxable Parcels within the Community Facilities District and by amounts on deposit in the Special Tax Fund and the Bond Reserve Fund. The Bonds are not secured by moneys on deposit in the Expense Fund, the Rebate Fund or the Community Facilities Fund established by the Indenture.

The Indenture defines the term “Special Tax” to mean the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act at the

special election held in the Community Facilities District on November 5, 1998. See Appendix A — “SUMMARY OF INDENTURE — Definitions.”

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method of Apportionment. See “SECURITY FOR THE BONDS — The Special Tax” and “SPECIAL RISK FACTORS — Proposition 218” below. The Rate and Method of Apportionment apportions the total amount of the Special Tax to be collected among the Taxable Parcels in the Community Facilities District. See “THE COMMUNITY FACILITIES DISTRICT— Rate and Method of Apportionment” and Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Although the Special Tax will be levied against Taxable Parcels within the Community Facilities District, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the annual Special Tax or that they will pay it even if able to do so. See “SPECIAL RISK FACTORS.”

### **The Special Tax**

The Special Tax applicable to each Taxable Parcel within the Community Facilities District each Fiscal Year is required to be calculated pursuant to the Rate and Method of Apportionment. See “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment” and Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Special Tax is collected by the County at the same time and in the same manner as general *ad valorem* property taxes. The Indenture requires that the City hold the Special Tax collected in trust for the benefit of the Holders of the Bonds and the Series F Bonds.

Under the Indenture, all proceeds of the annual Special Tax are to be deposited in the Special Tax Fund, which has been established under the Indenture and is held and maintained in trust by the City Treasurer. The City agrees in the Indenture to deposit all proceeds of the Special Tax (including any prepayments) in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

- (1) to the Bond Redemption Fund to pay debt service payments on all outstanding bonds,
- (2) to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve,
- (3) to the Expense Fund to pay administrative costs of the Community Facilities District, and
- (4) to the Community Facilities Fund.

On or before the first day in each March and September, the Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all bonds outstanding on such March 1 or September 1, as the case may be, and on or before the first day in September 1 of each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all outstanding serial bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all



outstanding bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; provided further that no deposit need be made into the Bond Redemption Fund if the amount of money in the Bond Redemption Fund is at least equal to the amount required by the terms of the Indenture to be deposited in the Bond Redemption Fund at the time and in the amounts provided in the Indenture.

As a result of the limitation on the Special Tax levy in each Tax Zone to the amount of the Annual Costs allocated to such Tax Zone, bonds issued for the Community Facilities District have been structured so that, assuming no delinquencies, the Special Tax levied on Developed Parcels, based on development status at the time such bonds were issued, would generate not less than 100% of debt service, based on the allocation of Annual Costs.

In the event of delinquencies, the Special Tax may be increased in each Tax Zone, only up to the amount for each Tax Zone necessary to pay its share of Annual Costs allocated in accordance with the Rate and Method of Apportionment. For the Fiscal Year 2022-23 Special Tax levy (development status as of May 1, 2022), 8,962 parcels of the 8,968 Taxable Parcels within the Community Facilities District were classified as Developed Parcels. Notwithstanding the above, under no circumstances will the Special Tax levied against any parcel of residential property within the Community Facilities District be increased as a consequence of delinquency or default by the owner of any other assessor's parcel within the Community Facilities District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. See "THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment."

### **Bond Reserve Fund**

To further secure the payment of principal of and interest on the Bonds, the City has established the Bond Reserve Fund and deposited therein an amount equal the Required Bond Reserve. The Required Bond Reserve is defined in the Indenture as the amount, as of any date of calculation, that is equal to the least of (a) 10% of the original principal amount of the bonds issued and Outstanding under the Indenture, (b) the maximum Debt Service on the bonds issued and Outstanding under the Indenture payable in the current or any future Bond Year, or (c) 125% of the average Debt Service on the bonds issued and Outstanding under the Indenture payable in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee. Immediately following the issuance of the Bonds, the Required Bond Reserve will be \$4,017,000. After the release from the Bond Reserve Fund in connection with the issuance of the Bonds, the amount remaining in the Bond Reserve Fund will be equal to the Required Bond Reserve as of the date of issuance of the Bonds.

At any time, the City may satisfy the Required Bond Reserve (or any portion thereof) by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "AA" or higher assigned by Fitch or "Aa" or higher assigned by Moody's or "AA" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign.

As a condition to the issuance of bonds payable on parity with the Bonds and the Series F Bonds (which may be issued for refunding purposes only; See "— No Additional Bonds Except for Refunding Purposes"), proceeds from the sale of such bonds, or one or more policies of municipal bond insurance or surety bonds or letters of credit satisfying the requirements described above, in an amount sufficient to cause the balance in the Bond Reserve Fund to equal the Required Bond Reserve are to be deposited in the Bond Reserve Fund.

Moneys in the Bond Reserve Fund must be used solely for the purpose of paying the interest on, and principal of, bonds issued and Outstanding under the Indenture if there is insufficient money in the Bond

Redemption Fund available for this purpose; provided, that if as a result of any valuations it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee will withdraw the amount of money representing such excess from the Bond Reserve Fund and shall deposit such amount of money in the Bond Redemption Fund as provided in the Indenture. For a further discussion of the Bond Reserve Fund, see Appendix A — “SUMMARY OF INDENTURE — Allocation of Money in the Special Tax Fund.”

### **Covenant for Superior Court Foreclosure**

Pursuant to Section 53356.1 of the Act, the City has covenanted under the Indenture that it will review the County’s records in connection with the collection of the Special Tax not later than October 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year. On the basis of that review, (a) the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$1,000 or more to enforce the lien of all such delinquent installments of such Special Tax, and will diligently pursue the foreclosure proceedings to judgment and sale; and (b) if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax and will diligently prosecute and pursue the foreclosure proceedings to judgment and sale.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). See “— Teeter Plan” below.

Under the Act, the City may waive delinquency penalties and redemption penalties if it determines that (a) the waivers will apply only to parcels delinquent at the time of the determination, (b) the waivers will only be available with respect to parcels for which all past due and currently due amounts of the Special Tax and all other related costs are paid in full within a limited period of time specified in the determination, (c) the waivers will be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (d) the waivers are in the best interest of the Bond Holders.

If foreclosure or foreclosures are necessary, there may be a delay in payments to Bond Holders pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase price for the applicable property would be received at the foreclosure sale. See “SPECIAL RISK FACTORS — Foreclosure Delays — Bankruptcy.” Notwithstanding any other provision of the Indenture, the City is not obligated to advance any funds from any source other than the Special Tax to cure any deficiency in the Special Tax Fund.

### **Teeter Plan**

In July 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and shortly after year-end, and also distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan by the end of the calendar year. The County may make eligibility determinations on an annual basis and may exclude a district

or an individual parcel that had previously been included in the plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis.

The County's policy includes the following criteria for delinquent parcels to be excluded from the County's Teeter Plan: (1) tax bills belonging to a governmental/public agency; (2) common area parcels; (3) tax bills on the unitary assessed values or pipeline assessed values; (4) special assessments (subject to judiciary foreclosure) to be stripped from the tax bill; (5) bankruptcy; (6) demolition of the property; (7) vacant buildings (due to a risk of possible demolition); (8) contamination of the property; (9) property that is subjected to the "sealed bid"; (10) the delinquent amount is greater than or equal to assessed value of the property; (11) property that is de-enrolled from the Teeter Plan in previous years under the same owner and (12) the amount of code enforcement liens, other delinquent abatement liens, and delinquent utilities abatement liens, and delinquent utilities levied on the property is equal to or greater than 5% of the assessed value of the property. Such policy may be amended by the County at any time and could impact the inclusion of certain delinquent parcels in the Teeter Plan in future years.

The County's policy is that any new taxing entity or special assessment district that includes its levy on the County tax roll is qualified to be under the County's Teeter Plan. The Community Facilities District is included in the County's Teeter Plan. See, however, "SPECIAL RISK FACTORS — Teeter Plan Termination."

### **No Additional Bonds Except for Refunding Purposes**

The City has covenanted in the Indenture that it will not issue any additional bonds to finance additional facilities under the Indenture. However, refunding bonds secured by the Special Tax on parity with the Bonds may be issued to repay and redeem any bonds issued and outstanding under the Indenture in advance of their stated maturities if the annual debt service payable with respect to such refunding bonds will be less than the annual debt service payable with respect to the bonds that are being so redeemed or if none of the bonds previously issued under the Indenture will be Outstanding after the issuance of the refunding bonds.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, AGM will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained

from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

***Current Financial Strength Ratings.*** On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

***Capitalization of AGM.*** At June 30, 2023:

- The policyholders' surplus of AGM was approximately \$2,702 million.
- The contingency reserve of AGM was approximately \$894 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,089 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

***Incorporation of Certain Documents by Reference.*** Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under this caption “BOND INSURANCE— Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

**Miscellaneous Matters.** AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and in Appendix G hereto.

## THE COMMUNITY FACILITIES DISTRICT

### General Information

The City Council approved the formation of the Community Facilities District under the Act to provide for the financing of public improvements to meet the needs of new development within the Community Facilities District. The qualified electors within the Community Facilities District authorized the City to incur bonded indebtedness, approved the Rate and Method of Apportionment, and authorized the levy of the Special Tax.

The Community Facilities District is located within the City’s North Natomas Community Plan and North Natomas Financing Plan Areas, part of the greater Natomas Basin in the northwest portion of the City. At build out, the North Natomas area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — “GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO” for certain demographic information regarding the City and the County.

The Community Facilities District is bounded by Interstate 5 and Highway 99 on the west, Del Paso Road on the south, the City limits on the east, and Elkhorn Boulevard on the north. The Community Facilities District contains approximately 2,700 gross acres and approximately 1,860 net developable acres. Development in the Community Facilities District is substantially complete. Based on development status as of May 1, 2022, the Community Facilities District includes 8,968 Taxable Parcels, 8,962 of which are classified as Developed Parcels under the Rate and Method of Apportionment with residential (single family detached units, multi-family units and other residential uses) and non-residential uses. Of the 8,962 parcels that were classified as Developed Parcels for the Fiscal Year 2022-23 Special Tax levy, 89 did not have improvement value as of January 1, 2022.

For the Fiscal Year 2022-23 Special Tax levy (development status as of May 1, 2022), there were six parcels classified as Developable Parcels under the Rate and Method of Apportionment that were subject to the Special Tax levy.

Although, like all of Northern California, the land within the Community Facility District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone.

An aerial photograph of the Community Facilities District and a map showing the location of the Community Facilities District are included following the Table of Contents.

### **De Facto Building Moratorium from 2008 to 2015**

In 2005, in response to revised criteria and standards relating to levees and flood protection, the United States Army Corp of Engineers (the “Corps”) and the Sacramento Area Flood Control Agency (“SAFCA”) commissioned the Natomas Levee Evaluation Study (“NLES”). The NLES final report concluded that considerable improvements were necessary along the south levee of the Natomas Cross Canal, the east levee of the Sacramento River, and the north levee of the American River. As a result of these conclusions, on July 20, 2006, the Corps issued a letter to SAFCA stating that the Corps could no longer support its original position certifying the levees in the Natomas Basin. On December 29, 2006, FEMA issued a letter to the City notifying the City that FEMA planned to update the Flood Insurance Rate Map within the Natomas Basin. On December 8, 2008, FEMA’s Revised Map became effective, placing the Natomas Basin (including the Community Facilities District) within a Special Flood Hazard Area (“Zone AE”). As a result of the Revised Map and the Zone AE designation, the Natomas Basin was subject to a de facto building moratorium from December 8, 2008, through June 15, 2015.

On June 10, 2014, then President Barack Obama signed the Water Resources Reform & Redevelopment Act (“WRRDA”) into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surrounding the Natomas Basin (the “Levee Project”). As a result of the implementation of the Levee Project, FEMA issued a revised map and designated the area within the Natomas Basin (including the Community Facilities District) as Zone A99 effective June 16, 2015, which allows for the resumption of new building construction, subject to the limitations described below. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event (i.e., a 100-year flood) but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for that designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized. As described below, construction of the Levee Project is underway (see “—Flood Hazard” below).

On March 31, 2015, the City adopted an ordinance allowing for non-residential development and a limited resumption of residential development in the portion of the Natomas Basin that is within the City and designated as Zone A99 (the “Building Ordinance”). The Building Ordinance became operative on June 16, 2015, upon the revised map and Zone A99 designation by FEMA. The Building Ordinance allows non-residential development to resume with no cap and limited residential development of up to 1,000 single-family detached units and 500 multi-family attached units each calendar year. Dwelling units in excess of those limits will require City Council approval. While development in the Community Facilities District is substantially complete, there remain certain developable lots therein. The foregoing caps may limit the ability to complete development of such remaining lots.

### **Flood Hazard**

Development in the Community Facilities District is subject to federal and State requirements regarding the restoration of protection against flood hazards (e.g., levees).

***Compliance with Federal Flood-Protection Requirements.*** As required by 44 C.F.R. § 65.14(g), the City annually submits to FEMA a certification that the Zone A99 restoration plan will be completed within a specified time. This Federal regulation also requires that the City and the cost-sharing Federal agency update the restoration plan and identify any permitting or construction problems that will delay the Levee Project's completion beyond the deadline set out in the restoration plan previously submitted to the Federal Insurance Administrator. The FEMA Regional Office that has jurisdiction over the Community Facilities District makes an annual assessment and recommendation to the Federal Insurance Administrator about the viability of the restoration plan and will conduct periodic on-site inspections of the flood-protection system under restoration. Should FEMA make an adverse finding as to the viability of the restoration plan, FEMA could revise the flood map from its current Zone A99 designation, which could result in the Natomas Basin, including the property in the Community Facilities District, becoming subject again to a de facto building moratorium. The City currently does not expect any delays with respect to the Levee Project that would cause the Natomas Basin to be subject to another de facto building moratorium.

***Compliance with State Flood Protection Requirements.*** The Central Valley Flood Protection Act of 2008 requires that cities and counties within the California Central Valley (including the City) make certain findings with respect to flood protection before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences. One of those findings is that the local flood-management agency has made "adequate progress" on the construction of a flood-protection system that will provide an Urban Level of Flood Protection ("ULOP") by 2025. An ULOP is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (i.e., a 200-year flood).

SAFCA is the local flood-management agency that serves the area within the City. In 2016, SAFCA prepared its ULOP plan, which the City accepted in June 2016. When making the adequate-progress finding, the City has relied on annual progress reports prepared by SAFCA, which demonstrate that the Levee Project is meeting specified development milestones toward providing an ULOP by 2025. If construction of the Levee Project is delayed so that the City is unable to make a finding of adequate progress toward an ULOP, then the City might not be able to approve either or both of the following: a discretionary permit or other discretionary entitlement for construction of a new building or construction that would result in an increase in allowed occupancy for an existing building; or a ministerial permit for construction of a new residence. The City currently does not expect any delays with respect to the Levee Project that would cause this to occur.

***Status of the Levee Project.*** Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until the Levee Project is completed. The Corps began construction of the Levee Project in 2017 and the Levee Project is currently estimated to be completed in 2025. To date, 18 miles have been completed and construction of the remaining 24 miles began in 2019. The Corps will need to acquire additional land and obtain additional approvals and permits in order to complete the Levee Project.

When the Levee Project is completed, the City expects that, under current FEMA criteria, the Natomas Basin will be zoned "X (shaded)," meaning an area that is subject to between a 1.0% (100-year flood zone) to 0.2% annual chance of a flood event (i.e., a 500-year flood zone). As described above, under State law, completion of the Levee Project will mean the Natomas Basin will have an ULOP, which is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (200-year flood zone).

As described above, completion of the Levee Project provides additional protection but does not eliminate the risk of flood-related property damage within the Natomas Basin (including the property in the Community Facilities District). The requirement to purchase flood insurance will remain in effect even though the Natomas Basin is designated as Zone A99. Flood insurance is available for purchase by homeowners within the Natomas Basin. The City participates in FEMA's national flood-insurance program community rating system, which provides flood insurance premium discounts resulting from the community's efforts to reduce certain flood risks. Notwithstanding the foregoing, the City can make no assurances as to the continued

availability of flood insurance or any discounts on premiums through the community rating system. See “SPECIAL RISK FACTORS — Natural Disasters.”

## **Tax Zones**

The area within the Community Facilities District is divided into four tax zones (Tax Zone IA, IB, II and IV). Pursuant to the Rate and Method of Apportionment, the applied Special Tax levy and the maximum amount of the Special Tax levy for each Tax Zone is determined by the amount of Annual Costs allocated to such Tax Zone. Such allocation is generally determined by the proportion of facilities funded by bond proceeds and special taxes for a Tax Zone to the total amount of facilities funded by bond proceeds and special taxes within the Community Facilities District. The allocation of facilities funded by bond proceeds for each Tax Zone was set at the time each series of bonds issued to finance facilities were issued for the Community Facilities District. Upon the issuance of refunding bonds, such as the Bonds, the principal amount of the refunding bonds are allocated to the Tax Zones in the same proportion as the refunded bonds. As a result, notwithstanding the Maximum Annual Special Tax rate (as set forth in the Rate and Method of Apportionment), the Special Tax may only be levied on Taxable Parcels in each Tax Zone up to an amount necessary to pay its allocation of Annual Costs, which includes the replenishment of the Bond Reserve Fund. See “—Allocation of Annual Costs” for a description of the Bonds and the Series F Bonds allocated to each Tax Zone. Although 100% of the principal amount of the Series F Bonds is allocated to Zone IB, due to the fact that the Bonds and the Series F Bonds are payable on parity from amounts in the Special Tax Fund and that amounts necessary to replenish the Bond Reserve Fund are included in allocated Annual Costs, the Bonds are cross-collateralized by each Tax Zone to a limited extent.

***Tax Zone IA.*** Tax Zone IA includes 2,477 Taxable Parcels, all of which were classified as Developed Parcels (two of which did not have improvement value as of January 1, 2022) under the Rate and Method of Apportionment for the Fiscal Year 2022-23 Special Tax levy (reflecting development status as of May 1, 2022). The Fiscal Year 2022-23 assessed value of such parcels (based on a January 1, 2022 lien date) was approximately \$1,188,271,372. Development within Tax Zone IA is nearly complete and includes single-family detached homes, condominium units, apartment units and retail and other commercial uses. Approximately \$9,910,000 of the principal amount of the Bonds is allocated to the Annual Costs of Tax Zone IA.

***Tax Zone IB.*** Tax Zone IB includes 3,428 Taxable Parcels that were classified as Developed Parcels for the Fiscal Year 2022-23 Special Tax Levy, 84 of which did not have improvement value shown on the County Assessor’s roll as of January 1, 2022. Six parcels were classified as Developable Parcels. Development in Tax Zone IB is substantially complete and includes single-family detached homes, condominium units, and retail and other commercial uses. The Fiscal Year 2022-23 assessed value for the Taxable Parcels within Tax Zone IB was approximately \$1,306,635,742. In addition to approximately \$4,205,000 of the principal amount of the Bonds, all of the principal amount of the Series F Bonds are allocated to the Annual Costs of Tax Zone IB.

***Tax Zone II.*** Tax Zone II includes 1,180 Taxable Parcels, all of which were classified as Developed Parcels (two of which did not have improvement value as of January 1, 2022) for the Fiscal Year 2022-23 Special Tax levy (reflecting development status as of May 1, 2022). The Fiscal Year 2022-23 assessed value of such parcels (based on a January 1, 2022 lien date) is approximately \$613,880,839. Development within Tax Zone II is nearly complete and includes single-family detached homes and apartment units. Approximately \$6,300,000 of the principal amount of the Bonds is allocated to the Annual Costs of Tax Zone II.

***Tax Zone IV.*** Tax Zone IV includes 1,877 Taxable Parcels, all of which were classified as Developed Parcels (one of which did not have improvement value as of January 1, 2022) for the Fiscal Year 2022-23 Special Tax levy (reflecting development status as of May 1, 2022). The Fiscal Year 2022-23 assessed value of such parcels (based on a January 1, 2022 lien date) is approximately \$811,604,075. Development within Tax Zone IV is nearly complete and includes single-family detached homes, condominium units, apartment units and retail and other commercial uses. Approximately \$4,710,000 of the principal amount of the Bonds is allocated to the Annual Costs of Tax Zone IV.



Table 1 below sets forth the number of Developed Parcels, Developable Parcels, Development-Restricted Parcels and Tax-Exempt Parcels within each Tax Zone, as applicable, of the Community Facilities District for the Fiscal Year 2022-23 Special Tax levy (reflecting development status as of May 1, 2022).

**TABLE 1**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**LAND USE BY TAX ZONE**  
**(as of May 1, 2022)**

<i>Development Status and Land Use Class</i>	<i>Tax Zone IA</i>	<i>Tax Zone IB</i>	<i>Tax Zone II</i>	<i>Tax Zone IV</i>	<i>Total</i>
<u>Developed Parcels</u>					
Detached Residential Unit Parcel > 5,000 Sq. Ft.	1,639 parcels	568 parcels	785 parcels	1,263 parcels	4,255 parcels
Detached Residential Unit Parcel < 5,000 Sq. Ft.	578 parcels	2,188 parcels	390 parcels	407 parcels	3,563 parcels
Condominiums	245 parcels	661 parcels	0 parcels	200 parcels	1,106 parcels
Other Residential	2 parcels	0 parcels	5 parcels	1 parcels	8 parcels
Non-Residential	<u>13 parcels</u>	<u>11 parcels</u>	<u>0 parcels</u>	<u>6 parcels</u>	<u>30 parcels</u>
Subtotal	2,477 parcels	3,428 parcels	1,180 parcels	1,877 parcels	8,962 parcels
<u>Developable Parcels</u>					
Final Use Parcels	0 parcels	4 parcels	0 parcels	0 parcels	4 parcels
Large Lot Parcels	<u>0 parcels</u>	<u>2 parcels</u>	<u>0 parcels</u>	<u>0 parcels</u>	<u>2 parcels</u>
Subtotal	0 parcels	6 parcels	0 parcels	0 parcels	6 parcels
Development-Restricted Parcels	0 parcels	10 parcels	0 parcels	0 parcels	10 parcels
Tax-Exempt Property	103 parcels	161 parcels	79 parcels	28 parcels	371 parcels
Prepayment Parcels <sup>(1)</sup>	0 parcels	7 parcels	0 parcels	1 parcels	8 parcels
<b>Total</b>	<b>2,580 parcels</b>	<b>3,612 parcels</b>	<b>1,259 parcels</b>	<b>1,906 parcels</b>	<b>9,357 parcels</b>

<sup>(1)</sup> Parcels for which the Special Tax obligation has been prepaid and permanently satisfied.  
Sources: Harris and Associates as compiled by Goodwin Consulting Group, Inc.

### Rate and Method of Apportionment

The following summary of the Rate and Method of Apportionment should be read in conjunction with the complete text of the Rate and Method of Apportionment, including its attachments, attached as Appendix C. The meanings of the defined terms used in this section are as set forth in Appendix C. ***This section provides only a summary of the Rate and Method of Apportionment and is qualified by the more complete and detailed information contained in the entire Rate and Method of Apportionment attached as Appendix C.***

**General.** The Special Tax is levied and collected according to the Rate and Method of Apportionment, which provides the means by which the City Council may annually levy the Special Tax within the Community Facilities District. In general, the Rate and Method of Apportionment imposes different maximum Special Tax rates on Taxable Parcels within the Community Facilities District depending upon whether a Taxable Parcel is a Developed Parcel (i.e., a Taxable Parcel that has (1) a recorded final small lot subdivision map for residential uses permitting up to two units per lot, (2) a special use permit for residential use permitting three or more units per lot, or (3) a special use permit for Non-Residential Development), a Developable Parcel (a parcel which has been created after January 1, 1994 by a recorded Master Parcel Map, or any other Final Subdivision Map, but still requires further subdivision into individual small lots or a special use permit to develop), a Development-Restricted Parcel (a Taxable Parcel that has not met the definition of a Developable Parcel or a Developed Parcel). Development-Restricted Parcels may only be taxed after the City has received written authorization from the property owner.

A Veteran Developed Parcel is a Parcel that has been classified as a Developable or Developed Parcel for 30 years. After 30 years of being subject to the Special Tax as a Developable or Developed Parcel, the Veteran Developed Parcel is only subject to the Special Tax if there is a shortfall in the revenues generated from

all other Taxable Parcels to pay for the Annual Costs of the Community Facilities District. Certain Taxable Parcels will become classified as Veteran Developed Parcels beginning in Fiscal Year 2029-30. The Special Tax is levied on Developed Parcels and Developable Parcels earlier in priority than Veteran Developed Parcels under the Rate and Method of Apportionment (see step 3 under “—*Annual Calculation of Special Tax*” below). As a result, beginning in Fiscal Year 2029-30, as certain Taxable Parcels become classified as Veteran Developed Parcels, the amount of the Special Tax levy on the then remaining parcels classified as Developed Parcels and Developable Parcels may increase and may result in a Special Tax levied on parcels classified as Veteran Developed Parcels pursuant to step 3 under “—*Annual Calculation of Special Tax*” below. Veteran Developed Parcels remain subject to the Special Tax levy so long as necessary to pay the Annual Costs. Under the Rate and Method of Apportionment, Developed Parcels and Veteran Developed Parcels have the same Maximum Annual Special Tax rate.

***Annual Calculation of Special Tax.*** The calculation of the Special Tax payable by each Taxable Parcel in each year involves the following steps:

*First*, by each May 1, the City classifies each of the parcels within the Community Facilities District as follows:

- (a) Each Parcel is classified as Tax-Exempt, Taxable or Reimbursement Parcel (the last classification refers to parcels for which the parcel owner has advance-funded the parcel’s allocated Community Facilities District drainage improvement costs, as determined by the City, but has not received any reimbursement from bond proceeds; once a reimbursement has been made, the parcel is reclassified as a Developed Parcel, Developable Parcel or a Development-Restricted Parcel).
- (b) Each Taxable Parcel is identified according to the Tax Zone in which it is located.
- (c) Each Taxable Parcel within a Tax Zone is further classified as a Developed Parcel, Developable Parcel, Development-Restricted Parcel, Veteran Developed Parcel or Prepayment Parcel.
- (d) Each Developed Parcel is classified in one of the following Land Use Categories:
  - Developed Residential Unit Parcel
  - Condominium Parcel
  - Other Residential Parcel
  - Non-Residential Parcel
- (e) Each Developable Parcel and Development-Restricted Parcels will be taxed based on acreage as set forth in the Rate and Method of Apportionment:
  - Final Use Parcels
  - Large Lot Parcels
  - Tentative Map Parcels / Unmapped Parcels

*Second*, after classifying the Parcels, the City calculates the Annual Costs for each Tax Zone, and determines the Maximum Annual Special Tax for each parcel based on the assignment in the first step above. The Annual Costs include (i) Debt Service for the Calendar Year commencing January 1 of each Fiscal Year through December 31 of the following Fiscal Year, (ii) Administrative Expenses for such Fiscal Year, (iii) any amounts needed to replenish any

bond reserve fund for the bonds of the City issued for the Community Facilities District to the level required under the documents pursuant to which such bonds were issued, (iv) an amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and an amount for anticipated delinquencies for the current Fiscal Year, (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the Community Facilities District, less any credit from earnings on the bond reserve fund, less any reimbursements, less any grants/other project funding and/or less the application of any funds from Special Tax prepayments. The Annual Costs allocated to each Tax Zone will be allocated as follows:

- Determine share of total facilities costs funded by Community Facilities District bonds for each Tax Zone. For each series of bonds issued, the share of total facilities costs funded by Community Facilities District bonds will be set at the time of sale of bonds, and will be used until all bonds for that issue have been retired.
- Add the total pay-as-you-go expenditures for the present and prior year for each Tax Zone.
- Add the allocation of bond-funded costs and pay-as-you-go expenditures for each Tax Zone.
- Determine the percentage share of bond-funded facilities cost and pay-as-you-go expenditures for each Tax Zone. Calculate this by dividing the result of the last step by total bond-funded costs and pay-as-you-go expenditures in the Community Facilities District.
- Multiply Annual Costs by the percentage share to determine the allocation of Annual Costs for each Tax Zone.

*Third*, for each Tax Zone, the City calculates the Special Tax for each Taxable Parcel by the following steps:

- (1) Determine if sufficient Special Tax revenues are available by taxing each Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs assigned to the Tax Zone, the tax is reduced proportionately against Developed Parcels until the taxes are set at an amount sufficient to cover Annual Costs.
- (2) If revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Developable Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover each Tax Zone's Annual Costs.
- (3) If revenues from taxing Developed Parcels and Developable Parcels is not sufficient, Development-Restricted Parcels will be levied up to 100% of their Maximum Annual Special Tax.
- (4) If revenues are still not sufficient to pay for Annual Costs, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

***Maximum Annual Special Tax Rates.*** The Maximum Annual Special Tax Rates by taxation category for each Fiscal Year are shown in the tables attached as Attachment 1 to the Rate and Method of Apportionment. Tax rates escalate 2% annually. See Appendix C.

***Prepayment of the Special Tax Obligation.*** Landowners may permanently satisfy the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- (a) The City determines that the prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds of the Community Facilities District.
- (b) Any landowner who wishes to exercise the right to a prepayment for a parcel must pay any and all delinquent Special Taxes and penalties.
- (c) Prepayment must be made on or before June 1 in order to prevent the levy of Special Taxes due during the fiscal year beginning July 1.

The prepayment amount will be established by the procedures that are described in Section 6 of the Rate and Method of Apportionment, which is set forth in full in Appendix C.

***Duration of Levy.*** The Special Tax is authorized to be levied for as long as needed to pay debt service on Bonds issued to fund authorized facilities, but not later than Fiscal Year 2039-40.

***Exemptions.*** Under Section 53340 of the Act, the Rate and Method of Apportionment exempts properties that are or are intended to be publicly owned except that the Special Tax on property not otherwise exempt that is acquired by a public entity will be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Act.

Parcels for which the owner has prepaid and satisfied the Special Tax are also exempt from further Special Taxes. See Appendix C.

### **Allocation of Annual Costs**

The Rate and Method of Apportionment provides that the Special Tax levy on property within each Tax Zone shall be in an amount sufficient to pay the Annual Costs allocated to such Tax Zone. See “—Rate and Method of Apportionment” above. Table 2 below sets forth the allocation of the share of Bonds and Series F Bonds for each Tax Zone. As shown in Table 2, the Series F Bonds are allocated entirely to Tax Zone IB for purposes of determining the share of Annual Costs. Notwithstanding such allocation, debt service on the Bonds and debt service on the Series F Bonds are payable on parity from amounts deposited in the Special Tax Fund.

The relative burden of debt service on the Bonds of each Tax Zone will change as such debt service is amortized. After the Bond Year ending September 1, 2031, there will no longer be any Annual Costs allocated to Tax Zone IV. The Special Tax is not expected to be levied in Tax Zone IV after the Bond Year ending September 1, 2031, except to pay for additional facilities, if necessary. As a result, no additional Special Tax revenues will be available to pay debt service on the Bonds from Tax Zone IV after the Bond Year ending September 1, 2031, including any amounts that may be necessary to replenish the Bond Reserve Fund to the Required Bond Reserve. After the Bond Year ending September 1, 2031, between 68% to 100% of the debt service on the Bonds and the Series F Bonds will be allocated to Tax Zone IB.

As described above under the caption “—Rate and Method of Apportionment,” Annual Costs include amounts necessary to replenish the Bond Reserve Fund up to the Required Bond Reserve. As a result, the Special Tax levy in each Tax Zone may exceed the amount necessary to pay its allocated share of debt service if additional amounts are necessary to replenish the Bond Reserve Fund, regardless of whether the draw on the Bond Reserve Fund was caused by delinquencies in such Tax Zone. The Bonds have been sized and the Annual Costs have been allocated, to produce Special Tax revenues from Developed Parcels (based on development status for the Fiscal Year 2022-23 Special Tax levy) of not less than 100% of the debt service on the Bonds and the Series F Bonds, based on the allocation of Annual Costs set forth in Table 2 below.

**TABLE 2**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**ALLOCATED SHARE OF ANNUAL COSTS BY TAX ZONE**

	<i>Series F Bonds</i>	<i>Series G Bonds</i>
<b>Bonds Outstanding</b>	\$ 15,045,000	\$25,125,000
<b>Final Maturity</b>	September 1, 2033	September 1, 2032
<b>Tax Zone IA</b>		
Bonds	\$ 0	\$ 9,910,000
Allocated Share	0.0%	39.4%
<b>Tax Zone IB</b>		
Bonds	\$ 15,045,000	\$ 4,205,000
Allocated Share	100.0%	16.7%
<b>Tax Zone II</b>		
Bonds	\$ 0	\$ 6,300,000
Allocated Share	0.0%	25.1%
<b>Tax Zone IV<sup>(1)</sup></b>		
Bonds	\$ 0	\$ 4,710,000
Allocated Share	0.0%	18.7%
<b>Total All Zones</b>		
<b>Total Bonds</b>	<b>\$ 15,045,000</b>	<b>\$ 25,125,000</b>
<b>Allocated Share</b>	<b>100.0%</b>	<b>100.0%<sup>(2)</sup></b>

<sup>(1)</sup> After the Bond Year ending September 1, 2031, there will no longer be any Annual Costs allocated to Tax Zone IV. As a result, no additional Special Tax revenues will be available to pay debt service on the Bonds from Tax Zone IV after the Bond Year ending September 1, 2031, including any amounts that may be necessary to replenish the Bond Reserve Fund to the Required Bond Reserve.

<sup>(2)</sup> Total does not sum due to rounding.

Sources: City of Sacramento, Harris and Associates, the Underwriter and Goodwin Consulting Group, Inc.

**Estimated Special Tax Proceeds and Debt Service Coverage**

Table 3 below shows the coverage on the Bonds and the Series F Bonds, based on a levy of the Special Tax at the Maximum Special Tax rate on all Developed Parcels in the Community Facilities District and Developable Parcels in Tax Zone IB, based on development status as of May 1, 2022). See “THE BONDS — Debt Service Schedule.” The Special Tax levied within each Tax Zone is limited to the share of the Annual Costs allocated to such Tax Zone. In addition, pursuant to California Government Code Section 53321(d), the Special Tax levied against any assessor’s parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other assessor’s parcel within the Community Facilities District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, it is possible that the Special Tax levy may not be increased to the Maximum Special Tax rate under the Rate and Method of Apportionment in all years.

**TABLE 3  
CITY OF SACRAMENTO  
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4  
PROJECTED DEBT SERVICE COVERAGE BY TAX ZONE**

Year Ending September 1	Tax Zone IA			Tax Zone IB			Tax Zone II			Tax Zone IV		
	Maximum Special Tax <sup>(1)</sup>	Debt Service <sup>(2)</sup>	Coverage Ratio	Maximum Special Tax <sup>(1)</sup>	Debt Service <sup>(3)</sup>	Coverage Ratio	Maximum Special Tax <sup>(1)</sup>	Debt Service <sup>(2)</sup>	Coverage Ratio	Maximum Special Tax <sup>(1)</sup>	Debt Service <sup>(2)(4)</sup>	Coverage Ratio
2024	\$2,618,037	\$1,406,090	1.86	\$2,800,897	\$2,369,499	1.18	\$1,322,334	\$838,125	1.58	\$1,698,571	704,146	2.41
2025	2,670,398	1,428,250	1.87	2,856,915	2,416,850	1.18	1,348,781	857,750	1.57	1,732,543	711,250	2.44
2026	2,723,806	1,449,250	1.88	2,914,054	2,462,750	1.18	1,375,757	879,250	1.56	1,767,194	716,250	2.47
2027	2,778,282	1,471,750	1.89	2,972,335	2,515,250	1.18	1,403,272	898,250	1.56	1,802,537	724,750	2.49
2028	2,833,847	1,490,500	1.90	3,031,781	2,566,000	1.18	1,431,337	914,750	1.56	1,838,588	726,500	2.53
2029	2,890,524	1,515,500	1.91	3,092,417	2,614,750	1.18	1,459,964	933,750	1.56	1,875,360	741,750	2.53
2030	2,948,335	1,541,250	1.91	3,154,265	2,666,250	1.18	1,489,163	955,000	1.56	1,912,867	749,750	2.55
2031	3,007,302	1,557,500	1.93	3,217,351	2,725,000	1.18	1,518,947	978,250	1.55	1,951,124	750,750	2.60
2032 <sup>(4)</sup>	3,067,448	514,500	5.96	3,281,698	2,595,250	1.26	1,549,326	698,250	2.22	1,990,147	--	--
2033	3,128,797	--	--	3,347,332	1,911,000	1.75	1,580,312	--	--	2,029,950	--	--

(1) Amounts reflect a Special Tax levy on Developed Parcels at the Maximum Special Tax Rate. Amounts for Tax Zone IB also include Special Tax revenues from Developable Parcels reflecting a levy at the Maximum Special Tax Rate. The Special Tax levied within each Tax Zone is limited to the amount necessary to cover the Annual Costs allocated to such Tax Zone. In addition, pursuant to California Government Code Section 53321(d), the Special Tax levied against any assessor's parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other assessor's parcel within the Community Facilities District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, it is possible that the Special Tax levy may not be increased to the Maximum Special Tax rate under the Rate and Method of Apportionment.

(2) Includes debt service on the Bonds only. The Series F Bonds are only allocated to Tax Zone IB.

(3) Includes all debt service on the Series F Bonds and a 16.7% allocated share of the principal amount of the Bonds.

(4) After September 1, 2031, no Annual Costs will be allocated to Tax Zone IV.

Sources: City of Sacramento, Harris and Associates, the Underwriter and Goodwin Consulting Group, Inc.

## Assessed Value-to-Lien Ratios

The City has not engaged an independent appraiser to provide an opinion concerning the values of the Taxable Parcels within the Community Facilities District. The aggregate assessed value of the Taxable Parcels within the Community Facilities District as shown on the Fiscal Year 2022-23 County Assessor's roll is \$3,920,392,028 (based on a January 1, 2022 lien date).

The value of the property within the Community Facilities District is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of the Special Tax, the City may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its "share" of the applicable Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the aggregate assessed value of the taxable parcels within the Community Facilities District as shown on the 2022-23 County Assessor's roll is \$3,920,392,028 (excluding 10 Development-Restricted Parcels for which the Special Tax was not levied in Fiscal Year 2022-23). The ratio of that value to the \$25,125,000 total principal amount of the Bonds and the \$15,045,000 total outstanding principal amount of the Series F Bonds is approximately 98-to-1. This ratio does not include other overlapping debt within the Community Facilities District. See "— Direct and Overlapping Debt" below. Taking direct and overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Parcels within the Community Facilities District to the total principal amount of all direct and overlapping special tax and assessment bonds for the Community Facilities District (\$68,572,202, inclusive of the Bonds and the Series F Bonds) is approximately 57-to-1. See Table 5 below.

For the Fiscal Year 2022-23 Special Tax levy (development status as of May 1, 2022), there were 8,962 parcels that were levied as Developed Parcels. For Fiscal Year 2022-23, the City also levied the Special Tax on six Developable Parcels, all of which were in Tax Zone IB. See Table 5 below.

Each of the value-to-lien ratios described above is for the entire Community Facilities District; however, the ratios of the value of individual lots within the Community Facilities District to their shares of the principal amount of the Bonds can be expected to vary substantially depending upon the status of development and the selling price of the lots. See Table 5 below.

Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. As a result of the foregoing, there can be no assurance that the assessed valuations of the properties within the Community Facilities District accurately reflect their respective market values, and the future fair-market values of those properties may be lower or greater than their current assessed valuations.

**Proposition 8.** Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions pursuant to Proposition 8 may be initiated by the County Assessor or requested by the property owner, and such reductions apply only to a single tax year.

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value, and the valuation is adjusted accordingly. This may result in further reductions

or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. 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. The County Assessor has the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of property affected by particular negative economic conditions.

Table 4 below sets forth historical assessed values within the Tax Zones and the Community Facilities District in the aggregate from Fiscal Years 2018-19 through 2022-23. The assessed values in Table 4 do not include the 10 Development-Restricted Parcels in Tax Zone IB.

**TABLE 4  
CITY OF SACRAMENTO  
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4  
HISTORICAL ASSESSED VALUES<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Tax Zone IA</i>	<i>Tax Zone IB</i>	<i>Tax Zone II</i>	<i>Tax Zone IV</i>	<i>Total<sup>(2)</sup></i>	<i>Percentage Change in Assessed Value</i>
2018-19	\$ 999,191,483	\$ 952,452,364	\$483,969,071	\$692,038,976	\$3,127,651,894	--
2019-20	1,022,697,473	1,081,982,038	533,174,716	714,231,212	3,352,085,439	7.18%
2020-21	1,093,075,555	1,175,806,063	551,503,207	737,621,148	3,558,005,973	6.14
2021-22	1,130,836,800	1,294,301,372	582,297,644	765,771,977	3,773,207,793	6.05
2022-23	1,188,271,372	1,306,635,742	613,880,839	811,604,075	3,920,392,028	3.90

<sup>(1)</sup> Assessed values shown may not reflect adjustments made after the County deadline for setting the Special Tax levy each year.

<sup>(2)</sup> Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.

Sources: Sacramento County Assessor's Office as compiled by NBS for Fiscal Years 2018-19 and 2019-20 and Harris and Associates for Fiscal Years 2020-21 to 2022-23; City of Sacramento; Goodwin Consulting Group, Inc.

Table 5 below sets forth the assessed value-to-lien calculations for the various land use categories of Developed Parcels and Developable Parcels within the Community Facilities District, based on Fiscal Year 2022-23 assessed values and the total direct and overlapping special tax and assessment bonds (including the Bonds and the Series F Bonds) for the Community Facilities District. See Table 9 below for a description of the outstanding direct and overlapping bonded debt within the Community Facilities District.



**TABLE 5**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**VALUE-TO-LIEN ANALYSIS BASED BY LAND USE CATEGORY**

<i>Development Status and Land Use Class<sup>(1)</sup></i>	<i>Number of Parcels</i>	<i>Fiscal Year 2022-23</i>	<i>Fiscal Year 2022-23</i>	<i>Allocated CFD No. 4 Bond Debt<sup>(3)</sup></i>	<i>Overlapping Debt<sup>(4)</sup></i>	<i>Total Debt</i>	<i>Value- to-Lien Ratio<sup>(5)</sup></i>
		<i>Actual Special Tax Levy</i>	<i>Assessed Value<sup>(2)</sup></i>				
<b>Tax Zone IA</b>							
<b>Developed Parcels</b>							
Detached Residential Unit Parcel	2,217	\$ 1,281,726	\$ 944,246,065	\$ 7,570,978	\$ 6,764,408	\$ 14,335,386	65.87
Condominiums	245	63,112	65,076,847	372,794	583,850	956,644	68.03
Other Residential	2	100,074	107,178,987	591,122	575,551	1,166,673	91.87
Non-Residential	13	232,798	71,769,473	1,375,106	947,156	2,322,262	30.90
<b>Subtotal</b>	<b>2,477</b>	<b>\$ 1,677,710</b>	<b>\$ 1,188,271,372</b>	<b>\$ 9,910,000</b>	<b>\$ 8,870,965</b>	<b>\$ 18,780,965</b>	<b>63.27</b>
<b>Tax Zone IB</b>							
<b>Developed Parcels</b>							
Detached Residential Unit Parcel	2,756	\$ 2,132,232	\$ 1,092,162,108	\$ 16,121,696	\$ 6,252,862	\$ 22,374,558	48.81
Condominiums	661	265,722	165,206,542	2,009,110	717,167	2,726,277	60.60
Non-Residential	11	115,186	46,361,051	870,915	281,518	1,152,433	40.23
<b>Subtotal</b>	<b>3,428</b>	<b>\$ 2,513,140</b>	<b>\$ 1,303,729,701</b>	<b>\$ 19,001,721</b>	<b>\$ 7,251,547</b>	<b>\$ 26,253,268</b>	<b>49.66</b>
<b>Developable Parcels</b>							
Final Use Parcels	4	\$ 25,862	\$ 1,896,820	\$ 195,544	\$ 9,568	\$ 205,112	9.25
Large Lot Parcels	2	6,975	1,009,221	52,735	2,070	54,805	18.41
<b>Subtotal</b>	<b>6</b>	<b>\$ 32,837</b>	<b>\$ 2,906,041</b>	<b>\$ 248,279</b>	<b>\$ 11,639</b>	<b>\$ 259,917</b>	<b>11.18</b>
<b>Subtotal</b>	<b>3,434</b>	<b>\$ 2,545,977</b>	<b>\$ 1,306,635,742</b>	<b>\$ 19,250,000</b>	<b>\$ 7,263,186</b>	<b>\$ 26,513,186</b>	<b>49.28</b>
<b>Tax Zone II</b>							
<b>Developed Parcels</b>							
Detached Residential Unit Parcel	1,175	\$ 700,915	\$ 498,499,935	\$ 4,954,315	\$ 3,790,058	\$ 8,744,373	57.01
Other Residential	5	190,382	115,380,904	1,345,685	849,770	2,195,455	52.55
<b>Subtotal</b>	<b>1,180</b>	<b>\$ 891,297</b>	<b>\$ 613,880,839</b>	<b>\$ 6,300,000</b>	<b>\$ 4,639,828</b>	<b>\$ 10,939,828</b>	<b>56.11</b>
<b>Tax Zone IV</b>							
<b>Developed Parcels</b>							
Detached Residential Unit Parcel	1,670	\$ 844,938	\$ 736,487,104	\$ 4,196,713	\$ 6,864,513	\$ 11,061,226	66.58
Condominiums	200	44,884	46,290,786	222,934	381,602	604,536	76.57
Other Residential	1	25,175	13,811,312	125,040	211,028	336,068	41.10
Non-Residential	6	33,283	15,014,873	165,313	171,080	336,393	44.63
<b>Subtotal</b>	<b>1,877</b>	<b>\$ 948,280</b>	<b>\$ 811,604,075</b>	<b>\$ 4,710,000</b>	<b>\$ 7,628,223</b>	<b>\$ 12,338,223</b>	<b>65.78</b>
<b>TOTAL</b>	<b>8,968</b>	<b>\$ 6,063,264</b>	<b>\$ 3,920,392,028</b>	<b>\$ 40,170,000</b>	<b>\$28,402,202</b>	<b>\$ 68,572,202</b>	<b>57.17</b>

(1) Based on development status as of May 1, 2022. Pursuant to the Rate and Method of Apportionment, a Developed Parcel is generally a parcel which has (1) a recorded final small lot subdivision map for residential uses permitting up to two units per lot, (2) a special-use permit for residential use permitting three or more units per lot or (3) a special use permit for Non-Residential Development.

(2) As shown on the Fiscal Year 2022-23 County Assessor's roll (based on a January 1, 2022 lien date). Does not include 10 Development-Restricted Parcels for which the Special Tax was not levied in Fiscal Year 2022-23.

(3) Includes the Bonds and the Series F Bonds allocated based on the Fiscal Year 2022-23 Special Tax levy.

(4) Includes overlapping special tax and assessment debt. Amount of overlapping debt in this Table 5 differs from overlapping debt in Table 9 because Table 9 includes Development-Restricted Parcels and Exempt Parcels that is not subject to the Special Tax levy. See Table 9.

(5) Calculated by dividing the Assessed Value column by the Total Debt column.

Sources: City of Sacramento; California Municipal Statistics, Inc.; the Underwriter; Harris and Associates as compiled by Goodwin Consulting Group, Inc.

Table 6 below sets forth the stratification of value-to-lien ratios of the parcels within the Tax Zones of the Community Facilities District (excluding 10 Development-Restricted Parcels for which the Special Tax was not levied in Fiscal Year 2022-23) based on the Fiscal Year 2022-23 assessed values (as of the January 1, 2022

lien date), such parcels' respective shares of the principal amount of the Bonds and the Series F Bonds and other direct and overlapping debt within the Community Facilities District.

**TABLE 6**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**VALUE-TO-LIEN STRATIFICATION BY TAX ZONE**

<i>Value-to-Lien</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2022-23 Actual Special Tax Levy</i>	<i>Percent of Actual Fiscal Year 2022-23 Special Tax Levy</i>	<i>Fiscal Year 2022-23 Assessed Value<sup>(1)</sup></i>	<i>Allocated CFD No. 4 Bond Debt<sup>(2)</sup></i>	<i>Overlapping Debt<sup>(3)</sup></i>	<i>Total Debt</i>	<i>Average Value-to-Lien</i>
<b>Tax Zone IA</b>								
Greater than 75:1	780	\$ 518,108	8.5%	\$ 510,494,891	\$ 3,060,393	\$ 2,643,106	\$ 5,703,499	89.51
50:1 to 75:1	1,206	687,758	11.3	489,594,587	4,062,488	3,840,027	7,902,515	61.95
25:1 to 50:1	475	303,543	5.0	149,879,705	1,792,983	1,680,781	3,473,764	43.15
3:1 to 25:1	16	168,302	2.8	38,302,189	994,136	707,051	1,701,186	22.51
Less than 3:1	0	0	0.0	0	0	0	0	n/a
<b>Total</b>	<b>2,477</b>	<b>\$ 1,677,711</b>	<b>27.7%</b>	<b>\$ 1,188,271,372</b>	<b>\$ 9,910,000</b>	<b>\$ 8,870,965</b>	<b>\$ 18,780,965</b>	<b>63.27</b>
<b>Tax Zone IB</b>								
Greater than 75:1	299	\$ 135,652	2.2%	\$ 118,308,650	\$ 1,025,658	\$ 370,102	\$ 1,395,760	84.76
50:1 to 75:1	1,480	1,083,842	17.9	666,120,410	8,194,876	3,255,006	11,449,882	58.18
25:1 to 50:1	1,521	1,238,060	20.4	512,635,377	9,360,907	3,480,229	12,841,136	39.92
3:1 to 25:1	130	67,631	1.1	9,546,469	511,354	152,307	663,661	14.38
Less than 3:1	4	20,792	0.3	24,836	157,205	5,541	162,746	0.15
<b>Total</b>	<b>3,434</b>	<b>\$ 2,545,977</b>	<b>42.0%</b>	<b>\$ 1,306,635,742</b>	<b>\$ 19,250,000</b>	<b>\$ 7,263,186</b>	<b>\$ 26,513,186</b>	<b>49.28</b>
<b>Tax Zone II</b>								
Greater than 75:1	165	\$ 133,676	2.2%	\$ 120,859,474	\$ 944,869	\$ 517,244	\$ 1,462,113	82.66
50:1 to 75:1	661	506,423	8.4	390,134,941	3,579,575	2,917,722	6,497,296	60.05
25:1 to 50:1	317	185,072	3.1	95,176,520	1,308,156	1,031,446	2,339,602	40.68
3:1 to 25:1	37	66,126	1.1	7,709,904	467,401	173,416	640,817	12.03
Less than 3:1	0	0	0.0	0	0	0	0	n/a
<b>Total</b>	<b>1,180</b>	<b>\$ 891,297</b>	<b>14.7%</b>	<b>\$ 613,880,839</b>	<b>\$ 6,300,000</b>	<b>\$ 4,639,828</b>	<b>\$ 10,939,828</b>	<b>56.11</b>
<b>Tax Zone IV</b>								
Greater than 75:1	537	\$ 238,020	3.9%	\$ 275,952,376	\$ 1,182,218	\$ 1,953,968	\$ 3,136,187	87.99
50:1 to 75:1	1,060	535,094	8.8	445,032,575	2,657,753	4,400,997	7,058,751	63.05
25:1 to 50:1	278	162,270	2.7	87,899,728	805,975	1,214,878	2,020,853	43.50
3:1 to 25:1	2	12,896	0.2	2,719,396	64,054	58,379	122,433	22.21
Less than 3:1	0	0	0.0	0	0	0	0	n/a
<b>Total</b>	<b>1,877</b>	<b>\$ 948,280</b>	<b>15.6%</b>	<b>\$ 811,604,075</b>	<b>\$ 4,710,000</b>	<b>\$ 7,628,223</b>	<b>\$ 12,338,223</b>	<b>65.78</b>
<b>TOTAL</b>	<b>8,968</b>	<b>\$ 6,063,264</b>	<b>100.0%</b>	<b>\$ 3,920,392,028</b>	<b>\$ 40,170,000</b>	<b>\$ 28,402,202</b>	<b>\$ 68,572,202</b>	<b>57.17</b>

(1) As shown on the Fiscal Year 2022-23 County Assessor's roll (based on a January 1, 2022 lien date). Does not include 10 Development-Restricted Parcels for which the Special Tax was not levied in Fiscal Year 2022-23.

(2) Includes the Bonds and the Series F Bonds allocated based on the Fiscal Year 2022-23 Special Tax levy.

(3) Includes overlapping special tax and assessment debt. Amount of overlapping debt in this Table 6 differs from overlapping debt in Table 9 because Table 9 includes Development-Restricted Parcels and Exempt Parcels that is not subject to the Special Tax levy. See Table 9.

Sources: City of Sacramento; California Municipal Statistics, Inc.; the Underwriter; Harris and Associates as compiled by Goodwin Consulting Group, Inc.

### Top Taxpayers

Table 7 below lists the largest property taxpayers within the Community Facilities District measured by the percentage of the Fiscal Year 2022-23 Special Tax levy. All property owners responsible for 0.5% or more of the Fiscal Year 2022-23 Special Tax levy are identified. The City did not levy the Special Tax on

Development-Restricted Parcels in Fiscal Year 2022-23 and does not expect to do so in Fiscal Year 2023-24. Based on ownership status as of January 1, 2022, the nine property owners responsible for 0.5% or more of the Fiscal Year 2022-23 Special Tax levy represent approximately 10.01% of the total tax levy.

**TABLE 7  
CITY OF SACRAMENTO  
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4  
TOP PROPERTY OWNERS**

<i>Property Owner<sup>(1)</sup></i>	<i>Tax Zone(s)</i>	<i>Primary Land Use</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2022-23 Actual Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Actual Special Tax Levy<sup>(2)(3)</sup></i>
B33 PARK PLACE LLC(KOHL'S)	IA	Commercial	4	\$ 120,071	1.98%
TC MIRAMONTE I LLC/TC MIRAMONTE II LLC	IA	Residential	2	100,074	1.65
CAREFREE NATOMAS LIMITED PARTNERSHIP	II	Residential	2	98,314	1.62
DS PARK PLACE L P	IA	Commercial	6	65,132	1.07
NORTH NATOMAS TOWN CENTER LLC	IB	Commercial	7	61,110	1.01
NATOMAS SENIOR COMMUNITIES LLC	II	Residential	1	47,083	0.78
SABRINA PLAZA LLC	II	Residential	2	44,985	0.74
ROMAN CATHOLIC BISHOP SACRAMENTO	IA & II	Church	2	37,746	0.62
NORTH NATOMAS TOWN CENTER LLC (SAFEWAY #2697)	IB	Commercial	1	32,367	0.53
All Other Owners	--	--	<u>8,941</u>	<u>5,456,383</u>	<u>89.99</u>
<b>Total</b>			<b>8,968</b>	<b>\$ 6,063,264</b>	<b>100.00%</b>

(1) Ownership status as shown on the County Assessor's roll as of January 1, 2022.

(2) May not total due to rounding.

(3) All holdings of property owners responsible for 0.50% or more of the Fiscal Year 2022-23 Special Tax Levy are identified.

Sources: Harris and Associates as compiled by Goodwin Consulting Group, Inc.

Table 8 below shows the percentage share of the Bonds and the Series F Bonds, based on the Fiscal Year 2022-23 Special Tax levy, allocated by development status and land use classifications within the Tax Zones and in the Community Facilities District in the aggregate. As shown in Table 8 below, approximately 99.4% of the Fiscal Year 2022-23 Special Tax levy was on Developed Parcels.

**TABLE 8**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**PERCENTAGE SHARE OF BONDS AND SERIES F BONDS**  
**BY DEVELOPMENT STATUS AND LAND USE CLASS <sup>(1)</sup>**

<i>Development Status and Land Use Class</i>	<i>Tax Zone IA</i>	<i>Tax Zone IB</i>	<i>Tax Zone II</i>	<i>Tax Zone IV</i>	<i>Total</i>
<u>Developed Parcels</u>					
Detached Residential Unit Parcel	76.4%	83.7%	78.6%	89.1%	81.8%
Condominiums	3.8	10.4	0.0	4.7	6.5
Other Residential	6.0	0.0	21.4	2.7	5.1
Non-Residential	<u>13.9</u>	<u>4.5</u>	<u>0.0</u>	<u>3.5</u>	<u>6.0</u>
<b>Subtotal</b>	<b>100.0%</b>	<b>98.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.4%</b>
<u>Developable Parcels</u>					
Final Use Parcels	0.0%	1.0%	0.0%	0.0%	0.5%
Large Lot Parcels	<u>0.0</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>
<b>Subtotal</b>	<b>0.0%</b>	<b>1.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.6%</b>
Development-Restricted Parcels	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> Figures may not total due to rounding.

Sources: Harris and Associates as compiled by Goodwin Consulting Group, Inc.

### **Direct and Overlapping Indebtedness**

The ability of an owner of land within the Community Facilities District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the land. These other taxes and assessments consist of the direct and overlapping debt in the Community Facilities District are set forth in Table 9 below, (the “Debt Report”). The Debt Report sets forth those entities which have issued debt and does not include entities that only levy or assess fees, charges, *ad valorem* taxes, or special taxes. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc., as of July 1, 2023. Neither the City nor the Underwriter has independently verified the information in the Debt Report, and neither of them guarantees the completeness or accuracy of the Debt Report. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the Community Facilities District; those districts or the agencies that form them could issue more bonds and levy additional special taxes or assessments.

**TABLE 9**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**DIRECT AND OVERLAPPING BONDED DEBT**  
**(as of July 1, 2023)<sup>(1)</sup>**

2022-23 Assessed Valuation: \$4,100,572,249 Land and Improvements<sup>(2)</sup>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/23</u>
Los Rios Community College District General Obligation Bonds	1.623%	\$ 7,278,872
Natomas Unified School District General Obligation Bonds	21.642	85,415,394
Twin Rivers Unified School District General Obligation Bonds (former elementary schools)	5.692	4,967,313
Twin Rivers Unified School District General Obligation Bonds	4.469	12,986,997
Sacramento Area Flood Control District Consolidated Capital Assessment District No. 2 Bonds	5.695	17,433,166
Sacramento Area Flood Control District Natomas Basin Local Assessment District Bonds	18.925	5,719,947
City of Sacramento Community Facilities District No. 97-1 Mello-Roos Act Bonds	42.082	7,128,635
<b>City of Sacramento North Natomas Community Facilities District No. 4 Bonds</b>	<b>100.000</b>	<b><u>40,170,000</u></b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<b>\$181,100,324</b>

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	1.951%	\$ 2,278,486
Sacramento County Pension Obligation Bonds	1.951	10,519,037
Sacramento County Board of Education Certificates of Participation	1.951	41,946
City of Sacramento General Fund Obligations	6.036	<u>32,245,028</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$45,084,497
Less: Sacramento County supported obligations		242,911
City of Sacramento supported obligations		<u>22,538,492</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$22,303,093

GROSS COMBINED TOTAL DEBT	\$226,184,821 <sup>(3)</sup>
NET COMBINED TOTAL DEBT	\$203,403,417

Ratios to 2022-23 Assessed Valuation:

<b>Direct Debt (\$40,170,000)</b> .....	<b>0.98%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	4.42%
Gross Combined Total Debt .....	5.52%
Net Combined Total Debt.....	4.96%

<sup>(1)</sup> Amounts of overlapping bonded debt are as of July 1, 2023. Amount of the Community Facilities District bonded debt is net of the September 1, 2023 debt service payment on the Series F Bonds and reflects the par amount of the Bonds as described herein. Amount of overlapping debt in this Table 9 differs from overlapping debt presented elsewhere in this Official Statement because Table 9 includes Development-Restricted Parcels and Exempt Parcels that is not subject to the Special Tax levy.

<sup>(2)</sup> Differs from the assessed value presented elsewhere in this Official Statement because the value shown in this Table 9 includes Development-Restricted Parcels and Exempt Parcels that are not subject to the Special Tax levy.

<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Source: California Municipal Statistics, Inc.

The following table sets forth the estimated total tax obligation of sample Developed Parcels with a single-family detached unit within each Tax Zone of the Community Facilities District. Based on the Fiscal Year 2022-23 Special Tax levy and tax rates for overlapping taxing entities, the average total Fiscal Year 2022-23 effective tax rate for a Developed Parcel in the Community Facilities District ranges from approximately 1.37% to 1.46% of the average assessed value of a single-family detached home.

**TABLE 10**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**SAMPLE TAX BILLS**  
**FOR INDIVIDUALLY OWNED SAMPLE SINGLE FAMILY DETACHED UNIT**

<u>Assumptions</u>		<i>Tax Zone IA</i>	<i>Tax Zone IB</i>	<i>Tax Zone II</i>	<i>Tax Zone IV</i>
Average Assessed Value <sup>(1)</sup>		\$ 444,948	\$ 379,205	\$ 454,130	\$ 460,273
Homeowner's Exemption		(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)
<b>Net Assessed Value</b>		<b>\$ 437,948</b>	<b>\$ 372,205</b>	<b>\$ 447,130</b>	<b>\$ 453,273</b>
<u>Ad Valorem Tax Rate<sup>(2)</sup></u>	<u>Rate</u>				
County General	1.00000%	\$ 4,379	\$ 3,722	\$ 4,471	\$ 4,533
Natomas Unified School District GOB	0.15270	669	--	--	692
Los Rios Community College District GOB	0.02260	99	84	101	102
Twin Rivers Unified School District GOB <sup>(3)</sup>	0.05360	--	200	240	--
Twin Rivers Unified School District GOB <sup>(3)</sup>	0.03920	--	146	175	--
Grant Joint Union High School District GOB <sup>(3)</sup>	0.01200	--	45	54	--
<b>Total Ad Valorem Taxes</b>		<b>\$ 5,147</b>	<b>\$ 4,196</b>	<b>\$ 5,041</b>	<b>\$ 5,327</b>
<u>Direct Charges</u>					
Reclamation District No. 1000		\$ 27	\$ 25	\$ 25	\$ 27
Sacramento Flood Control Agency		8	7	13	12
SAFCA Consolidated CAP ASMT #2		196	85	80	207
Sacramento ADDL Library SRV Tax		38	38	38	38
Sacto Core Library Serv. Tax		15	15	15	15
Natomas Basin Local Assessment District		69	30	28	74
N. Natomas TMA CFD		32	32	32	32
N. Natomas Landscaping CFD No. 3		95	95	95	95
N. Natomas Nghbr Landscape CFD Zone A		38	--	--	38
N. Natomas Nghbr Landscape CFD Zone I		--	18	--	--
North Natomas Drainage 97-01		99	99	99	99
Neighborhood Park Maint. CFD		--	78	--	--
<b>North Natomas CFD No. 4<sup>(4)</sup></b>		<b>618</b>	<b>724</b>	<b>650</b>	<b>539</b>
Citywide L&L Assessment District		93	93	93	93
<b>Total Direct Charges<sup>(5)</sup></b>		<b>\$ 1,329</b>	<b>\$ 1,339</b>	<b>\$ 1,169</b>	<b>\$ 1,269</b>
<b>Total Taxes and Direct Charges<sup>(6)</sup></b>		<b>\$ 6,476</b>	<b>\$ 5,535</b>	<b>\$ 6,210</b>	<b>\$ 6,596</b>
<b>Percent of Average Assessed Value</b>		<b>1.46%</b>	<b>1.46%</b>	<b>1.37%</b>	<b>1.43%</b>

(1) Estimated assessed value based on the average assessed value for a single-family detached home within each Tax Zone.

(2) Reflects the Fiscal Year 2022-23 *ad valorem* tax rates for tax rate areas within each Tax Zone. *Ad valorem* rates are subject to change in future years. Excludes charges for any debt which has been authorized but not yet issued.

Reflects amounts for Fiscal Year 2022-23 for sample properties within the Community Facilities District. Amounts and overlapping assessments may not apply to all overlapping assessments for all property within the Community Facilities District.

(3) Includes general obligation bonds of elementary school districts prior to unification with the Grant Joint Union High School District to form the Twin Rivers Unified School District.

(4) Reflects the actual Fiscal Year 2022-23 Special Tax levy.

(5) All other direct charges are based on the Fiscal Year 2022-23 charges identified on the County property tax bills. Charges are subject to change in future years. Excludes charges for any debt which has been authorized but not yet issued.

(6) Totals may not total due to rounding.

Sources: Sacramento County Assessor's Office; Sacramento County Tax Collector's Office; Goodwin Consulting Group, Inc.

### Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in the Community Facilities District for Fiscal Years 2018-19 through 2022-23. The Community Facilities District is currently included in the County's Teeter Plan and, as a result, the Community Facilities District receives 100%

of the Special Tax levy, without regard to the actual amount of collections. See “SECURITY FOR THE BONDS— Teeter Plan” and “SPECIAL RISK FACTORS—Teeter Plan Termination.”

**TABLE 11**  
**CITY OF SACRAMENTO**  
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2018-19 THROUGH 2022-23<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Special Tax Levy</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Covered Through Teeter</i>
2018-19	\$5,404,214	45	\$39,552	0.73%	Yes
2019-20	5,549,820	70	27,158	0.49	Yes
2020-21	5,648,283	43	18,444	0.33	Yes
2021-22	5,724,396	62	27,326	0.48	Yes
2022-23 <sup>(2)</sup>	6,063,264	76	31,656	0.52	Yes <sup>(3)</sup>

(1) Except as otherwise noted, reflects delinquencies as of fiscal year end of year levied.

(2) As of June 13, 2023.

(3) One property owner was delinquent on the Fiscal Years 2021-22 and 2022-23 Special Tax levies. The County did not include the delinquent Fiscal Year 2022-23 for such property in the amount of \$724 in the Teeter Plan. See “SECURITY FOR THE BONDS— Teeter Plan.” The City initiated the enforcement of delinquent collections and the property owner subsequently paid the delinquent amounts.

Source: City of Sacramento; Sacramento County Tax Collector’s Office.

### SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay their Special Tax when due. Such failures to pay the Special Tax could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District. See “—Reductions in Property Values” below.

#### Risks of Real Estate Secured Investments Generally

The Bond Holders will be subject to the risks generally incident to an investment secured by real estate, including, but not limited to, (a) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and sites in the event of sale or foreclosure; (b) changes in real estate tax rates and other operating expenses, governmental rules (including but not limited to zoning laws and laws relating to endangered species and hazardous materials), and fiscal policies; (c) natural disasters (including but not limited to earthquakes, wildfires, and floods), which may result in uninsured losses; (d) adverse changes in local market conditions; and (e) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the property owners within the Community Facilities District will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See the caption “—Foreclosure Delays – Bankruptcy” for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

## **Insufficiency of Special Tax Revenues**

As discussed below, the Special Tax may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the Community Facilities District becomes exempt from taxation due to the transfer of title to a public agency.

To pay debt service on the Bonds, it is generally necessary that the Special Tax be paid in a timely manner. Should the Special Tax not be paid on time, the City has established a Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See “SECURITY FOR THE BONDS — Bond Reserve Fund.” The City has covenanted in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject to the availability of the Special Tax in amounts sufficient to do so and subject to the limitation that the City may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method of Apportionment. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the Community Facilities District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on, and enforceable against, the public entity that acquired the property. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the Community Facilities District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, then, subject to the limitation of the Special Tax under the Rate and Method of Apportionment, the Special Tax will be reallocated to the remaining taxable parcels within the Community Facilities District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the Community Facilities District became exempt from the Special Tax because of public ownership or otherwise, the Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of, and interest on, the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The City has covenanted that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Tax amounts in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure” for provisions that apply in the event of such foreclosure and that the City must follow in the event of delinquencies.

If sales or foreclosures of property are necessary, there could be a delay in payments to Bond Holders (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of the foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on taxable parcels in the Community Facilities District, subject to limitations described above under the caption “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment,” to provide an amount required to pay interest on, and principal of, the Bonds, and any amount necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the Community Facilities District will be at all times sufficient to pay the amounts required to be paid by the



Indenture, even if the Special Tax is levied at the maximum Special Tax rates authorized under the Rate and Method of Apportionment. See “—Foreclosure Delays – Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for ad valorem property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained. Under the Act, the City may waive delinquency penalties and redemption penalties if it determines that (a) the waivers will apply only to parcels delinquent at the time of the determination, (b) the waivers will only be available with respect to parcels for which all past due and currently due amounts of the Special Tax and all other related costs are paid in full within a limited period of time specified in the determination, (c) the waivers will be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (d) the waivers are in the best interest of the Bond Holders.

Before July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the City), an action to set aside the sale may be commenced by the delinquent property owner within 90 days after the date of sale. The constitutionality of this legislation repealing the one-year redemption period has not been tested, and there can be no assurance that, if tested, the legislation will be upheld. (California Code of Civil Procedure Section 701.680.)

### **Limitation of Special Tax Levy to Allocated Share of Annual Costs**

Pursuant to the Rate and Method of Apportionment, the maximum amount of the Special Tax that may be levied in each Tax Zone is limited by such Tax Zone’s allocated share of Annual Costs, which is generally determined by the share of the principal amount of the Bonds and Series F Bonds. See “THE COMMUNITY FACILITIES DISTRICT — Allocation of Annual Costs.” Due to such limitation, although the Bonds and the Series F Bonds are payable under the Indenture from the Special Tax collected and deposited in the Special Tax Fund, a shortfall in Special Tax revenues (including amounts needed to replenish the Bond Reserve Fund to the Required Bond Reserve) caused by delinquencies in one Tax Zone may not be adequately compensated by an increase in the Special Tax levy in the other Tax Zones.

The relative allocation of the Bonds and the Series F Bonds will change among the Tax Zones as such bonds mature. After the Bond Year ending September 1, 2031, the Taxable Parcels in Tax Zone IV are not expected to have any allocation of Annual Costs and the Special Tax will not be levied on such parcels. As a result, debt service on the Bonds and the Series F Bonds will be allocated only among Taxable Parcels in Tax Zones IA, IB and II. Further, the portion of the special taxes allocable to Tax Zone IB will increase over time, particularly after September 1, 2031. See “THE COMMUNITY FACILITIES DISTRICT — Allocation of Annual Costs.”

### **Uncertainties in Land Development – General**

In Fiscal Year 2022-23, 8,962 parcels within the Community Facilities were levied as Developed Parcels, 89 parcels of which did not have assessed improvement value as of January 1, 2022. Although the development in the Community Facilities District is substantially complete, there remain certain undeveloped areas therein. Since land without completed buildings is generally less valuable than land with completed buildings, the vacant land will provide less security for the Bonds should it be necessary for the City to

commence foreclosure proceedings because of the non-payment of the Special Tax. In short, the successful development of the land within the Community Facilities District is important to the ultimate security for, and the payment of principal of, and interest on, the Bonds.

There are many reasons why a project may not be developed in the manner and within the time frame and budget originally planned. For example, a project might be adversely affected by opposition to it, unfavorable economic conditions, an inability of the landowner to obtain financing; fluctuations in the local real estate market; fluctuations in interest rates unexpected increases in development costs; changes in federal, state, or local governmental policies relating to the ownership and development of real estate; and the appearance of previously unknown environmental considerations or material changes in known environmental considerations. Some of these factors are discussed below as individual risk factors.

### **Disclosure to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the parcel is sufficient, may be affected by whether the owner was given due notice of the Special Tax authorization when the owner purchased the parcel; was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy; and has the ability, at the time of such a levy, to pay it as well as pay other expenses and obligations. The City has caused a Notice of Special Tax lien to be recorded against each parcel with the County Clerk/Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the Community Facilities District or the lending of money thereon.

The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good-faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Teeter Plan Termination**

In 1993, the County implemented its Teeter Plan as an alternative procedure for the distribution of certain property tax and assessment levies on the secured roll. Under its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the Community Facilities District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the Community Facilities District would eliminate such protection from Special Tax delinquencies. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

### **Geologic, Topographic and Climatic Conditions**

The market value of the property within the Community Facilities District can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). The property within the Community Facilities District is not located within an Alquist-Priolo Earthquake Fault Zone.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

A revised map designating the property within the Natomas Basin as Zone A99 became effective on June 16, 2023. The Zone A99 designation means that, among other things, at least 50% of the improvements required to achieve 100-year flood protection have been completed. See “THE COMMUNITY FACILITIES DISTRICT — Flood Hazard.”

The area within the Natomas Basin has experienced flood events. For instance, in 1986, flooding caused seepage in the levees within the proximity of the Sacramento International Airport. As described in this Official Statement, the area within the Natomas Basin, including the Community Facilities District, remains at risk for flood-related property damage even if the Levee Project is complete.

### **Hazardous Substances**

Although government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Super Fund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) may be obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Community Facilities District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

The City is not aware of the presence of any federally or State classified hazardous substances located on the property within the Community Facilities District. However, it is possible that such substances do currently exist and that the City is not aware of them.

It is possible that property in the Community Facilities District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could reduce the value of the applicable property.

## Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Covenant for Superior Court Foreclosure." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which exempts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* property taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **FDIC/Federal Government Interests in Parcels**

The ability of the City to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Tax amounts may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, have or obtain an interest.

In the case of the FDIC, if any financial institution making a loan that is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the City may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that non-*ad valorem* taxes secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or before December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court ruled in favor of the FDIC, Orange County appealed, and the FDIC cross-appealed. On August 28, 2001, the United States Court of Appeals for the Ninth Circuit (the “Ninth Circuit”), issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, if a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Tax amounts may be limited. Federal courts have held, based on the supremacy clause of the United States Constitution, that “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a taxable parcel but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress provides otherwise, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel because of delinquent Special Tax amounts, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Tax and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Cir. 1979) 597 F.2d 174, the Ninth Circuit held that Fannie Mae is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by Fannie Mae constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the Community Facilities District becoming owned by

the federal government, federal government entities, or federal government sponsored entities, see “—Insufficiency of Special Tax Revenues.”

The City’s remedies may also be limited in the case of delinquent Special Tax amounts with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

### **Direct and Overlapping Indebtedness**

The ability of an owner of property within the Community Facilities District to pay the applicable Special Tax could be affected by the existence of other taxes and assessments imposed upon Taxable Parcels. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Debt” herein. The City and other public agencies whose boundaries overlap those of the Community Facilities District could impose additional taxes or assessment liens on the Taxable Parcels within the Community Facilities District to finance public improvements or services inside or outside the Community Facilities District. The lien created on the Taxable Parcels within the Community Facilities District through the levy of such additional taxes may be on parity with the lien of the Special Tax applicable to the Taxable Parcels within the Community Facilities District.

The imposition of additional liens on parity with the Special Tax may reduce the ability or willingness of property owners to pay the Special Tax and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Tax amounts.

### **Reductions in Property Values**

The value of the Taxable Parcels within the Community Facilities District is an important factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City’s only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land-use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See “THE COMMUNITY FACILITIES DISTRICT —Assessed Value-to-Lien Ratios” for a discussion of the assessed value of Taxable Parcels within the Community Facilities District.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal and generally reflect only the sales price of a parcel when acquired by its current owner, increased or decreased annually by an amount determined by the County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value. The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the parcels in the Community Facilities District that secure the Bonds. See “THE COMMUNITY FACILITIES DISTRICT—Assessed Value-to- Lien Ratios” above.

No assurance can be given that the estimated value-to-lien ratios set forth in Tables 5 and 6 will be maintained over time. As discussed herein, many factors beyond the City’s control could adversely affect the property values of Taxable Parcels within the Community Facilities District. The City does not have any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which is through the levy of a tax or an assessment on parity with the Special Tax. A decrease in the assessed values of Taxable Parcels in the Community Facilities District or an increase in the indebtedness secured by taxes and amounts with parity liens on Taxable Parcels in the Community Facilities District, or both, could result in a lowering of the value-to-lien ratio of the Taxable Parcels in the Community Facilities District.

No assurance can be given that any bid will be received for a parcel with delinquent Special Tax amounts offered for sale at foreclosure or, if a bid is received, that the bid will be sufficient to pay all delinquent Special Tax amounts.

### **Special Tax Delinquencies**

Under the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the Community Facilities District on the secured property tax bills sent to the property owners by the County. The Act currently provides that Special Tax installments are due and payable when *ad valorem* property-tax installments are due and bear the same penalties and interest for non-payment as do *ad valorem* property tax installments.

See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure,” for a discussion of the provisions that apply, and procedures the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See “SPECIAL RISK FACTORS — FDIC/Federal Government Interests in Properties” and “— Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessments and limitations on the City’s ability to foreclose on the lien of the Special Tax in certain circumstances.

### **Payment of Special Tax is not a Personal Obligation of the Property Owners**

An owner of a Taxable Parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation secured only by a lien against the Taxable Parcel. If the value of a Taxable Parcel is not sufficient, taking into account other liens imposed by public agencies, to fully secure the Special Tax, the City has no recourse against the property owner.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

### **Proposition 218**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in

any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner that does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS — Limitations on Remedies.”

### **Ballot Initiatives**

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain financial and operating information, there can be no assurance that such information will be available to Bond owners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely to an action for specific performance. Occasionally, because of general market conditions or lack of current information, 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.



## **Limitations on Remedies**

Remedies available to the Holders of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of, and interest on, the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor's rights; by equitable principles; by the exercise of judicial discretion; and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Holders.

## **Potential Early Redemption of Bonds from Prepayments or Bond Proceeds**

Property owners within the Community Facilities District and any future individual property owner, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the interest payment date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption—*Extraordinary Redemption from Prepayments.*"

## **Bond Insurance**

In the event of default of the payment of the scheduled principal of or interest on the Insured Bonds when all or some becomes due, the Trustee on behalf of any owner of the Insured Bonds shall have a claim under the Policy for such payments. AGM may direct and must consent to any remedies with respect to the Insured Bonds and AGM's consent may be required in connection with amendments to any applicable documents relating to the Insured Bonds.

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

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

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

## **Cybersecurity**

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on

computers and other sensitive digital networks and systems. In late-2019, the City experienced a cyber event relating to a fraudulently misdirected payment of a substantial amount. The City has recovered almost all of the payment, and has instituted procedures intended to prevent a reoccurrence.

No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. 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 Special Tax and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

### **Litigation with Respect to Community Facilities Districts**

**Shapiro.** The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

**Horizon.** The Sacramento County Superior Court issued a ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661) which as described below, involved an election to approve the levy of a special tax within a community facilities district ("CFD") formed under the Act.

In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by Section 53326(c) of the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...") the phrase "qualified electors" means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the ruling states that the phrase "qualified electors of the district" refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the final ruling states that the special tax is invalid.

The superior court's final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the final ruling on a number of grounds, the City decided not to appeal.

***The Special Tax Election in the Community Facilities District.*** With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the Community Facilities District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in the Community Facilities District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in the Community Facilities District approved the Special Tax to be levied in accordance with the Rate and Method of Apportionment on November 5, 1998. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the November 5, 1998 may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix B.

#### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the 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 Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or

result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix B. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City.

### **ABSENCE OF LITIGATION**

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City’s ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

### **MUNICIPAL ADVISOR**

The City has retained Montague DeRose and Associates, LLC, as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the Bonds. Although the Municipal Advisor has assisted in the preparation of the Official Statement, the Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

## **RATINGS**

S&P has assigned its municipal bond insured rating of “AA” (stable outlook) to the Insured Bonds based upon the issuance and delivery of the Policy by AGM at the time of issuance of the Insured Bonds (see “BOND INSURANCE” herein). S&P has assigned its municipal bond rating of “A-” to the Bonds without regard to whether the Policy is delivered for the Insured Bonds. With respect to the Insured Bonds, the credit rating assigned by S&P based upon the delivery of the Policy is dependent on the financial strength and claims paying ability of the Insurer, which could change over time (see “BOND INSURANCE” herein). These ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P. There is no assurance that the ratings will continue for any given time or that the ratings will not be revised downward or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

Robert Thomas CPA, LLC, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relating to the sufficiency of the moneys and securities to be deposited in the Escrow Fund to pay the Redemption Price of the Refunded Bonds on the Redemption Date.

The report of Robert Thomas CPA, LLC will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in the schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

## **UNDERWRITING**

The Bonds are being purchased by BofA Securities, Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$26,987,883.31 (\$25,125,000.00 principal amount, plus original issue premium of \$1,980,727.65 and less an Underwriter’s discount of \$117,844.34). The Bond Purchase Contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter’s compensation is contingent upon the successful issuance of the Bonds.

The Underwriter of the Bonds has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, the Underwriter may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, the Underwriter may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page hereof. The Underwriter may change the offering prices from time to time.

## **CONTINUING DISCLOSURE**

The City will execute a continuing disclosure certificate (the “Continuing Disclosure Certificate”) for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Community Facilities District and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX

E — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with SEC Rule 15c2-12 (the “Rule”). The City will file the City Reports with EMMA no later than nine months after the end of the City’s fiscal year, which is currently June 30. The first Annual Report will be due March 31, 2024.

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City’s annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City’s annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees’ Retirement System and the City’s Public Employees’ Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

The City is required to file certain financial statements with the City Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See “SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS.” The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

#### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter, the Trustee/Escrow Agent, the trustee’s counsel, and Underwriter’s Counsel are contingent upon the issuance and delivery of the Bonds. A portion of the respective fees being paid to Bond Counsel and Disclosure Counsel is contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

#### **PENDING LEGISLATION**

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

#### **ADDITIONAL INFORMATION**

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

/s/ John P. Colville Jr.  
City Treasurer



## APPENDIX A

### SUMMARY OF INDENTURE

*The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.*

#### Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Acquisition and Construction Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Bond Redemption Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Reserve Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Year” means the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

“Bonds” means the aggregate principal amount of special tax bonds of the City at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. “Serial Bonds” means Bonds for which no Sinking Fund Account Payments are established. “Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

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

“City Council” means the City Council of the City of Sacramento.

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

“Community Facilities District” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Law.

“Community Facilities Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Costs of Issuance Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments, plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

“Event of Default” means an event described as such in the Master Indenture.

“Expense Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Expenses” means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, including the cost of environmental evaluations of the Facilities, and all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means the public facilities constituting pipes, collection drains and channels, pump stations, detention basins and outfall drains authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on November 5, 1998.

“Federal Securities” means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two per cent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

“Fitch” means Fitch IBCA, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Master Indenture.

“Indenture” means the Master Indenture and all Supplemental Indentures.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Law” means collectively the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

“Legal Investments” means any securities in which funds of the City may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then current investment policy of the City (as established by the City Council).

“Master Indenture” means the Master Indenture dated as of February 1, 1999, by and between the City and the Trustee entered into under and pursuant to the Law.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of all Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, counsel for the City) retained by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture;  
and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

“Principal Corporate Trust Office” means the principal office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

“Rebate Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the original principal amount of the Bonds, or (b) the maximum Debt Service payable under the Master Indenture in the current or any future Bond Year, or (c) one hundred twenty-five per cent (125%) of the average Debt Service payable under the Master Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to “AA” or higher assigned by Fitch or “Aa” or higher assigned by Moody’s or “AA” or higher assigned by Standard & Poor’s, in each case without regard to any numerical modifier or plus or minus sign.”

“Series” means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

“Series G (2023) Bonds” means the Bonds referred to by that name authorized to be issued by Article II of the Seventh Supplemental Indenture.

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to the Master Indenture.

“Sinking Fund Account Payments” means the payments required by all Supplemental Indentures to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

“Seventh Supplemental Indenture” means the Seventh Supplemental Indenture dated as of September 1, 2023, between the City and the Trustee entered into under and pursuant to the Law and the Master Indenture.

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on November 5, 1998.

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax, approved at the election held in the Community Facilities District on November 5, 1998.

“Special Tax Fund” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Standard & Poor’s” means Standard & Poor’s, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

“Tax Zone” has the meaning contained in the Special Tax Formula.

“Taxable Land” means all land within the Community Facilities District taxable under the Law in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

“Treasurer” means the City Treasurer of the City of Sacramento.

“Trustee” means U.S. Bank Trust Company, National Association (successor in interest to The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company)), a national banking association duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California that may at any time be substituted in its place as provided in the Master Indenture.

### **Conditions for the Issuance of Additional Series of Bonds**

Under the Seventh Supplemental Indenture, the City has agreed that for so long as the Series G (2023) Bonds are Outstanding, it will not issue any additional Bonds (other than the Series G (2023) Bonds) under the Indenture except for the purpose of refunding any Bonds (including the Series G (2023) Bonds) then Outstanding. If the City issues additional Bonds for such purpose, it must comply with the following provisions of the Master Indenture:

(1) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures required to be observed or performed by it, and no Event of Default shall have occurred and shall be then continuing; and

(2) (a) The proceeds that would be available to the City if the Special Tax were to be levied and collected in each Tax Zone for each Series then Outstanding at the maximum rate and amount allocable to such Tax Zone for such Series (determined in accordance with the Special Tax Formula) on all Taxable Land in such Tax Zone in the Community Facilities District during each Fiscal Year that any Bonds of such Series will be Outstanding, as shown by a Certificate of the City on file with the Trustee, would have produced a sum equal to at least one hundred fifteen per cent (115%) of the Annual Debt Service during each such Fiscal Year on all Bonds to be Outstanding after the issuance of such Series; and (b) the estimated aggregate value-to-lien ratio (considering all prior Series and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act and all special assessments levied on property) of all taxable land within each Tax Zone subject to the levy of the Special Tax for such Series shall be in excess of 3:1, with the maximum rate and amount of the Special Tax allocable to such Tax Zone determined as described in clause (a) of this paragraph (2); provided, that notwithstanding the foregoing limitation, nothing contained in the Master Indenture shall limit

the issuance of any Series payable from the proceeds of the Special Tax as provided in the Master Indenture if after the issuance and delivery of such Series none of the Bonds theretofore issued under the Master Indenture will be Outstanding, and provided further, that notwithstanding the foregoing limitation, any Series may be issued without regard to such limitations if the Debt Service in each Fiscal Year after the issuance of such Series is not increased by reason of the issuance of such Series.

### **Deposit of Proceeds of the Special Tax in the Special Tax Fund**

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the “North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Special Tax Fund,” which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions under the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions under the Master Indenture, all of the proceeds of the Special Tax received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund.

### **Allocation of Money in the Special Tax Fund**

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds (each of which funds the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) Bond Redemption Fund. On or before the first (1<sup>st</sup>) day in each March and September, the Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before the first (1<sup>st</sup>) day in September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided in the Master Indenture.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any,

on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire Term Bonds.

(2) Bond Reserve Fund. On or before the first (1<sup>st</sup>) day in September in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as shall be required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund.

(3) Expense Fund. On September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period.

All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Law; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

### **Covenants of the City**

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Law and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; as provided in the Master Indenture; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the “North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Rebate Fund” to be held in trust and administered by the Treasurer. The City will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Master Indenture and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Expense and Services Budgets. The City Council will, on or before September 1 in each year, adopt a budget setting forth the costs of the estimated Expenses for the period from such September 1 through the next succeeding August 31; provided, that any budget adopted in accordance with the Master Indenture may be amended by the City Council at any time.

Protection of Security and Rights of Holders. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.



Payment of Governmental Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, and will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except as otherwise set forth in the Master Indenture.

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Master Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (or to reinstate any surety bond issued in whole or partial satisfaction thereof) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Master Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in the Master Indenture or by the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Foreclosure of Special Tax Liens. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Law against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand dollars (\$1,000) or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than ninety-five per cent (95%) of the total amount of the special tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Law against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the City shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City shall have received one hundred per cent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Special Taxes provided in the Master Indenture to the fullest extent possible under applicable law of the State of California.

## **Amendment of or Supplement to the Master Indenture**

### Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Master Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Master Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an approving Opinion of Counsel and only for any one or more of the following purposes: (i) to add to the agreements and covenants required to be performed by the City under the Master Indenture other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved in the Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) adversely affect the interests of the Holders; (ii) to make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) adversely affect the interests of the Holders; (iii) to authorize the issuance under the Law and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued; (iv) to authorize the issuance under and subject to the Law of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued; (v) to make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes; or (vi) to make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds.

Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding

on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Amendment or Supplement by Mutual Consent. The provisions of the Master Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

### **Events of Default and Remedies of Holders**

Events of Default and Remedies of Holders. If one or more of the following events (herein “Events of Default”) shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee;

(c) if default shall be made by the City in the due and punctual payment of any indebtedness on a parity with the payment of the Bonds; or

(d) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the City Council or the City or any of the officers or employees of the City, and to compel the City Council or the City or any such officers or employees to perform and carry out their duties under the Law and the agreements and covenants with the Holders contained in the Master Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

Non-waiver. Nothing in the Master Indenture or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided in the Master Indenture from the proceeds of the Special Tax and the other funds as provided therein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Master Indenture and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the Holders by the Law or by the Master Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

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

Remedies Not Exclusive. No remedy in the Master Indenture conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

## **Defeasance**

### Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the above paragraph (a) if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the above paragraph (a) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption pursuant to the Master Indenture to the respective Holders of all such Outstanding Bonds and to the securities depositories or securities information services selected by it pursuant to the Master Indenture and to the original underwriter of the Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth in the Master Indenture and that all obligations of the City with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail pursuant to the Master Indenture a notice to the Holders of such Bonds and to the securities depositories and

securities information services selected by it pursuant to the Master Indenture and to the original underwriter of the Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Master Indenture and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

### **Certain Provisions Relating to the Insurer and the Insured Bonds**

Notwithstanding anything to the contrary contained in the Master Indenture, the following provisions will control for so long as any of the Insured Bonds are Outstanding or any amounts are owed to the Insurer.

(a) Any amendment, supplement, modification to, or waiver of, the Master Indenture or any other transaction document that requires the consent of the Holders of Insured Bonds or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(b) The Insurer shall be deemed to be the sole Holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Insured Bonds are entitled to take pursuant to the section or article of the Master Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Master Indenture and each Insured Bond, each Insured Bond Holder appoints the Insurer as their agent and attorney-in-fact and agrees that the Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Insured Bond Holder delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Insured Bond Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Holder of the Insured Bonds for the Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment.

(c) The Insurer is recognized as and deemed to be a third-party beneficiary of the Master Indenture and the Seventh Supplemental Indenture and may enforce the provisions of the Master Indenture and the Seventh Supplemental Indenture as if it were a party thereto.

(d) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding).

(e) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(f) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

## **Miscellaneous**

### Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds.

Notwithstanding anything contained in the Master Indenture, the City shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds provided in the Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Law or by any other applicable provisions of law.

**APPENDIX B**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

City Council  
City of Sacramento  
Sacramento, California

North Natomas Community Facilities District No. 4  
City of Sacramento, County of Sacramento, State of California,  
Special Tax Refunding Bonds, Series G (2023)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$25,125,000 aggregate principal amount of North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series G (2023) (the “Bonds”). The Bonds are being issued pursuant to a Master Indenture, dated as of February 1, 1999 (the “Master Indenture”), as supplemented and amended, including as supplemented by a Seventh Supplemental Indenture, dated as of September 1, 2023 (the “Seventh Supplemental Indenture” and, together with the Master Indenture as so supplemented and amended, the “Indenture”), each between the City and U.S. Bank Trust Company, National Association (as successor in interest to The Bank of New York Mellon Trust Company, N.A.), as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions

or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special tax obligations of the City, payable solely from the Special Tax and certain funds held under the Indenture.

2. The Seventh Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per



## APPENDIX C

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

**City of Sacramento, California**  
**North Natomas Community Facilities District No. 4**  
**(Drainage Basins No. 1, No. 2, & No. 4)**

#### 1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the “Act”) applicable to the land in the North Natomas Drainage Community Facilities District No. 4 (the “CFD”) of the City of Sacramento (the “City”) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

#### 2. Definitions

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

“**Administrative Expenses**” means the actual or estimated costs incurred by the City to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants, legal counsel, corporate bond-paying agents, fiscal agents, and bond trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; cost of arbitrage calculation and arbitrage rebates, preparation of required reports; and any other costs required to administer the CFD as determined by the City.

“**Annexation Parcel**” means a Parcel that was not included within the boundaries of the CFD at the time of formation. Later participation in the CFD requires annexation proceedings.

“**Annual Costs**” means, for any Fiscal Year, the total of (i) Debt Service for the Calendar Year commencing January 1 of such Fiscal Year through December 31 of the following Fiscal Year; (ii) Administrative Expenses for such Fiscal Year; (iii) any amounts needed to replenish any bond reserve fund for bonds of the City issued for the CFD to the level required under the documents pursuant to which such bonds were issued; (iv) an amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and an amount for anticipated delinquencies for the current Fiscal Year; (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the CFD, less any credit from earnings on the bond reserve fund, less any reimbursements, less any grants/ other project funding and/or less the application of any funds available from Prepayments as described in Section 6.

“**Assessor**” means the Assessor of the County of Sacramento.

“**Authorized Facilities**” means those improvements, as listed in the Resolution forming the CFD.

“**Bond Year**” means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

“**CFD**” means the North Natomas Drainage Basins No. 1, No. 2 and No. 4 Community Facilities District No. 4 of the City of Sacramento, California.

“**City**” means City of Sacramento, California.

**“Condominium Parcel”** means a Developed Parcel with an approved land use for condominiums (more than two attached dwelling units which are owned individually). Parcels that are open space, recreation, clubhouse etc., owned by a Condominium Association or Home Owners Association, are Tax-Exempt Parcels.

**“Council”** means the City Council of the City of Sacramento acting for the CFD under the Act.

**“County”** means the County of Sacramento, California.

**“Debt Service”** means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds, notes or certificates of participation of the City for the CFD during that Fiscal Year or Bond Year, less any applicable credits that may be available from any other sources available to the City to pay principal and interest for the previous or current Fiscal Year or Bond Year.

**“Detached Residential Unit Parcel”** means a Developed Parcel with an approved land use for a single family, detached residential dwelling unit, or a duplex (two units per lot). The Special Tax assigned to a unit or duplex is determined by the calculated median lot size group of the Final Subdivision Map. See Section 4.A.4.

**“Developed Parcel”** means a Parcel which has a:

- recorded final small lot subdivision map for residential uses permitting up to 2 units per lot,
- special use permit for residential use permitting 3 or more units per lot, or
- special use permit for Non-Residential Development.

Once classified as Developed, no Parcel shall be removed from these classifications unless the special use permit expires, is revoked, or is otherwise terminated.

**“Developable Parcel”** means a Parcel which has been created after 1/1/94 by a recorded Master Parcel Map, or any other Final Subdivision Map, but that still requires further subdivision into individual small lots or a special use permit to develop. A Parcel may also be reclassified from a Development-Restricted Parcel to a Developable Parcel as a result of a lot line adjustment, provided the property owner gives written authorization to the City.

**“Development-Restricted Parcel”** means a Taxable Parcel that has not met the definition of a Developable Parcel or a Developed Parcel. These Parcels may only be taxed after the City has received written authorization from the property owner.

**“Development Year”** means, for each Developable Parcel, the Fiscal Year in which the Parcel changes classifications from Development-Restricted Parcel to Developable Parcel, or Developable Parcel to Developed Parcel.

**“Estimated Net Acre”** means the actual Net Acre of a Parcel(s) or an approximation of the Net Acres based upon the total Gross Developable Acres less an allowance for minor streets as indicated in the North Natomas Community Plan.

**“Final Use Parcel”** means a Parcel which has been created by a recorded Master Parcel Map or other recorded Final Subdivision Map and requires no further subdivision in order to develop. The Parcel will be classified as a Developable Parcel until a special use permit has been issued. If the City cannot determine if a Parcel is to be classified as a Final Use Parcel or a Large Lot Parcel, then the Parcel shall be classified as a Large Lot Parcel.

**“Fiscal Year”** means the period starting July 1 and ending the following June 30.

**“Gross Acre”** means the entire area of a Parcel prior to dedication of major streets, schools, parks, open space and other public right-of-way.

**“Gross Developable Acre”** means the area of a Parcel associated with residential and non-residential uses after dedication of major streets, but prior to dedication of minor streets.

**“Large Lot Parcel”** means a Parcel which is created by a recorded Master Parcel Map or recorded Final Subdivision Map, which requires further subdivision or other entitlements and dedications of public land in order to develop.

**“Master Parcel Map”** means a map that subdivides large tracts of land into smaller parcels for the purpose of later selling or otherwise transferring the parcels for further subdivision in accordance with City procedures, or for the purpose of securing financing, together with planning and construction of infrastructure elements, but not for the purpose of creating either individual residential lots for sale to end-user homeowners, and not for the purpose of allowing construction or other improvements on Non-Residential Parcels.

**“Maximum Annual Special Tax”** means the greatest amount of Special Tax that can be levied against a Parcel calculated by multiplying the Maximum Annual Special Tax Rate times the relevant acres or units of the parcel.

**“Maximum Annual Special Tax Rate”** means the amount shown in **Attachment 1** for a Fiscal Year that is used in calculating the Maximum Annual Special Tax for a Parcel based on its land use classification.

**“Maximum Annual Special Tax Revenue”** means the greatest amount of revenue that can be collected in total from a group of Parcels by levying the Maximum Annual Special Tax Rates.

**“Net Acre”** is the area of a Parcel associated with residential and non-residential uses after dedication of all public uses and rights-of-way.

**“Non-Participating Parcel”** means a Parcel, which is not part of a recorded Master Parcel Map, and does not have authorization from the property owner to be taxed. Any such Parcel shall be a Tax-Exempt Parcel. Any Non-Participating Parcel which subsequently becomes Taxable must be reclassified as a Developable Parcel or a Parcel of higher tax status. Once the Non-Participating Parcel has been reclassified as a Taxable Parcel, it cannot revert to Non-Participating Parcel status.

**“Non-Residential Development”** means a Taxable Parcel designated for retail, commercial, office, industrial, or similar use as defined in the North Natomas Community Plan.

**“Non-Residential Parcel”** means a Developed Parcel with an approved land use for Non-Residential Development.

**“Other Residential Parcel”** means a Developed Parcel with an approved land use for other than Detached Residential Unit Parcel or Condominium Parcel, such as three or more attached residential units owned in common.

**“Parcel”** means any Assessor’s parcel in the CFD based on the equalized tax rolls of the County as of March 1 of each Fiscal Year.

**“Parcel Number”** means the Assessor’s Parcel Number for any Parcel based on the equalized tax rolls of the County as of March 1 of each Fiscal Year.

**“Prepayment”** means the permanent satisfaction of the entire Special Tax obligation for one or more Parcels by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6. Prepayment may occur before or after the initial bond sale, with differing criteria.

**“Prepayment Parcel”** means a Parcel which has permanently satisfied the entire Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6.

**“Public Parcel”** means any Parcel, in its entirety, that is or is intended to be publicly owned as designated by the City that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; and public drainageways, public landscaping, wetlands, greenbelts, and public open space. These parcels are exempt from the levy of Special Taxes as described below. Any such Parcel shall be a Tax-Exempt Parcel, except for Taxable parcels that are acquired by a public agency, in which case the Special Tax obligation for such parcels shall be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Government Code by the procedure described in Section 6.

**“Reimbursement Parcel”** means a Parcel for which the Parcel owner has advance-funded the Parcel’s allocated CFD drainage improvement costs, as determined by the City, but has not received any reimbursement from CFD bond proceeds. Once a reimbursement has been made, the Parcel shall be reclassified as a Developed Parcel, Developable Parcel, or a Development-Restricted Parcel.

**“Special Tax(es)”** mean(s) any tax levy under the Act in CFD.

**“Tax Collection Schedule”** means the document prepared by the City for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

**“Tax Zone”** means the Tax Zone indicated in **Attachment 3**.

**“Tax Zone IA”** means the area labeled on **Attachment 3** within Drainage Basin No. 1.

**“Tax Zone IB”** means the area labeled on **Attachment 3** within Drainage Basin No. 1.

**“Tax Zone II”** means the area labeled on **Attachment 3** within Drainage Basin No. 2.

**“Tax Zone IV”** means the area labeled on **Attachment 3** within Drainage Basin No. 4.

**“Taxable Parcel”** means any Parcel that is not a Tax-Exempt Parcel.

**“Tax-Exempt Parcel”** means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4, below), (ii) any Prepayment Parcel, and (iii) Non-Participating Parcels. Certain non-developable privately owned Parcels may also be exempt from the levy of Special Taxes as determined by the City such as common areas, wetlands, and open space.

**“Tentative Subdivision Map”** means a tentative subdivision map defined under the California Subdivision Map Act and Title 40 of the Sacramento City Code.

**“Tentative Map Parcel”** means a Development-Restricted Parcel, which has an approved Tentative Master Parcel Map or an approved Tentative Subdivision Map, but for which no Final Subdivision Map has been recorded.

**“Unmapped Parcel”** means a Development-Restricted Parcel that does not have a Tentative Master Parcel Map or Tentative Subdivision Map.

**“Veteran Developed Parcel”** means a Parcel that had been classified as a Developable or Developed Parcel for thirty years. After 30 years of being subject to the Special Tax as a Developable or Developed Parcel, the Veteran Developed Parcel is only subject to the Special Tax if there is a shortfall in the revenues generated from all other Taxable Parcels to pay for the Annual Costs of the CFD.

**“Zone IA Parcel”** means each Parcel that lies within Tax Zone IA.

**“Zone IB Parcel”** means each Parcel that lies within Tax Zone IB.

**“Zone II Parcel”** means each Parcel that lies within Tax Zone II.

**“Zone IV Parcel”** means each Parcel that lies within Tax Zone IV.

### **3. Termination of the Special Tax**

The Special Tax will be levied on and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund Authorized Facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2039-2040.

When all of the bonds issued to pay for Authorized Facilities have been retired, the Special Tax shall cease to be levied. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished.

### **4. Assignment of Maximum Annual Special Tax**

A. Classification of Parcels. By May 1 of each Fiscal Year, using the Definitions above, the parcel records of the Assessor’s Secured Tax Roll as of January 1, and other City development approval records, the City shall cause:

1. Each Parcel to be classified as a Tax-Exempt Parcel, Taxable Parcel, or Reimbursement Parcel.

However, Taxable Parcels that are acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if Public Parcels, such as a school site, are relocated and the previously Tax-Exempt Parcels of comparable acreage become Taxable Parcels. This trading of Parcels will be permitted to the extent that there is no net loss in maximum Special Tax revenue.

2. Each Taxable Parcel to be identified according to the Tax Zone that it is located in.
3. Each Taxable Parcel within its specified Tax Zone to be further classified as a Developed Parcel, Developable Parcel, Development-Restricted Parcel, Veteran Developed Parcel, or Prepayment Parcel. Once classified as a Developed Parcel, no Parcel shall be removed from the Developed classification unless the special use permit expires, is revoked, is otherwise terminated, or the Parcel is classified as a Veteran Developed Parcel, or becomes a Prepayment Parcel.
4. In the event that a Final Subdivision Map has Detached Residential Units with different lot size groups (e.g., 4,500 sq. ft lots and 6,000 sq. ft lots), each Developed Parcel will be further classified according to the calculated median lot size in each of the lot size groups. This is to avoid an outlying lot size in a Developed Parcel from paying a different tax rate.

B. Assignment of Maximum Annual Special Tax. The City shall assign the appropriate maximum Annual Special Tax for the Fiscal Year of the tax levy to each Taxable Parcel as follows (Prepayment Parcels skip to Section 6):

1. Developed Parcels and Veteran Developed Parcels

**Attachment 1** shows the Maximum Special Tax Rates per unit for Developed Parcels and Veteran Developed Parcels by Fiscal Year. The only change in the Maximum Annual Special

Tax for a Developed Parcel shall be if a Prepayment occurs after the Development Year in accordance with Section 6 below.

2. Developable Parcels

**Attachment 1** also shows the Maximum Special Tax Rates for Developable Parcels by Fiscal Year. Recorded Final Use Parcels will be taxed per Net Acre. Recorded Large Lot Parcels will be taxed per Gross Developable Acre.

3. Development-Restricted Parcels

The Maximum Special Tax Rates for Development-Restricted Parcels is shown in the far right column of **Attachment 1**. Tentative Map Parcels and Unmapped Parcels will be taxed per Gross Acre.

- C. Reimbursement Parcels. The Maximum Special Tax Rate for a Reimbursement Parcel shall be set to zero until it is reclassified as a Developed Parcel.
- D. Conversion of a Public Parcel to a Taxable Parcel. If a Public Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned according to 4.A and 4.B above.
- E. Reclassification of a Non-Participating Parcel from Tax-Exempt status to Taxable status. Once a Non-Participating Parcel records a Master Parcel Map, the Parcel must be reclassified as a Taxable Parcel, and shall be classified as a Developable Parcel, or a Parcel of higher tax status. The Maximum Annual Special Tax for such a Parcel shall be assigned according to 4.A and 4.B above.
- F. Annexation Parcels. Parcels annexing to the CFD shall have their Maximum Special Tax rate assigned by following the procedures in Section 4.B above.

**5. Calculating Annual Special Taxes**

The City shall compute the Annual Costs for each Tax Zone, and determine the Maximum Annual Special Tax for each parcel based on the assignment in the Special Tax in Section 4. The City will then determine the tax levy for each parcel using the following process:

- A. Compute the share of Annual Costs for each Tax Zone by the following steps:
- Determine share of total facilities costs funded by CFD bonds for each Tax Zone. For each series of bonds issued, the share of total facilities costs funded by CFD bonds will be set at the time of sale of bonds, and will be used until all bonds for that issue have been retired.
  - Add the total pay-as-you-go expenditures for the present and prior year for each Tax Zone.
  - Add the allocation of bond-funded costs and pay-as-you-go expenditures for each Tax Zone.
  - Determine the percentage share of bond-funded facilities cost and pay-as-you-go expenditures for each Tax Zone. Calculate this by dividing the result of the last step by total bond-funded costs and pay-as-you-go expenditures in the CFD.
  - Multiply Annual Costs by the percentage share to determine the allocation of Annual Costs for each Tax Zone.

- B. For each Tax Zone, calculate the Special Tax for each Taxable Parcel by the following steps:
- Determine if sufficient special tax revenues are available by taxing each Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs assigned to the Tax Zone, the tax is reduced proportionately against Developed Parcels until the tax levy is set at an amount sufficient to cover Annual Costs.
  - If revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Developable Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover each Tax Zone's Annual Costs.
  - If revenues from taxing Developed and Developable Parcels is not sufficient, Development-Restricted Parcels will be levied up to 100% of their Maximum Annual Special Tax.
  - If revenues are still not sufficient to pay for the Annual Costs, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax until the tax levy is set at an amount sufficient to cover Annual Costs.
- C. Levy on each Taxable Parcel the amount calculated above.
- D. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor-Controller for such inclusion.

The City shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

## **6. Prepayment of Special Tax Obligation**

With a Prepayment, a landowner may permanently satisfy the Special Tax obligation for one or more parcels. By exercising the right to Prepayment, a landowner can eliminate the future annual Special Tax liability for one or more parcels.

Prepayment is permitted only under the following conditions:

- The City determines that the Prepayment does not jeopardize the ability to make timely payments of Debt Service on outstanding bonds.
- Any landowner who wishes to exercise the right to a Prepayment for a Parcel must pay any and all delinquent Special Taxes and penalties.
- Prepayment shall be made on or before June 1 in order to prevent the levy of special taxes due during the Fiscal Year beginning July 1.

The total Prepayment amount will include the Parcel's proportionate share of all estimated costs necessary to construct the Authorized Facilities (the "base Prepayment amount") plus any additional administrative and financing costs necessary to redeem bonds and calculate the Prepayment. These calculations are described below.

## CALCULATE BASE PREPAYMENT AMOUNT (for **Attachment 2**)

The base Prepayment amount will vary each year depending upon whether or not bonds have been issued and whether any bonds have been redeemed. The base Prepayment amount will be recalculated with each bond issue and on an annual basis at the time that the CFD's annual report is prepared. The annual base Prepayment amount shall be calculated using the following steps.

Step 1: Determine the total number of acres within the CFD in each of the following categories: Gross Acres, Gross Developable Acres, and Net Acres. The acreage of all prior Prepayment Parcels will be excluded from the calculation of total acres.

- Gross Acres equal the original Gross Acres at the formation of the CFD plus any acreage that has been annexed into the CFD.
- If the acreage in the Gross Developable Acreage category is not known, it will be set by multiplying Gross Acres by a factor of 0.729.
- If the acreage in the Net Acreage category is not known, it will be set by multiplying Gross Developable Acres by a factor of 0.857.

Step 2: Determine the amount of the facility construction cost including CFD formation costs; total bond authorization; or total outstanding bonds, if all bonds have been issued. The facility construction cost will be based on the cost of facilities that have been constructed or bid plus the estimated cost of facilities yet to be constructed or bid with inflation to date.

Step 3: Calculate the base Prepayment amount per acre of the Prepayment Parcel:

Divide the total costs from the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds if bonds have been issued) by the acreage in the CFD for each of the three acreage categories. Where the cost basis is the bond authorization or outstanding bonds, multiply the above result by a factor of 0.925 (to account for the Parcel's share of the Reserve Fund). Multiply the Parcel's total acreage by the appropriate cost per acre (e.g. per Gross Acre, Gross Developable Acre, or Net Acre) to arrive at the base Prepayment amount.

Step 4: For Detached Residential Unit and Condominium Parcels, calculate the base Prepayment amount per unit of the Prepayment Parcel as follows: (for Other Residential and Non-Residential Parcels skip to Step 5)

Divide the Prepayment amount per Net Acre by the average number of lots per Net Acre according to the appropriate lot size for detached residential units (including duplexes), or average number of condominiums per Net Acre, as indicated in **Attachment 2**.

Step 5: Update **Attachment 2** based on the above calculations to reflect the base Prepayment amount per acre for the upcoming Fiscal Year. The **Attachment 2** included in this document is as of the formation of the CFD based on the current estimated acreage, by category, and estimated costs.



## DETERMINE TOTAL PREPAYMENT AMOUNT FOR PREPAYING PARCEL

The following steps will be used to determine a Parcel's total Prepayment Amount.

### **Prior to First Bond Sale (skip to Step 8 if bonds have been sold)**

- Step 6: If the Prepayment is made prior to the first bond sale, the City will determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre or per unit from Column 1 of **Attachment 2** by the Parcel's total acreage or total number of units.
- Step 7: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 6, the City's administrative cost for calculating these amounts.

### **Subsequent to the Initial Sale of Bonds**

- Step 8: Determine if all bonds have been sold or if the District is between the first and last bond sale. This will determine the bond issuance category for the base Prepayment amount. If the District is between the first and last bond sale, Column 2 of **Attachment 2** will be used. If all bonds have been sold, Column 3 of **Attachment 2** will be used.
- Step 9: Parcel's base Prepayment amount will be calculated by multiplying the base Prepayment Amount per acre or per unit from either Column 2 or 3 of **Attachment 2** by the Parcel's total acreage or total number of units.
- Step 10: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 9 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the Prepayment to first call date on the bonds, early call penalties, and other expenses incurred by the City in connection with the Prepayment calculation or the application of the proceeds of the Prepayment.

## **7. Records Maintained for the CFD**

As development and subdivision of North Natomas takes place, the City will maintain a file containing records of the following information for each Parcel:

- the Tax Zone that the Parcel lies in;
- the current Parcel Number;
- the Parcel acreage (gross, gross developable or net);
- the Maximum Annual Special Taxes which applied in each Fiscal Year; and
- the authorized Special Taxes levied in each Fiscal Year.
- the Development Year.

The file containing the information listed above will be available for public inspection.

## **8. Appeals**

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the City appealing the levy of the Special Tax. The City will then promptly review the appeal, and if necessary, meet with the applicant. If the City verifies that the tax should be modified or changed, a recommendation at that time will be made to the Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

**Attachment 1**  
**North Natomas Drainage CFD No. 4**  
**Maximum Annual Special Tax Rates for Developed Parcels and Veteran Developed Parcels**  
**in Tax Zones IA, IB, II & IV**

Development Year	Fiscal Year Ending	Developed Parcels and Veteran Developed Parcels			
		Maximum Annual Special Tax			
		Detached Residential Unit [1] lot size >= 5,000 sq ft <i>per unit</i>	Detached Residential Unit [2] lot size <5,000 sq ft <i>per unit</i>	Condominiums <i>per unit</i>	Other Residential & Non-Residential <i>per net acre</i>
1	1999	\$600	\$450	\$250	\$4,300
2	2000	\$612	\$459	\$255	\$4,386
3	2001	\$624	\$468	\$260	\$4,474
4	2002	\$637	\$478	\$265	\$4,563
5	2003	\$649	\$487	\$271	\$4,654
6	2004	\$662	\$497	\$276	\$4,748
7	2005	\$676	\$507	\$282	\$4,842
8	2006	\$689	\$517	\$287	\$4,939
9	2007	\$703	\$527	\$293	\$5,038
10	2008	\$717	\$538	\$299	\$5,139
11	2009	\$731	\$549	\$305	\$5,242
12	2010	\$746	\$560	\$311	\$5,347
13	2011	\$761	\$571	\$317	\$5,453
14	2012	\$776	\$582	\$323	\$5,563
15	2013	\$792	\$594	\$330	\$5,674
16	2014	\$808	\$606	\$336	\$5,787
17	2015	\$824	\$618	\$343	\$5,903
18	2016	\$840	\$630	\$350	\$6,021
19	2017	\$857	\$643	\$357	\$6,141
20	2018	\$874	\$656	\$364	\$6,264
21	2019	\$892	\$669	\$371	\$6,390
22	2020	\$909	\$682	\$379	\$6,517
23	2021	\$928	\$696	\$386	\$6,648
24	2022	\$946	\$710	\$394	\$6,781
25	2023	\$965	\$724	\$402	\$6,916
26	2024	\$984	\$738	\$410	\$7,055
27	2025	\$1,004	\$753	\$418	\$7,196
28	2026	\$1,024	\$768	\$427	\$7,340
29	2027	\$1,045	\$783	\$435	\$7,486
30	2028	\$1,066	\$799	\$444	\$7,636
31	2029	\$1,087	\$815	\$453	\$7,789
32	2030	\$1,109	\$831	\$462	\$7,945
33	2031	\$1,131	\$848	\$471	\$8,104
34	2032	\$1,153	\$865	\$481	\$8,266
35	2033	\$1,176	\$882	\$490	\$8,431
36	2034	\$1,200	\$900	\$500	\$8,600
37	2035	\$1,224	\$918	\$510	\$8,772
38	2036	\$1,248	\$936	\$520	\$8,947
39	2037	\$1,273	\$955	\$531	\$9,126
40	2038	\$1,299	\$974	\$541	\$9,308
41	2039	\$1,325	\$994	\$552	\$9,495
42	2040	\$1,351	\$1,013	\$563	\$9,684

- [1] Detached residential units median lot size >= 5,000 square feet.  
[2] Detached residential units median lot size < 5,000 square feet.

Attachment 1 (continued)  
North Natomas Drainage CFD No. 4  
Maximum Annual Special Tax Rates for Developable Parcels  
and Development-Restricted Parcels in Tax Zones IA, IB, II & IV

Development Year	Fiscal Year Ending	Developable Parcels Maximum Annual Special Tax		Development-Restricted Parcels Maximum Annual Special Tax
		Final Use Parcels	Large Lot Parcels	Unmapped Parcels and Tentative Map Parcels
	30-Jun	<i>per net acre</i>	<i>per gross developable acre</i>	<i>per gross acre</i>
1	1999	\$4,300	\$3,800	\$950
2	2000	\$4,386	\$3,876	\$969
3	2001	\$4,474	\$3,954	\$988
4	2002	\$4,563	\$4,033	\$1,008
5	2003	\$4,654	\$4,113	\$1,028
6	2004	\$4,748	\$4,196	\$1,049
7	2005	\$4,842	\$4,279	\$1,070
8	2006	\$4,939	\$4,365	\$1,091
9	2007	\$5,038	\$4,452	\$1,113
10	2008	\$5,139	\$4,541	\$1,135
11	2009	\$5,242	\$4,632	\$1,158
12	2010	\$5,347	\$4,725	\$1,181
13	2011	\$5,453	\$4,819	\$1,205
14	2012	\$5,563	\$4,916	\$1,229
15	2013	\$5,674	\$5,014	\$1,254
16	2014	\$5,787	\$5,114	\$1,279
17	2015	\$5,903	\$5,217	\$1,304
18	2016	\$6,021	\$5,321	\$1,330
19	2017	\$6,141	\$5,427	\$1,357
20	2018	\$6,264	\$5,536	\$1,384
21	2019	\$6,390	\$5,647	\$1,412
22	2020	\$6,517	\$5,760	\$1,440
23	2021	\$6,648	\$5,875	\$1,469
24	2022	\$6,781	\$5,992	\$1,498
25	2023	\$6,916	\$6,112	\$1,528
26	2024	\$7,055	\$6,234	\$1,559
27	2025	\$7,196	\$6,359	\$1,590
28	2026	\$7,340	\$6,486	\$1,622
29	2027	\$7,486	\$6,616	\$1,654
30	2028	\$7,636	\$6,748	\$1,687
31	2029	\$7,789	\$6,883	\$1,721
32	2030	\$7,945	\$7,021	\$1,755
33	2031	\$8,104	\$7,161	\$1,790
34	2032	\$8,266	\$7,304	\$1,826
35	2033	\$8,431	\$7,451	\$1,863
36	2034	\$8,600	\$7,600	\$1,900
37	2035	\$8,772	\$7,752	\$1,938
38	2036	\$8,947	\$7,907	\$1,977
39	2037	\$9,126	\$8,065	\$2,016
40	2038	\$9,308	\$8,226	\$2,057
41	2039	\$9,495	\$8,391	\$2,098
42	2040	\$9,684	\$8,558	\$2,140

**Attachment 2**  
**North Natomas Drainage CFD No. 4**  
**Estimated Base Prepayment Amount 1998\$'s**  
(Amounts shown are subject to change annually)

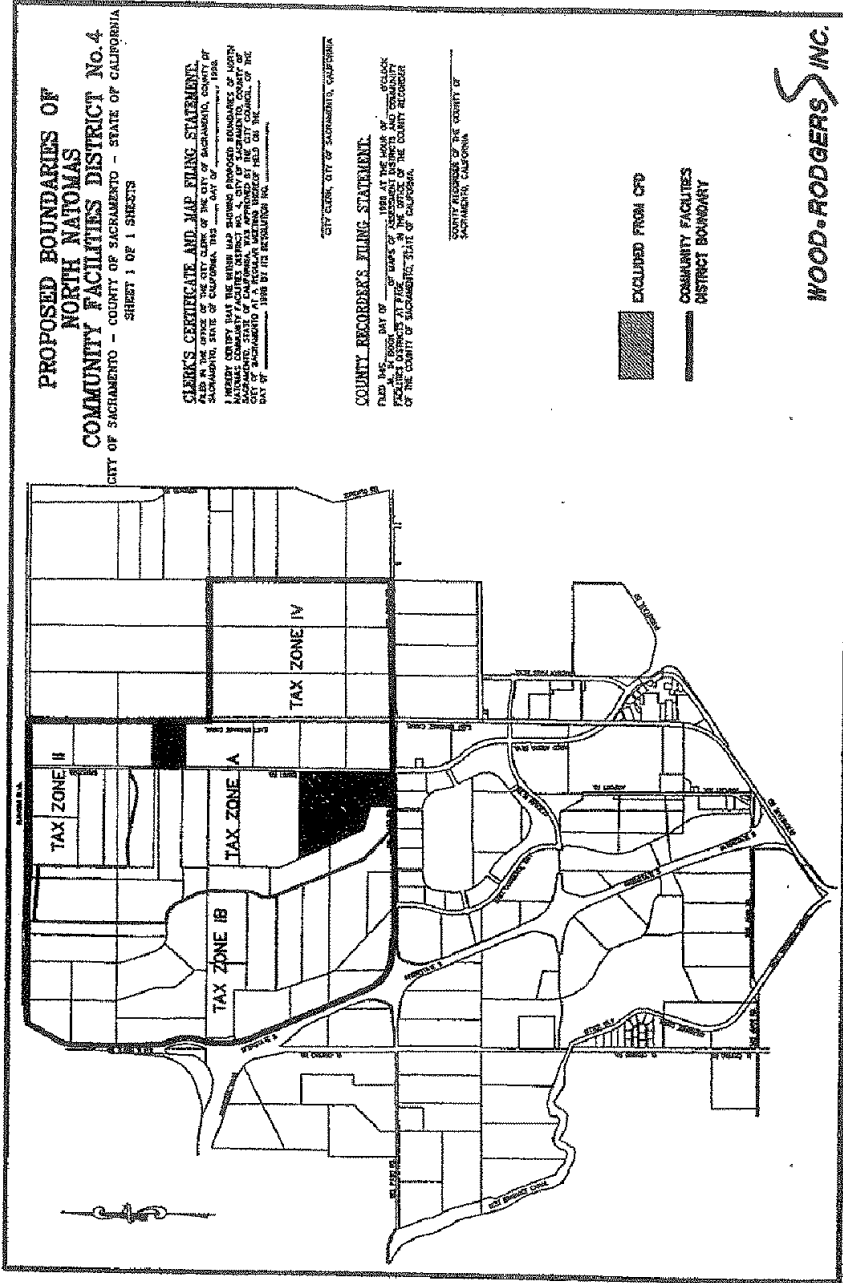
Item	Column 1	Column 2	Column 3
	Construction Cost Method	Bond Authorization Method	Bond Authorization Method after Last Bond Sale
Construction and Formation Costs - 1998\$'s	\$54,200,000	\$54,200,000	\$54,200,000
Estimated Authorized Bonds [1] - Inflated S's	n/a	\$85,000,000	\$74,061,000
<b>All Tax Zones Base Prepayment [2]</b>			
Gross Acre - (Residential & Non-Res. Parcels)	\$21,993	\$31,904	\$27,806
Gross Developable Acre - (Residential & Non-Res. Parcels)	\$29,159	\$42,299	\$36,865
Net Acre - (Other Residential & Non-Res. Parcels)	\$34,733	\$50,386	\$43,913
Detached Residential Unit Median Lot Size >= 5,000 sq. ft.	\$4,846	\$7,031	\$6,127
Detached Residential Unit Median Lot Size < 5,000 sq. ft.	\$3,635	\$5,273	\$4,596
Condominium	\$2,019	\$2,929	\$2,553
<b>Estimated CFD Acreage</b>			
Gross Acres [3]	2,464		
Gross Developable Acres [3]	1,859		
Net Acres [3]	1,560		
<b>Calculation of Units per Net Acre</b>			
Detached Residential Unit Lot Size >= 5,000 sq. ft.	7.17		
Detached Residential Unit Lot Size < 5,000 sq. ft.	9.56		
Condominium	17.20		

Note: Assumes 7.5% reserve fund credit

- [1] Determined annually under Step 2 of the Prepayment formula described in Section 6.
- [2] Determined annually under Steps 3 and 4 of the Prepayment formula described in Section 6.  
Add to these amounts the additional costs described under Step 10 of Section 6 to arrive at the total Prepayment Amount.
- [3] Determined annually under Step 1 of the Prepayment formula described in Section 6.

Prepared by EPS

7272Mattach.xls attach\_2 10/1/1998



## APPENDIX D

### INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests 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 to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect 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.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 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 "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

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

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

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

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



THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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## APPENDIX E

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of September 1, 2023 (this “**Certificate**”), is executed and delivered by the City of Sacramento (the “**Issuer**”) in connection with the issuance of the City of Sacramento North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Refunding Bonds, Series G (2023) (the “**Bonds**”). The Bonds are being issued under a Resolution of Issuance adopted by the Sacramento City Council on August 29, 2023, and a Seventh Supplemental Indenture dated as of September 1, 2023, between the Issuer and U.S. Bank Trust Company, National Association, as successor trustee (the “**Trustee**”), which supplements a Master Indenture, dated as of February 1, 1999, as supplemented by the First Supplemental Indenture dated as of February 1, 1999, the Second Supplemental Indenture dated as of April 1, 2001, the Third Supplemental Indenture dated as of October 1, 2003, the Fourth Supplemental Indenture dated as of November 1, 2006, the Fifth Supplemental Indenture dated as of July 1, 2013 and the Sixth Supplemental Indenture dated as of July 1, 2015 (collectively, the “**Indenture**”).

The Issuer hereby covenants as follows:

1. **Purpose of this Certificate.** This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
2. **Definitions.** In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless the term is otherwise defined in this section 2, the following capitalized terms have the following meanings:
  - “**Annual Report**” means any annual report that meets the criteria in section 4 and is provided by the Issuer under section 3.
  - “**Beneficial Owner**” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.
  - “**Dissemination Agent**” initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.
  - “**District**” means the North Natomas Community Facilities District No. 4 City of Sacramento, County of Sacramento, State of California.
  - “**EMMA**” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org), or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.
  - “**Fiscal Year**” means the Issuer’s fiscal year, which begins on July 1 and ends the following June 30.
  - “**Listed Event**” means any of the events listed in section 5 below.
  - “**MSRB**” means the Municipal Securities Rulemaking Board.
  - “**Official Statement**” means the Issuer’s official statement with respect to the Bonds.
  - “**Participating Underwriter**” means BofA Securities, Inc.

- “**Rate and Method of Apportionment**” means the Rate and Method of Apportionment of Special Tax for the District approved by the Resolution of Formation.
- “**Resolution of Formation**” means the Resolution adopted by the Sacramento City Council on October 20, 1998, by which the City formed the District.
- “**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

3. **Provision of Annual Reports.**

- (a) Beginning with the Fiscal Year ending June 30, 2023, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, in either case not later than March 31 after the end of the Fiscal Year, an Annual Report that is consistent with the requirements of section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in section 4 of this Certificate, except that the Issuer’s audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.
- (b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this section 3(b) will apply. The Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in section 3(a) for providing the Annual Report to EMMA. If the Dissemination Agent has not received a copy of the Annual Report by the 15<sup>th</sup> business day before the date for providing the Annual Report, then the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer’s certification and will have no duty or obligation to review the Annual Report.
- (c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.
- (d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—
  - (1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and
  - (2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.
- (e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. **Content of Annual Reports.** The Annual Reports shall contain or incorporate by reference the following:

- (a) *Financial Statements.* The Issuer’s audited financial statements for the most recent Fiscal Year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

- (b) *Financial and Operating Data.* The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:
- (1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:
    - (A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).
    - (B) The Bond Reserve Fund.
  - (2) The aggregate land assessed valuation and the aggregate improvement assessed valuation within the District, which may be in a form similar to Table 4 in the Official Statement. Such valuation should be on a gross basis (*i.e.*, prior to any homeowner exemptions).
  - (3) A statement of the debt-service requirements for the Bonds for the prior Fiscal Year.
  - (4) A statement of the actual Special Tax levy and collections for the District for the prior Fiscal Year.
  - (5) The following information (to the extent that it is no longer reported in the Issuer's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):
    - (A) The Required Bond Reserve for the prior Fiscal Year.
    - (B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.
    - (C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.
- (c) Any or all of the items listed in section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

## 5. **Reporting of Significant Events.**

- (a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten business days after the occurrence of any of the following events with respect to the Bonds:
  - (1) Principal and interest payment delinquencies.
  - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
  - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (4) Substitution of credit or liquidity providers, or their failure to perform.

- (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.
- (6) Defeasances.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership, or similar proceedings.

Note: For the purposes of the event identified in section 5(a)(8), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the Issuer 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 Issuer; 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 if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

- (9) Ratings changes.
  - (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
- (b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten business days after the occurrence of any of the following events with respect to the Bonds, if material:
- (1) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
  - (2) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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 under its terms.
  - (3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
  - (4) Nonpayment related defaults.
  - (5) Modifications to the rights of Holders.
  - (6) Bond calls.
  - (7) Release, substitution, or sale of property securing repayment of the Bonds.
  - (8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Holders.

- (c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), “financial obligation” means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). “Financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.
  - (d) If the Issuer’s Fiscal Year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as a Listed Event would be reported under this section 5.
  - (e) The undertaking set forth in this Certificate is the Issuer’s responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer’s instructions to the Dissemination Agent under this section 5 comply with the Rule.
6. **Termination of Reporting Obligation.** The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under section 5.
7. **Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days’ advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.
8. **Amendment.**
- (a) The Issuer may amend this Certificate without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
    - (1) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts.
    - (2) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.
    - (3) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.
  - (b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the effect of the change on the type of operating data or financial information being provided.
  - (c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must 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 must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the

accounting principles and the effect of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information.** This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.
10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.
11. **Duties, Immunities, and Liabilities of Dissemination Agent.**
  - (a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.
  - (b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.
  - (c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.
12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.
13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.



14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By: \_\_\_\_\_  
John P. Colville Jr., City Treasurer

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## APPENDIX F

### GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

*The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the “City”) and the County of Sacramento (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the County or the State or any of its political subdivisions, and the City, the County, and the State and its political subdivisions are not liable therefor. The Bonds are special limited obligations of the City payable solely from the Net Special Tax Revenues (as defined in the Official Statement) and other amounts as set forth in the Indenture.*

#### General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

#### Population

The following table lists population figures for the City, the County and the State as of January 1 for 2019 through 2023.

#### CITY AND COUNTY OF SACRAMENTO Population Estimates

<i>Calendar Year</i>	<i>City of Sacramento</i>	<i>County of Sacramento</i>	<i>State of California</i>
2019	507,490	1,538,054	39,605,361
2020	513,626	1,553,157	39,648,938
2021	518,322	1,580,624	39,303,157
2022	518,037	1,576,618	39,185,605
2023	518,161	1,572,453	38,940,231

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

## Industry and Employment

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area (“Sacramento MSA”), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 3.7% in 2022. The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2018 through 2022. As of June 2023, the unemployment rate in the Sacramento MSA was 4.4%.

### SACRAMENTO MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2018 through 2022 Annual Averages

	2018	2019	2020	2021	2022
Civilian Labor Force <sup>(1)</sup>	1,088,300	1,100,800	1,091,700	1,099,300	1,124,500
Employment	1,046,900	1,060,300	994,000	1,028,800	1,082,500
Unemployment	41,500	40,500	97,700	70,500	42,000
Unemployment Rate	3.8%	3.7%	9.0%	6.4%	3.7%
<u>Wage and Salary Employment <sup>(2)</sup></u>					
Agriculture	9,100	8,700	8,300	9,000	8,600
Natural Resources and Mining	500	500	600	700	500
Construction	64,500	69,400	70,200	74,100	76,800
Manufacturing	36,000	36,800	36,100	37,500	40,300
Wholesale Trade	28,400	28,600	26,500	26,400	28,300
Retail Trade	102,000	100,500	95,200	101,100	100,800
Transportation, Warehousing and Utilities	29,500	32,200	34,300	37,100	40,500
Information	12,400	11,900	10,200	10,000	10,500
Finance and Insurance	36,700	35,200	34,800	34,300	33,200
Real Estate and Rental and Leasing	16,800	17,300	16,900	17,400	19,100
Professional and Business Services	136,000	137,400	132,500	136,700	147,500
Educational and Health Services	159,800	166,600	164,000	168,400	175,400
Leisure and Hospitality	106,200	109,600	83,900	92,900	108,700
Other Services	34,200	35,400	31,000	32,600	36,100
Federal Government	14,100	14,200	14,800	14,500	14,300
State Government	120,400	121,900	121,700	126,800	128,700
Local Government	<u>103,500</u>	<u>105,300</u>	<u>98,900</u>	<u>98,000</u>	<u>102,900</u>
Total, All Industries	1,009,900	1,031,400	979,700	1,017,200	1,072,300

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

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

Source: State of California Employment Development Department.

## Major Employers

The following table shows the largest employers located in the County as of Fiscal Year 2021-22.

### COUNTY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2022

<i>Rank</i>	<i>Name of Company</i>	<i>Number of Employees</i>	<i>Percentage of Total City Employment</i>
1.	UC Davis Health System	16,075	2.30%
2.	Kaiser Permanente	12,301	1.76
3.	Sutter/California Health Services	9,595	1.37
4.	Dignity/Mercy Healthcare	7,488	1.07
5.	Intel Corporation	6,013	0.86
6.	Siemens Mobility Inc.	2,500	0.36
7.	Safeway	1,938	0.28
8.	Pacific Gas & Electric	1,477	0.21
9.	Blue Diamond Growers	968	0.14
10.	WellSpace Health	926	0.13

Source: County of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2022.

The following table shows the largest employers located in the City as of Fiscal Year 2021-22.

### CITY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2022

<i>Rank</i>	<i>Name of Company</i>	<i>Number of Employees</i>	<i>Percentage of Total City Employment</i>
1.	State of California	82,894	11.86%
2.	UC Davis Health System	16,075	2.30
3.	Kaiser Permanente	12,301	1.76
4.	U.S. Government	10,698	1.53
5.	Sutter Health	9,595	1.37
6.	Dignity Health	7,488	1.07
7.	Intel Corporation	6,013	0.86
8.	San Juan Unified School District	5,126	0.73
9.	Los Rios Community College District	2,833	0.41
10.	California State University, Sacramento	2,535	0.36

Source: City of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2022.

## Personal Income

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

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

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period from 2016 through 2021.

**COUNTY OF SACRAMENTO  
Personal Income  
2016 through 2021**

<i>Calendar Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2016	\$72,128,370	\$2,218,457,774	\$16,092,713,000
2017	75,062,017	2,318,644,417	16,837,337,000
2018	78,804,776	2,431,821,953	17,671,054,000
2019	82,669,864	2,567,425,600	18,575,467,000
2020	90,908,707	2,790,523,500	19,812,171,000
2021	98,241,828	3,006,183,900	21,288,709,000

Note: Dollars in Thousands.

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

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2016 through 2021. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME  
County of Sacramento, State of California and the United States  
2016 Through 2021**

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2016	\$47,723	\$56,560	\$49,613
2017	49,125	58,864	51,550
2018	51,187	61,508	53,786
2019	53,278	64,919	56,250
2020	58,307	70,647	59,765
2021	61,829	76,614	64,143

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

**Commercial Activity**

A summary of historic taxable sales within the City for 2018 through 2022 is shown in the following table.

**CITY OF SACRAMENTO  
Taxable Transactions  
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2018	9,839	\$4,904,555	15,421	\$7,157,368
2019	10,006	4,999,470	15,970	7,463,634
2020	11,088	4,430,901	17,722	6,839,199
2021	10,362	5,401,724	16,793	8,118,898
2022	10,527	5,723,358	17,452	8,981,863

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2018 through 2022 is shown in the following table.

**COUNTY OF SACRAMENTO  
Taxable Transactions  
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2018	24,853	\$17,593,375	39,066	\$25,443,669
2019	25,530	18,195,302	40,858	26,836,365
2020	28,055	18,488,106	45,361	27,173,406
2021	25,936	23,700,364	42,482	33,783,460
2022	26,589	24,592,149	44,158	36,380,064

Source: State Board of Equalization.

## Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2018 through 2022.

### CITY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$ 406,973.1	\$ 400,648.4	\$ 254,127.0	\$ 359,957.8	\$ 278,041.4
New Multi-family	106,149.2	176,862.7	465,623.0	284,928.5	211,378.2
Res. Alterations/Additions	<u>97,761.1</u>	<u>140,240.6</u>	<u>174,415.1</u>	<u>171,615.1</u>	<u>151,297.8</u>
Total Residential	\$ 610,883.4	\$ 717,751.7	\$ 894,165.1	\$ 816,501.4	\$ 640,717.4
New Commercial	\$ 133,602.0	\$ 540,144.9	\$ 154,484.2	\$ 152,871.0	\$ 72,441.0
New Industrial	2,489.1	31,485.4	31,155.0	83,171.4	11,349.9
New Other	71,153.7	427,661.2	302,114.6	55,183.7	36,400.1
Com. Alterations/Additions	<u>242,928.6</u>	<u>491,148.7</u>	<u>230,448.0</u>	<u>163,431.5</u>	<u>177,804.2</u>
Total Nonresidential	\$ 450,173.4	\$ 1,490,440.2	\$ 718,201.8	\$ 454,657.6	\$ 297,995.2
<u>New Dwelling Units</u>					
Single-Family	1,608	1,552	956	1,150	952
Multiple Family	<u>813</u>	<u>1,487</u>	<u>2,855</u>	<u>1,193</u>	<u>1,619</u>
TOTAL	2,421	3,039	3,811	2,343	2,571

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$ 1,069,568.3	\$ 1,108,399.8	\$ 1,088,390.6	\$ 1,310,379.5	\$ 1,183,213.4
New Multi-family	158,638.0	265,188.8	467,418.7	323,462.5	413,368.8
Res. Alterations/Additions	<u>276,723.5</u>	<u>293,210.5</u>	<u>262,864.6</u>	<u>276,570.3</u>	<u>373,409.6</u>
Total Residential	\$ 1,504,929.8	\$ 1,666,799.1	\$ 1,818,673.9	\$ 1,910,412.3	\$ 1,969,991.8
New Commercial	\$ 292,766.9	\$ 639,170.3	\$ 411,058.0	\$ 152,871.0	\$ 203,314.1
New Industrial	14,151.1	31,851.4	31,155.0	83,171.4	38,163.2
New Other	137,414.6	131,286.6	113,793.0	150,008.7	220,339.3
Com. Alterations/Additions	<u>518,663.2</u>	<u>700,603.9</u>	<u>335,458.0</u>	<u>320,3447.6</u>	<u>432,950.0</u>
Total Nonresidential	\$ 962,995.8	\$ 1,502,912.2	\$ 891,464.0	\$ 3,589,498.7	\$ 894,766.6
<u>New Dwelling Units</u>					
Single-Family	3,589	3,981	3,588	4,205	3,832
Multiple Family	<u>1,272</u>	<u>2,008</u>	<u>2,868</u>	<u>2,266</u>	<u>3,419</u>
TOTAL	4,861	5,989	6,456	6,471	7,251

Source: Construction Industry Research Board, Building Permit Summary.



## **Transportation**

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California, running from Mexico to Canada. State Route 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean-freight service to all major United States and world ports. Via a deep-water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also has passenger and package-service stations in the City.

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

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**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)





**Mixed Sources**

Product group from well managed forests, controlled sources and recycled wood or fiber.

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