

Amended Agenda

**HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY HOUSING
AUTHORITY
COMMUNITY DEVELOPMENT COMMISSION
WATER DISTRICT
HESPERIA JOINT PUBLIC FINANCE AUTHORITY – SPECIAL MEETING
Green Sheet Item #9 information updated after posting of the Agenda**



Meeting Agenda

Tuesday, June 6, 2023

Closed Session - 5:30 PM

**City Council Chambers
9700 Seventh Ave., Hesperia CA, 92345
City Clerk's Office: (760) 947-1007**

City Council Members

**Brigit Bennington, Mayor
Larry Bird, Mayor Pro Tem
Allison Lee, Council Member
Cameron Gregg, Council Member
Rebekah Swanson, Council Member**

**Nils Bentsen, City Manager
Pam K. Lee, City Attorney**

**See page (3) for details on public meeting guidelines during the
COVID-19 (Coronavirus) Pandemic**



NOTE: In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (760) 947-1007 or (760) 947-1026. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility.



Public Access to City Council Meetings:

City Council meetings are now open to the public within the guidelines provided by the State which may include wearing masks and socially distancing from other attendees.

Public Comments can be made in-person at City Council Meetings and/or can be submitted via telephone recording that will be played during the meeting.

City Council meetings may be viewed live or after the event on the City's website at www.cityofhesperia.us.

Remote Public Comment:

Public Comments Made By-Telephone Process

Public comments will be accepted in advance until 5:30 pm on the day of the scheduled meeting by calling and leaving a recorded message at (760) 947-1056. Comments received past 5:30 pm will not be included in the record. If you would like to comment remotely, please follow the protocols below:

- Call (760)947-1056 to leave a detailed message of your public comment.

- Identify your name and the item you wish to comment on in your message.
- Contact information in your voicemail is optional, but will allow staff to easily follow up with you if necessary.
- Each public comment received by voicemail will be played by a staff member for up to three (3) minutes for Consent Calendar/New Business items and up to five (5) minutes for Public Hearing items.

Remote public comments received outside of the comment period outlined above will not be included in the record.

**NOTICE AND CALL OF SPECIAL MEETING
HESPERIA JOINT PUBLIC FINANCE AUTHORITY**

NOTICE IS HEREBY GIVEN that a special meeting of the Hesperia Joint Public Finance Authority will be held on Tuesday, June 6, 2023, at 6:30 p.m. in the City Council Chambers, at 9700 Seventh Avenue, Hesperia, CA 92345.



Brigit Bennington, Mayor / Chair

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**REGULAR MEETING AGENDA
HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HESPERIA HOUSING AUTHORITY
HESPERIA COMMUNITY DEVELOPMENT COMMISSION
HESPERIA WATER DISTRICT
HESPERIA JOINT PUBLIC FINANCE AUTHORITY – SPECIAL MEETING**

9700 7th Avenue, Council Chambers, Hesperia, CA 92345

As a courtesy, please silence your cell phones and other electronic devices while the meeting is in session. Thank you.

Prior to action of the Council, any member of the audience will have the opportunity to address the legislative body on any item listed on the agenda, including those on the Consent Calendar.

Individuals wishing to speak during General Public Comments or on a particular numbered item must submit a speaker slip to the City Clerk with the agenda item noted. Speaker slips should be turned in prior to the public comment portion of the agenda or before an agenda item is discussed. Comments will be limited to three minutes for General Public Comments, Consent Calendar items and New Business items. Comments are limited to five minutes for Public Hearing items.

In compliance with the Brown Act, the City Council may not discuss or take action on non-agenda items or engage in question and answer sessions with the public. The City Council may ask brief questions for clarification; provide a reference to staff or other resources for factual information and direct staff to add an item to a subsequent meeting.

CLOSED SESSION - 5:30PM

Roll Call

*Mayor Brigit Bennington
Mayor Pro Tem Larry Bird
Council Member Allison Lee
Council Member Cameron Gregg
Council Member Rebekah Swanson*

Conference with Legal Counsel – Existing Litigation
Government Code Section 54956.9(d)1

1. County of San Bernardino v City of Hesperia
Case No. : CIVSB2209965

Conference with Real Property Negotiators – Property Negotiations
Government Code Section – 54956.8

1. Negotiating Parties: City of Hesperia and Mega Factors, Ltd.
Location: APN 0398-251-300-0000
Under Negotiation: Price and Terms

CALL TO ORDER - 6:30 PM

A. Invocation**B. Pledge of Allegiance to the Flag****C. Roll Call**

Mayor Brigit Bennington
Mayor Pro Tem Larry Bird
Council Member Allison Lee
Council Member Cameron Gregg
Council Member Rebekah Swanson

D. Agenda Revisions and Announcements by City Clerk**E. Closed Session Reports by City Attorney****ANNOUNCEMENTS/PRESENTATIONS**

1. Presentation to retiring City Manager Nils Bentsen by the City Council

GENERAL PUBLIC COMMENTS (For items and matters not listed on the agenda)

Individuals wishing to speak during General Public Comments or on a particular numbered item are requested to submit a speaker slip to the City Clerk with the agenda item noted. Speaker slips should be turned in prior to the public comment portion of the joint agenda or before an agenda item is discussed. Comments will be limited to three minutes for General Public Comments, Consent Calendar items and New Business items. Comments are limited to five minutes for Public Hearing items.

In compliance with the Brown Act, the City Council may not discuss or take action on non-agenda items or engage in question and answer sessions with the public. The City Council may ask brief questions for clarification; provide a reference to staff or other resources for factual information and direct staff to add an item to a subsequent meeting.

JOINT CONSENT CALENDAR

1. Page 7 Consideration of the Draft Minutes from the Special Meeting held Tuesday, May 16, 2023.

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Special Meeting held Tuesday, May 16, 2023.

Staff Person: Assistant City Clerk Erin Baum

Attachments: [Draft CC Min 2023-5-16](#)

2. Page 15 Warrant Run Report (City - Successor Agency - Housing Authority - Community Development Commission - Water)

Recommended Action:

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

Staff Person: Director of Administrative Services Casey Brooksher

Attachments: [SR Warrant Run 6-6-2023](#)
[Attachment 1 - Warrant Run](#)

3. Page 17

Vehicle Procurement

Recommended Action:

It is recommended that the City Council and Board of Directors of the Hesperia Water District approve Joint Resolution No. 2023-26 and HWD No. 2023-10 authorizing a City Council Bidding Override exemption for the purchase of four (4) small sized trucks, by authorizing the City Manager to enter into an agreement with Victorville Chevrolet in the not-to-exceed amount of \$145,000 for the purchase of two (2) new 2023 Chevy Colorado small sized trucks (truck) for the Code Enforcement Program, one (1) new 2023 Chevy Colorado truck for the Streets Maintenance Program, and one (1) new 2023 Chevy Colorado truck for the Production Program.

Staff Person: Director of Public Works Jeremy McDonald

Attachments: [SR Vehicle Procurement 6-6-2023](#)
[Joint Resolution 2023-26](#)
[Attachment 2 - Bid Comparison](#)

4. Page 21

Award of Contract for Heating, Ventilation, and Air-Conditioning (HVAC) Preventative Maintenance and Repair Services

Recommended Action:

It is is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to enter into a three (3) year contract with Allison Mechanical, Inc. in a not-to-exceed amount of \$246,816 for heating, ventilation, and air-conditioning (HVAC) preventative maintenance and repair services for City and District facilities.

Staff Person: Director of Public Works Jeremy McDonald

Attachments: [SR Allison Mechanical Inc. Agreement 6-6-2023](#)

5. Page 23

Award of Contract for Emergency Road Repairs Related To 2023 Winter Storms

Recommended Action:

It is recommended that the City Council ratify the award and affirm a contract to Cooley Construction, Inc. for emergency road repairs related to storm damage in the amount of \$860,082 and authorize a 10% contingency in the amount of \$86,008 for a total not-to-exceed amount of \$946,090.

Staff Person: Director of Public Works Jeremy McDonald

Attachments: [SR Award of Contract for Emergency Road Repairs 6-6-2023](#)

6. Page 25

Final Map No. 18955-4

Recommended Action:

It is recommended that the City Council adopt Resolution No. 2023-35 approving Final Map No. 18955-4 to create 57 residential lots on approximately 18.5 gross acres and accept right-of-way necessary to develop Tract 18989-1 Lot 4, Planning Area 6 of the Tapestry Specific Plan. (Applicant: Silverwood Development Phase I, LLC).

Staff Person: Administrative Analyst Bethany Hudson and Deputy Development Services Director Dani Fox

Attachments: [SR Final Map No. 18955-4 6-6-2023](#)

[Resolution 2023-35](#)

[Attachment 2 - Final Tract Map 18955-4](#)

CONSENT ORDINANCES

WAIVE READING OF ORDINANCES

Approve the reading by title of all ordinances and declare that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

7. Page 37

Development Code Amendment DCA23-00004; Applicant: City of Hesperia; Area affected: City-wide

Recommended Action:

Place on second reading and adopt by title waiving the text of Ordinance No. 2023-08 approving Development Code Amendment DCA23-00004 modifying development standards associated with on-site digital advertising signs.

Staff Person: Senior Planner Ryan Leonard

Attachments: [SR Development Code Amendment 5-16-2023](#)

[Ordinance 2023-08](#)

[Attachment 2 - Exhibit A](#)

[Attachment 3 - Planning Commission Staff Report with attachments](#)

PUBLIC HEARING

Individuals wishing to comment on public hearing items must submit a speaker slip to the City Clerk with the numbered agenda item noted. Speaker slips should be turned in prior to an agenda item being taken up. Comments will be limited to five minutes for Public Hearing items.

WAIVE READING OF ORDINANCES

Approve the reading by title of all ordinances and declare that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

8. Page 53

Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003; Applicant: City of Hesperia; Area affected: City-wide

Recommended Action:

It is recommended that the City Council introduce and place on first reading Ordinance No. 2023-09 approving Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003 modifying development standards associated with the establishment of new vehicle wash facilities.

Staff Person: Senior Planner Ryan Leonard

Attachments: [SR DCA23-00001 & SPLA23-00003; Applicant: City of Hesperia 6-6-2023](#)

[Ordinance 2023-09](#)

[Attachment 2 - Exhibit A](#)

[Attachment 3 - Planning Commission Staff Report](#)

NEW BUSINESS**9. Page 81**

Resolution of the City Council of the City of Hesperia and a Resolution of the Board of Directors of the Hesperia Joint Public Finance Authority, Each Authorizing the Issuance and Sale of the 2023 Refunding Lease Revenue Bonds and Related Documents and Actions

Recommended Action:

It is recommended that the City Council adopt the following resolution:

Resolution No. CC 2023-24 - Resolution of the City of Hesperia approving, authorizing and directing execution of certain financing documents and directing certain related actions in connection with the refinancing of outstanding lease payment obligations

It is recommended that the Hesperia Joint Public Finance Authority adopt the following resolution:

Resolution No. HJPFA 2023-02 - Resolution of the Hesperia Joint Public Finance Authority approving, authorizing and directing execution of certain financing documents and directing certain related actions in connection with the refinancing of an outstanding lease obligation of the City of Hesperia

Staff Person: Director of Administrative Services Casey Brooksher

Attachments: [SR 2023 Refunding Lease Revenue Bonds 6-6-2023](#)
 [Resolution 2023-24](#)
 [Resolution HPJFA 2023-02](#)
 [Attachment 3 - Preliminary Official Statement](#)
 [Attachment 4 - Site and Facilities Lease](#)
 [Attachment 5 - Property Lease](#)
 [Attachment 6 - Indenture](#)
 [Attachment 7 - Escrow Deposit and Trust Agreement](#)
 [Attachment 8 - Bond Purchase Agreement](#)
 [Attachment 9 - Amendment to 2012 Site Lease](#)
 [Attachment 10 - Amendment to 2012 Property Lease](#)
 [Attachment 11 - Subordination Agreement](#)

COUNCIL COMMITTEE REPORTS AND COMMENTS

The Council may report on their activities as appointed representatives of the City on various Boards and Committees and/or may make comments of general interest or report on their activities as a representative of the City.

CITY MANAGER/CITY ATTORNEY/STAFF REPORTS

The City Manager, City Attorney or staff may make announcements or reports concerning items of interest to the Council and the public.

ADJOURNMENT

I, Erin Baum, Assistant City Clerk of the City of Hesperia, California do hereby certify that I caused to be posted the foregoing agenda on Wednesday, May 31, 2023 at 5:30 p.m. pursuant to California Government Code §54954.2.

*Erin Baum,
Assistant City Clerk*

Documents produced by the City and distributed less than 72 hours prior to the meeting regarding items on the agenda will be made available in the City Clerk's Office during normal business hours.



City of Hesperia Meeting Minutes - Draft City Council

City Council Chambers
9700 Seventh Ave.
Hesperia CA, 92345

Tuesday, May 16, 2023

6:30 PM

**REGULAR MEETING AGENDA
HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HESPERIA HOUSING AUTHORITY
HESPERIA COMMUNITY DEVELOPMENT COMMISSION
HESPERIA WATER DISTRICT
HESPERIA FIRE PROTECTION DISTRICT – SPECIAL MEETING**

CLOSED SESSION - 5:30

Roll Call

Present: 5 - Mayor Pro Tem Bird (via teleconference), Council Member Swanson, Council Member Gregg, Mayor Bennington, and Council Member Lee

Conference with Legal Counsel – Existing Litigation - Government Code Section 54956.9(d)1

1. ((*Mojave Basin Water Cases*) *City of Barstow, et al. v. City of Adelanto, et al.* San Bernardino County Superior Court Case No. CIV 208568)

CALL TO ORDER - 6:30 PM

A. Invocation

B. Pledge of Allegiance to the Flag

C. Roll Call

Present: 5 - Mayor Pro Tem Bird (arrived 7:23 pm), Council Member Swanson, Council Member Gregg, Mayor Bennington, and Council Member Lee

D. Agenda Revisions and Announcements by City Clerk

E. Closed Session Reports by City Attorney

ANNOUNCEMENTS/PRESENTATIONS

1. Presentation of Certificate of Recognition to the Hesperia High School Art Show winners.
2. Presentation to the City Council by Adam Panos, Deputy Fire Marshall, on San Bernardino County Fire District's Fire Corp Program.

GENERAL PUBLIC COMMENTS (For items and matters not listed on the agenda)

*Bob Nelson commented on urban sprawl.
Al Vogler commented on a Code Enforcement issue.*

JOINT CONSENT CALENDAR

Joint Consent Calendar items 4 and 15 were pulled for public comment and voted on independently.

A motion was made by Swanson, seconded by Gregg, that the Joint Consent Calendar, minus items 4 and 15, be approved. The motion carried by the following vote:

Aye: 4 - Swanson, Gregg, Bennington, and Lee

Nay: 0

Absent: 1 - Bird

1. Consideration of the Draft Minutes from the Special Meeting held Tuesday, May 2, 2023.

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Special Meeting held Tuesday, May 2, 2023.

Sponsors: Assistant City Clerk Erin Baum

2. Warrant Run Report (City - Successor Agency - Housing Authority - Community Development Commission - Water)

Recommended Action:

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

Sponsors: Director of Administrative Services Casey Brooksher

3. Treasurer's Cash Report for the unaudited period ended March 31, 2023.

Recommended Action:

It is recommended that the Council/Board accept the Treasurer's Cash Report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community

Development Commission, and Water District.

Sponsors: Director of Administrative Services Casey Brooksher

4. Proposed Early Retirement of 2018 San Bernardino County Transportation Authority (SBCTA) Loan

Recommended Action:

It is recommended that the City Council authorize the proposed early retirement of the 2018 San Bernardino County Transportation Authority (SBCTA) Loan and approve Resolution No. 2023-26, amending the Fiscal Year (FY) 2022-23 Budget for the final principal and interest payment.

Sponsors: Director of Administrative Services Casey Brooksher

Al Vogler commented on this item.

A motion was made by Swanson, seconded by Gregg, that item #4 be approved. The motion carried by the following vote:

Aye: 4 - Swanson, Gregg, Bennington, and Lee

Nay: 0

Absent: 1 - Bird

5. G & M Automotive Center, Inc. Contract Amendment

Recommended Action:

It is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to approve an amendment of \$250,000 to the existing contract with G & M Automotive Center, Inc. for a total revised not-to-exceed amount of \$500,000 and approve a one-year contract extension for vehicle maintenance and repairs.

Sponsors: Director of Public Works Jeremy McDonald

6. Contract with Badger Meter, Inc.

Recommended Action:

It is recommended that the Board of Directors of the Hesperia Water District authorize the City Manager to approve a contract for Fiscal Year (FY) 2023-24 with Badger Meter, Inc. in the not-to-exceed amount of \$350,000 for the purchase of Badger water meters and related water meter parts.

Sponsors: Director of Public Works Jeremy McDonald

7. Contract with Ferguson Waterworks

Recommended Action:

It is recommended that the Board of Directors of the Hesperia Water District authorize the City Manager to enter into a one (1) year agreement with Ferguson Waterworks in an amount not-to-exceed \$200,000, for the purchase of DFW meter boxes and lids.

Sponsors: Director of Public Works Jeremy McDonald

8. D&H Water Systems, Inc. - New Contract

Recommended Action:

It is recommended that the Board of Directors of the Hesperia Water District authorize the City Manager to enter into a one (1) year agreement with D&H Water Systems, Inc. in a not-to-exceed contract amount of \$65,000, for the purchase of Constant Chlor Plus Briquettes.

Sponsors: Director of Public Works Jeremy McDonald

9. Lawnscape Systems, Inc. Contract Amendment

Recommended Action:

It is recommended that the City Council authorize the City Manager to approve an amendment of \$62,000 to the existing contract with Lawnscape Systems, Inc. for a total revised not-to-exceed contract amount of \$296,376, and approve a one-year contract extension for weed control and abatement services.

Sponsors: Director of Public Works Jeremy McDonald

10. Nobel Systems, Inc. Contract Amendment

Recommended Action:

It is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to approve an amendment of \$29,000 to the existing contract with Nobel Systems, Inc. (Nobel) for a revised not-to-exceed contract amount of \$192,984 for GeoViewer Mobile, which includes unlimited licenses for Valve Exercise and Underground Service Alert (USA) DigMark modules.

Sponsors: Director of Public Works Jeremy McDonald

11. Duthie Power Services, Inc. Contract Amendment

Recommended Action:

It is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to approve an amendment of \$20,000 to the existing contract with Duthie Power Services, Inc. for a total revised not-to-exceed amount of \$90,000, and approve a one-year contract extension for generator maintenance.

Sponsors: Director of Public Works Jeremy McDonald

12. Pacific Products & Services, LLC Contract Amendment

Recommended Action:

It is recommended that the City Council authorize the City Manager to approve an amendment of \$90,000 to the existing contract with Pacific Products & Services, LLC for a total revised not-to-exceed contract amount of \$220,000, and approve a one-year contract extension for the purchase of traffic signs and sign materials.

Sponsors: Director of Public Works Jeremy McDonald

13. GP Electric Motor Contract Amendment

Recommended Action:

It is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to approve an amendment of \$30,000 to the existing contract with GP Electric Motor for a total revised not-to-exceed amount of \$160,000, and approve a one-year contract extension for well motor maintenance.

Sponsors: Director of Public Works Jeremy McDonald

14. Contract Amendment for Street Sweeping Services

Recommended Action:

It is recommended that the City Council authorize the City Manager to approve an amendment of \$357,585 to the existing contract with Guardian Street Sweeping for a total revised not-to-exceed amount of \$715,170 and approve a one-year contract extension for street sweeping services.

Sponsors: Director of Public Works Jeremy McDonald

15. Final Map 18989-1

Recommended Action:

It is recommended that the City Council adopt Resolution No. 2023-29 approving Final Map No. 18989-1 to create 39 lots on approximately 986 gross acres and accept right-of-way necessary to develop Phase 1 of the Tapestry Specific Plan. (Applicant: Silverwood Development Phase I, LLC).

Sponsors: Deputy Development Services Director Dani Fox and Administrative Analyst Bethany Hudson

Bob Nelson commented on this item.

A motion was made by Swanson, seconded by Gregg, that item #15 be approved. The motion carried by the following vote:

Aye: 4 - Swanson, Gregg, Bennington, and Lee

Nay: 0

Absent: 1 - Bird

16. Approval of a Multiple Employer Other Post Employment Benefit (OPEB)/Pension 115 Trust with Shuster Advisory Group, LLC

Recommended Action:

It is recommended that the City Council adopt Resolution No. 2023-31, authorizing the City Manager to execute agreements with Shuster Advisory Group LLC, Charles Schwab Trust Bank, and Alta Trust Company for the establishment and administration of a Multiple Employer OPEB and Pension 115 Trust; and the Board of Directors of the Hesperia Fire Protection District (HFPD) adopt Resolution HFPD No.

2023-03, approving the discontinuance of the HFPD's participation in the Post-Employment Benefits Trust administered by the Public Agency Retirement Services ("PARS"), and approving agreements with Shuster Advisory Group LLC, Charles Schwab Trust Bank, and Alta Trust Company for the establishment and administration of a Multiple Employer OPEB/Pension 115 Trust.

Sponsors: Director of Administrative Services Casey Brooksher

PUBLIC HEARING

17. Development Code Amendment DCA23-00004; Applicant: City of Hesperia; Area affected: City-wide

Recommended Action:

It is recommended that the City Council introduce and place on first reading Ordinance No. 2023-08 approving Development Code Amendment DCA23-00004 modifying development standards associated with on-site digital advertising signs.

Sponsors: Senior Planner Ryan Leonard

A motion was made by Swanson, seconded by Lee, that this item be approved. The motion carried by the following vote:

Aye: 5 - Bird, Swanson, Gregg, Bennington, and Lee **Nay:** 0

NEW BUSINESS

18. FY 2023-24 Budget Workshop #2 - Budget Update

Recommended Action:

It is recommended that the City Council/Boards receive and file this staff report, which provides information about the current status of the City of Hesperia's proposed operating budget for FY 2023-24, and adopt Joint Resolution No. 2023-30, HHA 2023-04, HFPD 2023-02, and HWD 2023-06 amending the Financial Policies.

Sponsors: Director of Administrative Services Casey Brooksher and Assistant City Manager Rachel Molina

A motion was made by Gregg, seconded by Lee, that this item be approved. The motion carried by the following vote:

Aye: 5 - Bird, Swanson, Gregg, Bennington, and Lee **Nay:** 0

19. City of Hesperia Community Assistance Program (CAP) - Grant Awards

Recommended Action:

It is recommended that the City Council, after reviewing the Hesperia City Council Advisory Committee

(CCAC) CAP applicant rankings, Exhibit "A," adopt Resolution No. 2023-21 to approve the Program Year (PY) 2023-24 CAP funding for each applicant.

Sponsors: Assistant City Manager Rachel Molina, Economic Development Manager Victor Knight and Administrative Analyst April Antonio

A motion was made by Gregg, seconded by Swanson, that this item be approved as amended. The motion carried by the following vote:

Aye: 5 - Bird, Swanson, Gregg, Bennington, and Lee **Nay:** 0

The council directed that this item be amended to enable the distribution of any unused funds to the next eligible applicant on the ranking list.

COUNCIL COMMITTEE REPORTS AND COMMENTS

The Mayor, Mayor Pro Tem, and Council Members reported from various events and Committees.

Council Member Gregg requested staff bring forward an item exploring support mechanisms for the Farmer's market.

Mayor Pro Tem Bird appointed Roman Aguilar to the City Council Advisory Committee (CCAC) and requested that staff bring forward an item to change the day week on which CCAC meetings are held to avoid appointee conflicts.

Council Member Swanson appointed Ramon Franco to the CCAC and Christopher Sevy to the Planning Commission (PC).

Mayor Bennington asked staff to agendize an update on VVWRA water for a future meeting.

CITY MANAGER/CITY ATTORNEY/STAFF REPORTS

None.

ADJOURNMENT

The meeting was adjourned in honor of Council Member Gregg's daughter's birthday at 8:14 pm.

Erin Baum,
Assistant City Clerk

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City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: Mayor and Council Members
City Council, as Successor Agency to the Hesperia Community Redevelopment Agency
Chair and Commissioners, Hesperia Housing Authority
Chair and Commissioners, Community Development Commission
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Administrative Services
Anne Duke, Deputy Finance Director
Martha Cortes, Accountant

SUBJECT: Warrant Run Report (City – Successor Agency – Housing Authority – Community Development Commission – Water)

RECOMMENDED ACTION

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

BACKGROUND

The Warrant Run totals represented below are for the period April 15, 2023 through April 28, 2023.

<u>Agency/District</u>	<u>Accounts Payable</u>	<u>Payroll</u>	<u>Wires</u>	<u>Totals</u>
City of Hesperia	\$2,381,845.13	\$275,626.94	\$0.00	\$2,657,472.07
Successor Agency	0.00	0.00	0.00	0.00
Housing Authority	0.00	182.20	0.00	182.20
Community Development Commission	0.00	0.00	0.00	0.00
Water	198,486.44	113,978.17	0.00	312,464.61
Totals	\$2,580,331.57	\$389,787.31	\$0.00	\$2,970,118.88

ATTACHMENT(S)

1. Warrant Runs

City of Hesperia
WARRANT RUNS
04/15/2023 - 04/28/2023

Attachment 1

FUND #	FUND NAME	W/E 4/21/2023	W/E 4/28/2023	WARRANT TOTALS	Wires	YEAR-TO DATE TOTALS *	PRIOR FY YTD DATE TOTALS
Accounts Payable							
100	GENERAL	\$ 135,691.13	\$ 1,737,235.06	\$ 1,872,926.19	\$ -	\$ 24,983,151.82	\$ 23,058,931.48
200	HESPERIA FIRE DISTRICT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
204	MEASURE I - RENEWAL	\$ -	\$ 2,680.00	\$ 2,680.00	\$ -	\$ 265,933.42	\$ 260,681.53
207	LOCAL TRANSPORT-SB 325	\$ 765.28	\$ -	\$ 765.28	\$ -	\$ 288,574.41	\$ 28,666.16
209	GAS TAX-RMRA	\$ -	\$ -	\$ -	\$ -	\$ 880.00	\$ 68,083.24
210	HFPD (PERS)	\$ -	\$ -	\$ -	\$ -	\$ 1,093,204.87	\$ 1,007,746.00
251	CDBG	\$ -	\$ -	\$ -	\$ -	\$ 792,721.69	\$ 1,086,933.10
254	AB2766 - TRANSIT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
256	ENVIRONMENTAL PROGRAMS GRANT	\$ 2,135.05	\$ -	\$ 2,135.05	\$ -	\$ 28,512.42	\$ 33,384.89
257	NEIGHBORHOOD STABILIZATION PROG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
262	SB 1383 LOCAL ASSISTANCE GRANT	\$ -	\$ -	\$ -	\$ -	\$ 31,598.69	\$ -
263	STREETS MAINTENANCE	\$ 15,509.53	\$ 48,810.30	\$ 64,319.83	\$ -	\$ 1,613,844.55	\$ 1,410,081.42
300	DEV. IMPACT FEES - STREET	\$ -	\$ -	\$ -	\$ -	\$ 34,221.18	\$ 49,585.90
301	DEV. IMPACT FEES - STORM DRAIN	\$ -	\$ -	\$ -	\$ -	\$ 17,460.50	\$ 98,384.50
302	DEV. IMPACT FEES - FIRE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
303	DEV. IMPACT FEES - POLICE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,330.00
304	DEV. IMPACT FEES - PUBLIC WKS.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
306	DEV. IMPACT FEES - 2018-STREETS	\$ -	\$ -	\$ -	\$ -	\$ 5,027,815.99	\$ 2,152,591.86
312	DIF 2018-POLICE FACILITIES	\$ -	\$ -	\$ -	\$ -	\$ 7,969.11	\$ 6,888.17
313	DIF A-04 DRAINAGE	\$ -	\$ -	\$ -	\$ -	\$ 6,270.00	\$ 963,699.00
396	DEVELOPMENT IMPACT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
399	FEMA-1203-DR (DISASTER)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
400	2004 STREETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
401	CITY DEBT SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
402	WATER RIGHTS ACQUISITION	\$ -	\$ -	\$ -	\$ -	\$ 1,432,351.95	\$ 1,436,593.88
403	2013 REFUNDING LEASE REV BONDS	\$ -	\$ -	\$ -	\$ -	\$ 872,392.46	\$ 865,585.83
501	CFD 91-3 BELGATE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
504	CITY WIDE STREETS - CIP	\$ -	\$ -	\$ -	\$ -	\$ 7,866,856.79	\$ 1,540,617.89
509	CITY FACILITIES CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
800	EMPLOYEE BENEFITS	\$ 299,655.22	\$ 116,622.92	\$ 416,278.14	\$ -	\$ 7,467,562.45	\$ 6,196,430.35
801	TRUST/AGENCY	\$ 21,361.14	\$ 520.00	\$ 21,881.14	\$ -	\$ 1,673,504.22	\$ 2,598,670.13
802	AD 91-1 AGENCY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
804	TRUST-INTEREST BEARING	\$ -	\$ 859.50	\$ 859.50	\$ -	\$ 174,938.50	\$ 66,720.00
807	CFD 2005-1	\$ -	\$ -	\$ -	\$ -	\$ 1,300,227.50	\$ 1,281,548.77
808	HFPD (TRANSITION)	\$ -	\$ -	\$ -	\$ -	\$ 317,384.59	\$ 369,875.18
815	PLAN REVIEW TRUST - FRONTIER	\$ -	\$ -	\$ -	\$ -	\$ 6,584.08	\$ -
	CITY	\$ 475,117.35	\$ 1,906,727.78	\$ 2,381,845.13	\$ -	\$ 55,303,961.19	\$ 44,605,029.28
163	REDEVELOP OBLIG RETIREMENT-2018	\$ -	\$ -	\$ -	\$ -	\$ 9,708,465.48	\$ 9,999,319.34
	SUCCESSOR AGENCY	\$ -	\$ -	\$ -	\$ -	\$ 9,708,465.48	\$ 9,999,319.34
370	HOUSING AUTHORITY	\$ -	\$ -	\$ -	\$ -	\$ 49,809.31	\$ 48,948.18
	HOUSING AUTHORITY	\$ -	\$ -	\$ -	\$ -	\$ 49,809.31	\$ 48,948.18
170	COMMUNITY DEVELOPMENT COMMISSION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	COMMUNITY DEVELOPMENT COMMISSION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
700	WATER OPERATING	\$ 60,717.93	\$ 88,145.98	\$ 148,863.91	\$ -	\$ 6,840,391.27	\$ 6,872,212.71
701	WATER CAPITAL	\$ -	\$ -	\$ -	\$ -	\$ 37,673.00	\$ 89,261.90
710	SEWER OPERATING	\$ 35,686.30	\$ 1,438.08	\$ 37,124.38	\$ -	\$ 4,104,181.76	\$ 4,011,428.06
711	SEWER CAPITAL	\$ 9,870.00	\$ 1,956.50	\$ 11,826.50	\$ -	\$ 1,104,977.69	\$ 159,765.59
713	SEWER CAPITAL REHAB AND REPLACE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
720	RECLAIMED WATER OPERATIONS	\$ 671.65	\$ -	\$ 671.65	\$ -	\$ 260,532.11	\$ 236,533.55
	WATER	\$ 106,945.88	\$ 91,540.56	\$ 198,486.44	\$ -	\$ 12,347,755.83	\$ 11,369,201.81
	ACCOUNTS PAYABLE TOTAL	\$ 582,063.23	\$ 1,998,268.34	\$ 2,580,331.57	\$ -	\$ 77,409,991.81	\$ 66,022,498.61
REG. PAYROLL							
	City	\$ -	\$ 275,626.94	\$ 275,626.94	\$ -	\$ 6,096,360.62	\$ 5,457,066.25
	Housing Authority	\$ -	\$ 182.20	\$ 182.20	\$ -	\$ 4,002.84	\$ 1,668.70
	Water	\$ -	\$ 113,978.17	\$ 113,978.17	\$ -	\$ 2,484,191.22	\$ 2,382,793.84
	PAYROLL TOTAL	\$ -	\$ 389,787.31	\$ 389,787.31	\$ -	\$ 8,584,554.68	\$ 7,841,528.79

*No payments were issued on July 1, 2023.

City of Hesperia

STAFF REPORT



DATE: June 6, 2023
TO: Mayor and City Council Members
Chair and Board Members, Hesperia Water District
FROM: Nils Bentsen, City Manager
BY: Jeremy McDonald, Director of Public Works
Robert Worby, Fleet / Warehouse Supervisor
SUBJECT: Vehicle Procurement

RECOMMENDED ACTION

It is recommended that the City Council and Board of Directors of the Hesperia Water District approve Joint Resolution No. 2023-26 and HWD No. 2023-10 authorizing a City Council Bidding Override exemption for the purchase of four (4) small sized trucks, by authorizing the City Manager to enter into an agreement with Victorville Chevrolet in the not-to-exceed amount of \$145,000 for the purchase of two (2) new 2023 Chevy Colorado small sized trucks (truck) for the Code Enforcement Program, one (1) new 2023 Chevy Colorado truck for the Streets Maintenance Program, and one (1) new 2023 Chevy Colorado truck for the Production Program.

BACKGROUND

As part of fleet management, vehicles are reviewed periodically to maintain an optimal operating fleet. Vehicles that exceed the average useful life and have higher than expected lifetime maintenance costs are recommended for replacement. By replacing the fleet on a scheduled basis, it lowers long-term maintenance costs for the City. Other experienced benefits of fleet replacement include improved occupant safety and lower fuel expenditures.

ISSUES/ANALYSIS

On May 10, 2023, Public Works requested quotes for two (2) two-wheel drive and two (2) four-wheel drive trucks. The bid request was sent to various dealerships for the vehicles and included a requirement of delivery by June 30, 2023. On May 16, 2023, the bid closed with Sunland Ford being the only respondent and total bid of \$176,026 for four small sized trucks. Subsequently, on May 17, 2023, Victorville Chevrolet responded with a bid of \$144,703. Typically, the late bid would be removed from consideration; however, in this case the bid difference of \$31,323 is approximately the cost of one small sized truck.

Upon staff review, it was determined that the late bid from Victorville Chevrolet was an oversight by the vendor. Furthermore, the Victorville Chevrolet bid is nearly 22% less than Sunland Ford, which thereby saves the City and taxpayers money. As recommended with Joint Resolution No. 2023-26 and HWD 2023-10, the City Council can provide a bidding override exemption and award Victorville Chevrolet the contract for the vehicles.

FISCAL IMPACT

Funds for this purchase has been included in the FY 2022-23 Budget. By City Council approving to override the bidding process, as allowed in the Municipal Code, the City will save approximately \$31,000 or 22% by awarding Victorville Chevrolet the winning bid over Sunland Ford.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Joint Resolution No. 2023-26 and HWD No. 2023-10
2. Bid Comparison

**JOINT RESOLUTION NO. 2023-26
RESOLUTION HWD NO. 2023-10**

**A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA,
CALIFORNIA, AND THE BOARD OF DIRECTORS FOR THE HESPERIA
WATER DISTRICT, TO USE THE BIDDING OVERRIDE EXEMPTION**

WHEREAS, the City of Hesperia has adopted municipal codes, of which details the process for bidding of items, such as vehicle codes; and

WHEREAS, §3.08.070 of the Hesperia Municipal Code allows for certain exemptions to the bidding requirements; and

WHEREAS, as allowed by the Municipal Code, the City Council may determine by resolution that it would be in the best interest of the city to dispense with bidding; provided, however, that the City Council shall state the basis of its determination;

WHEREAS, accepting the bid from Victorville Chevrolet will result in a substantial savings, which is in the best interest of the City;

WHEREAS, the City Council accepts the bid from Victorville Chevrolet; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA AND BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT, AS FOLLOWS:

Section 1. The Council and Board hereby finds that all of the facts set forth in the Resolution are true and correct.

Section 2. That the Council and Board authorize the City Manager to enter into an agreement in the not-to-exceed amount of \$145,000 for the purchase of four (4) Chevy Colorado small size vehicles.

Section 3. The City Clerk and Secretary shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED THIS 6th DAY OF JUNE 2023.

Brigit Bennington, Mayor/Chair

ATTEST:

Erin Baum, Assistant City Clerk/Secretary

Bid Comparison Type: **Taxable**
Bid Comparison Completed By: **R. WORBY**
Date: **5/16/2023**

			Victorville Chevrolet Victorville, CA			Sunland Ford Victorville, CA			Fairview Ford San Bernardino, CA			Sunrise Ford Redlands, CA		
Item No.	Qty	Description	Bidder Part #	Unit Cost	Extended Amount	Bidder Part #	Unit Cost	Extended Amount	Bidder Part #	Unit Cost	Extended Amount	Bidder Part #	Unit Cost	Extended Amount
1	2	2023 4 x 2 White Mid-Size Crew Cab	N/A	\$31,500.00	\$63,000.00	N/A	\$38,295.00	\$76,590.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00
1	2	2023 4 x 4 White Mid-Size Crew Cab	N/A	\$35,400.00	\$70,800.00	N/A	\$41,950.00	\$83,900.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00
1	4	Spray On Bed Liner	N/A	\$0.00	\$0.00	N/A	\$595.00	\$2,380.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00
1	4	Document Fee (Taxable)	N/A	\$85.00	\$340.00	N/A	\$85.00	\$340.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$85.00
1	4	License Fee (Non-Taxable)	N/A	\$33.00	\$132.00	N/A	\$33.00	\$132.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$33.00
1	4	California Tire Fee (Non-Taxable)	N/A	\$8.75	\$35.00	N/A	\$8.75	\$35.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$8.75
			Total Bid Before Tax		\$134,307.00	Total Bid Before Tax		\$163,377.00	Total Bid Before Tax		\$0.00	Total Bid Before Tax		\$0.00
			Sales Tax		\$10,395.86	Sales Tax		\$12,648.78	Sales Tax		\$0.00	Sales Tax		\$0.00
			Total Actual Bid		\$144,702.86	Total Actual Bid		\$176,025.78	Total Actual Bid		\$0.00	Total Actual Bid		\$0.00
			Submitted Bid Amount		\$144,702.86	Submitted Bid Amount		\$176,095.31	Submitted Bid Amount		\$0.00	Submitted Bid Amount		\$0.00
			Difference		\$0.00	Difference		\$69.54	Difference		\$0.00	Difference		\$0.00
			Final Total		\$144,702.86	Final Total		\$176,025.78	Final Total		\$0.00	Final Total		\$0.00

City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: Mayor and Council Members
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Jeremy McDonald, Director of Public Works
Marc Morales, Management Analyst

SUBJECT: Award of Contract for Heating, Ventilation, and Air-Conditioning (HVAC)
Preventative Maintenance and Repair Services

RECOMMENDED ACTION

It is recommended that the City Council and Board of Directors of the Hesperia Water District (District) authorize the City Manager to enter into a three (3) year contract with Allison Mechanical, Inc. in a not-to-exceed amount of \$246,816 for heating, ventilation, and air-conditioning (HVAC) preventative maintenance and repair services for City and District facilities.

BACKGROUND

The City contracts with an HVAC contractor for preventive maintenance and repairs at various City and Water District facilities, including the Hesperia Branch Library. These services include quarterly filter changes, system adjustments, and repairs to ensure HVAC systems are operating to factory specifications. With the aging HVAC systems, an aggressive preventative maintenance program will be incorporated to ensure these systems are operating at optimal capacity. While preventative maintenance will not eliminate failures, this will reduce the frequency in which they occur.

ISSUES/ANALYSIS

The current contract for HVAC preventative maintenance and repair services is set to expire on June 30, 2023 and to continue to provide these services, the City prepared a formal bid that was released on April 27, 2023 and closed on May 18, 2023. The City received the following bids:

	Allison Mechanical, Inc.	McCloskey Mechanical Contractors, Inc.	FM Thomas Air Conditioning, Inc.
FY 2023-24	\$79,816	\$204,234	\$109,072
FY 2024-25	\$82,299	\$215,959	\$114,037.35
FY 2025-26	\$84,701	\$228,458	\$117,402.33
Total Cost	\$246,816	\$648,651	\$340,511.68

Upon review of the submitted bids, Allison Mechanical, Inc. was deemed the lowest responsible/responsive bidder for HVAC preventative maintenance and repair services.

FISCAL IMPACT

Sufficient funding has been included in the proposed Fiscal Year 2023-24 Operating Budget.

ALTERNATIVES

1. Provide alternative direction to staff.

ATTACHMENTS

None

City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Jeremy McDonald, Director of Public Works
Marc Morales, Management Analyst

SUBJECT: Award of Contract for Emergency Road Repairs Related To 2023 Winter Storms

RECOMMENDED ACTION

It is recommended that the City Council ratify the award and affirm a contract to Cooley Construction, Inc. for emergency road repairs related to storm damage in the amount of \$860,082 and authorize a 10% contingency in the amount of \$86,008 for a total not-to-exceed amount of \$946,090.

BACKGROUND

On February 25 and 26, 2023, a large storm passed through Hesperia with heavy rain and snow fall causing significant flooding throughout the City. From the significant flooding on the roadways, the roads incurred major damage, which included an undermined road, excessive potholes in low flow areas, flowline damage, and asphalt berm damage. Public Works staff worked diligently during the storm event responding to road conditions from the aftermath by clearing debris, pothole filling, and backfilling trenches from the stormwater flow.

On February 28, 2023, the City Manager declared a local emergency caused by the winter storm event. The local emergency was confirmed and ratified by the City Council at the March 7, 2023 City Council Meeting via Resolution No. 2023-16 and 2023-17.

From the aftermath of the storm, City staff identified thirteen (13) areas where emergency road repairs are needed, which include Sultana Street, Peach Avenue, Joshua Street, and other various locations. These road repairs include removal and repair of roadways, removal and repair of asphalt berm, and grind and overlay where there are a significant number of potholes.

ISSUES/ANALYSIS

In order to expedite the emergency road repairs, the City prepared an emergency formal bid that was released on March 8, 2023, and closed on March 21, 2023. The City received the following bids:

Contractor	Cooley Construction, Inc.	Sully-Miller Contracting Co
Total Cost	\$860,081.50	\$1,208,200

Upon review of the submitted bids, Cooley Construction, Inc. was deemed the lowest responsible/responsive bidder for the emergency road repairs. Cooley Construction, Inc. has completed several roadway projects for the City and staff recommends awarding the contract.

The City's Purchasing Ordinance, Section 3.08.070(A)(1) – Emergency Purchase, states that when an emergency exists, in which the City Manager activates the Emergency Operations Center (EOC), the procurement of goods and/or services necessary to properly mitigate the emergency may be made. All purchases made under the emergency authority shall be subject to ratification by the City Council. A Notice to Proceed was issued to Cooley Construction, Inc. to commence work on May 22, 2023, with sixty (60) calendar days to complete, which will be on July 21, 2023.

FISCAL IMPACT

With these emergency road repairs, Fund 204 will be utilized to fund this emergency project. Once the project is complete, the City will submit for reimbursement to the Federal Emergency Management Agency (FEMA).

ALTERNATIVES

1. Provide alternative direction to staff.

ATTACHMENTS

None.

City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: Mayor and Council Members

FROM: Nils Bensten, City Manager

BY: Rachel Molina, Assistant City Manager
Dani Fox, Deputy Development Services Director
Bethany Hudson, Administrative Analyst

SUBJECT: Final Map No. 18955-4

RECOMMENDED ACTION

It is recommended that the City Council adopt Resolution No. 2023-35 approving Final Map No. 18955-4 to create 57 residential lots on approximately 18.5 gross acres and accept right-of-way necessary to develop Tract 18989-1 Lot 4, Planning Area 6 of the Tapestry Specific Plan. (Applicant: Silverwood Development Phase I, LLC).

BACKGROUND

On January 26, 2016, the City Council approved Tentative Tract Map No. 18955 to create 2,104 residential unit lots on 986 gross acres within the Tapestry Specific Plan, now known as the Silverwood Project, located south of Ranchero Road at the intersection of I Avenue. Final Map 18955-4 subdivides Lot 4, Planning Area 6 of Final Map 18989-1 to create 57 residential lots on approximately 18.5 gross acres and dedicates the in-tract right-of-way for utility infrastructure, streets, easements, open space and parks within the Silverwood project.

Staff has reviewed the final map and determined that it complies with the Tapestry Specific Plan, the Tapestry Development Agreement, the General Plan and zoning regulations, all required conditions of approval, and all local ordinances related to the creation of these parcels. The developer has executed a Subdivision Improvement Agreement in accordance with local ordinances and the Subdivision Map Act and posted the necessary bonds for offsite improvements.

ISSUES/ANALYSIS

There are no issues identified with this item.

FISCAL IMPACT

There are no significant fiscal impacts to the City related to this action

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. 2023-35
2. Final Tract Map No. 18955-4

RESOLUTION NO. 2023-35

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, APPROVING FINAL TRACT MAP NO. 18955-4 TO CREATE 57 LOTS ON APPROXIMATELY 18.5 GROSS ACRES AND ACCEPT RIGHT-OF-WAY NECESSARY TO DEVELOP TRACT 18989-1, LOT 4, PLANNING AREA 6 OF THE TAPESTRY SPECIFIC PLAN (APPLICANT: SILVERWOOD DEVELOPMENT PHASE I, LLC)

WHEREAS, on January 26, 2016 the City Council recommended that Tentative Tract Map No. 18955 for approval; and

WHEREAS, Tentative Tract Map No. 18955 is to create a total of 2,104 residential unit lots on 986 gross acres; and

WHEREAS, Tract Map No. 18955-4 is to create 57 lots on 18.5 gross acres within the Tapestry Specific Plan; and

WHEREAS, Tract Map No. 18955-4 is to accept right-of-way for the in-tract infrastructure; and

WHEREAS, all legal prerequisites to the adoption of this resolution have occurred.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA CITY COUNCIL AS FOLLOWS:

Section 1. Final Tract Map No. 18955-4 is hereby approved, and the City Clerk is authorized to present same to the County Recorder to be filed for record.

Section 2. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 6th day of June, 2023.

Brigit Bennington
Mayor

ATTEST:

Erin Baum
Assistant City Clerk

IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

TRACT MAP NO. 18955-4

BEING A SUBDIVISION OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK ____ PAGES ____ THROUGH ____ INCLUSIVE, OF TRACT MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND LYING WITHIN SECTION 10, IN TOWNSHIP 3 NORTH, RANGE 4 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.

INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

OWNER'S STATEMENT

WE HEREBY STATE THAT WE ARE THE ONLY PARTY HAVING ANY RECORD TITLE INTEREST IN THE LAND SUBDIVIDED AS SHOWN ON THIS MAP, AND WE CONSENT TO THE PREPARATION AND RECORDATION OF THIS FINAL MAP.

WE HEREBY IRREVOCABLY OFFER TO DEDICATE TO THE CITY OF HESPERIA, THE PUBLIC IN GENERAL, AND TO ANY OF THE SEVERAL PUBLIC UTILITY COMPANIES WHICH ARE AUTHORIZED TO SERVE IN SAID SUBDIVISION, AN EASEMENT FOR PUBLIC ROADS, AND PUBLIC UTILITY PURPOSES IN UNDER, THROUGH, AND ACROSS LUNA STREET, WINDY TRAIL AVENUE, MCKENZIE COURT, KINLEY STREET AND HAWES COURT AS SHOWN ON THIS MAP. THE EXPRESSED RIGHTS TO THE PUBLIC IN GENERAL AND TO THE SEVERAL UTILITY COMPANIES SHALL BE AND SHALL REMAIN INFERIOR TO THE SUPERIOR RIGHTS OF THE CITY OF HESPERIA.

WE ALSO HEREBY IRREVOCABLY OFFER TO DEDICATE TO THE CITY OF HESPERIA ALL RIGHTS OF VEHICULAR INGRESS TO OR EGRESS FROM LOT "D" AND 21, OVER AND ACROSS THE EASTERLY LINE OF SILVERWOOD TRAIL, LOT 1, OVER AND ACROSS THE SOUTHERLY LINE OF LUNA STREET, LOT 11 AND 17, OVER AND ACROSS THE WESTERLY LINE OF WINDY TRAIL AVENUE, LOTS 30, 31, AND 57, OVER AND ACROSS THE WESTERLY LINE OF WINDY TRAIL AVENUE, LOTS 24 AND 25, OVER AND ACROSS THE SOUTHERLY LINE OF HAWES ROAD AND LOT 41, OVER AND ACROSS THE EASTERLY LINE OF MCKENZIE COURT, AS SHOWN ON THE ANNEXED MAP.

WE HEREBY RETAIN LOTS "A" THROUGH "D", INCLUSIVE FOR SLOPE AND LANDSCAPE EASEMENTS AS SHOWN HEREON FOR THE BENEFIT OF OURSELVES, OUR SUCCESSORS, ASSIGNEES, AND LOTS OWNERS WITHIN THIS MAP;

WE ALSO HEREBY RETAIN LOT "E" FOR PARK PURPOSES FOR THE BENEFIT OF OURSELVES, OUR SUCCESSORS, ASSIGNEES, AND LOTS OWNERS WITHIN THIS TRACT MAP; SILVERWOOD DEVELOPMENT PHASE 1, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMERLY KNOWN AS TAPESTRY DEVELOPMENT PHASE1, LLC, A DELAWARE LIMITED LIABILITY COMPANY

BY: John Chavan
JOHN CHAVAN, AUTHORIZED REPRESENTATIVE

TRUSTEE STATEMENT

FIRST AMERICAN TITLE INSURANCE COMPANY, A NEBRASKA CORPORATION AS TRUSTEE UNDER DEED OF TRUST RECORDED MAY 14, 2021 AS DOC. NO. 2021-0225001 O.R.

BY: Vincent Tolco VP BEFORE ME, D. Dennis, A NOTARY PUBLIC PERSONALLY APPEARED Vincent Tolco WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/HEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

NAME AND TITLE: Vincent Tolco VP NAME AND TITLE: _____

NOTARY ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF San Diego
ON May 22, 2023 BEFORE ME, D. Dennis, A NOTARY PUBLIC PERSONALLY APPEARED Vincent Tolco WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/HEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND AND OFFICIAL SEAL.

SIGNATURE D. Dennis

MY PRINCIPAL PLACE OF BUSINESS IS IN San Diego COUNTY.
MY COMMISSION NUMBER: 2423444
EXPIRES: 01/21/26

NOTARY ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF San Bernardino
ON May 23, 2023 BEFORE ME, JACKIE A. GOSSETT, A NOTARY PUBLIC PERSONALLY APPEARED ENSEN MASON WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/HEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND AND OFFICIAL SEAL.

SIGNATURE JACKIE A. GOSSETT

MY PRINCIPAL PLACE OF BUSINESS IS IN San Bernardino COUNTY.
MY COMMISSION NUMBER: 2412893
EXPIRES: 8-14-26

NOTARY ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF _____
ON _____ BEFORE ME, _____, A NOTARY PUBLIC PERSONALLY APPEARED _____ WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/HEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND AND OFFICIAL SEAL.

SIGNATURE _____

MY PRINCIPAL PLACE OF BUSINESS IS IN _____ COUNTY.
MY COMMISSION NUMBER: _____
EXPIRES: _____

**AUDITOR-CONTROLLER/TREASURER
TAX COLLECTOR CERTIFICATE**

I HEREBY CERTIFY THAT ACCORDING TO THE RECORDS OF THE OFFICE, AS OF THIS DATE, THERE ARE NO LENS AGAINST THE REAL PROPERTY SHOWN UPON THIS MAP FOR UNPAID STATE, COUNTY, MUNICIPAL, OR LOCAL TAXES, SPECIAL ASSESSMENTS COLLECTED AS TAXES, EXCEPT TAXES OR SPECIAL ASSESSMENTS NOT YET PAYABLE, ESTIMATED TO BE \$ _____.

DATE: _____, 2023

ENSEN MASON
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
SAN BERNARDINO COUNTY

BY: _____, DEPUTY

BOARD OF SUPERVISOR'S CERTIFICATE

I HEREBY CERTIFY THAT A BOND IN THE SUM OF \$ _____ HAS BEEN EXECUTED AND FILED WITH THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, STATE OF CALIFORNIA, CONDITIONED UPON THE PAYMENT OF ALL TAXES, (STATE, COUNTY, MUNICIPAL OR LOCAL) AND ALL SPECIAL ASSESSMENTS, COLLECTED AS TAXES, WHICH AT THE TIME OF THE FILING OF THIS MAP WITH THE SAN BERNARDINO COUNTY ASSESSOR-RECORDER-COUNTY CLERK ARE A LIEN AGAINST SAID PROPERTY, BUT NOT YET PAYABLE AND THAT THE SUBDIVIDER HAS FILED WITH ME A CERTIFICATE BY THE PROPER OFFICER GIVING HIS ESTIMATE OF THE AMOUNT OF SAID TAXES AND SPECIAL ASSESSMENTS, AND SAID BOND IS HEREBY ACCEPTED.

DATE: _____, 2023

LYNNA MONELL
CLERK OF THE BOARD OF SUPERVISORS SAN BERNARDINO COUNTY

BY: _____, DEPUTY

CITY COUNCIL'S ACCEPTANCE CERTIFICATE

THE UNDERSIGNED OFFICER ON BEHALF OF THE CITY COUNCIL PURSUANT TO AUTHORITY CONFERRED BY TITLE 17 OF THE CITY HESPERIA MUNICIPAL CODE, HEREBY APPROVES THE ANNEXED MAP AND ACCEPTS LUNA STREET, WINDY TRAIL AVENUE, MCKENZIE COURT, KINLEY STREET AND HAWES COURT SUBJECT TO THEIR IMPROVEMENTS IN ACCORDANCE WITH CITY STANDARDS.

IN ADDITION, THE UNDERSIGNED HEREBY ACCEPTS ALL RIGHTS OF VEHICULAR ACCESS FROM LOT "D" AND 21, OVER AND ACROSS THE EASTERLY LINE OF SILVERWOOD TRAIL, LOT 1, OVER AND ACROSS THE SOUTHERLY LINE OF LUNA STREET, LOT 11 AND 17, OVER AND ACROSS THE WESTERLY LINE OF WINDY TRAIL AVENUE, LOTS 30, 31, AND 57, OVER AND ACROSS THE EASTERLY LINE OF WINDY TRAIL AVENUE, LOTS 24 AND 25, OVER AND ACROSS THE SOUTHERLY LINE OF HAWES ROAD AND LOT 41, OVER AND ACROSS THE EASTERLY LINE OF MCKENZIE COURT, AS SHOWN ON THE ANNEXED MAP.

DATE: _____, 2023

MELINDA SAYRE
CITY CLERK, CITY OF HESPERIA

SURVEYOR'S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION AND IS BASED UPON A FIELD SURVEY IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE AT THE REQUEST OF SILVERWOOD DEVELOPMENT PHASE 1, LLC, A DELAWARE LIMITED LIABILITY COMPANY ON SEPTEMBER 2022. I HEREBY STATE THAT ALL MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED OR THAT THEY WILL BE SET IN SUCH POSITIONS IN ACCORDANCE WITH SECTIONS 66495 AND 66496 OF THE SUBDIVISION MAP ACT AND ARE OR WILL BE, SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED, AND THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP.

DATE: 5/16, 2023

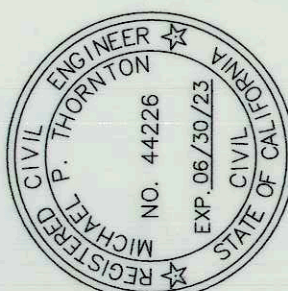
Miguel
MIGUEL A. VILLASenor
L.S. 8509
EXP. 12/31/24



CITY ENGINEER'S STATEMENT

I HEREBY CERTIFY THAT I HAVE EXAMINED THIS MAP, AND THAT THE SUBDIVISION SHOWN THEREON IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THERETO, AND THAT ALL THE PROVISIONS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCES HAVE BEEN COMPLIED WITH, AND I AM SATISFIED THAT THIS MAP IS TECHNICALLY CORRECT.

DATE: 5/24/23, 2023



BY: M.P. Thornton
MICHAEL P. THORNTON, CITY ENGINEER
R.C.E. NO. 44226, P.L.S. 6867
EXPIRES: 06/30/2023, 09/30/2024



COMPOSITE DEVELOPMENT PLAN:

A COMPOSITE DEVELOPMENT PLAN HAS BEEN PREPARED FOR THIS TRACT AND IS ON FILE WITH THE CITY OF HESPERIA PLANNING DEPARTMENT.

**SAN BERNARDINO COUNTY
RECORDER'S CERTIFICATE**

THIS MAP HAS BEEN FILED UNDER DOCUMENT NUMBER _____ OF THIS _____ DAY OF _____, 2023. AT _____ M IN BOOK _____ OF MAPS AT PAGES _____ AT THE REQUEST OF FIRST AMERICAN TITLE COMPANY, IN THE AMOUNT OF \$ _____

CHRIS WILHITE
ASSESSOR-RECORDER
SAN BERNARDINO COUNTY

BY: _____
DEPUTY RECORDER

IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

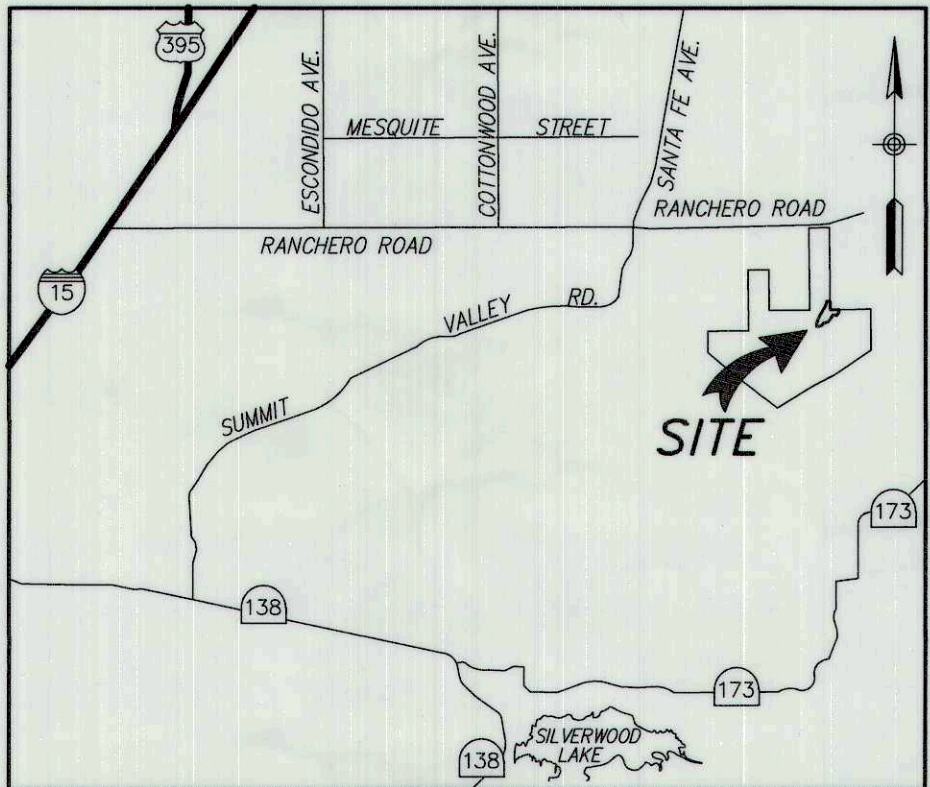
TRACT MAP NO. 18955-4

SHEET 2 OF 8 SHEETS

BEING A SUBDIVISION OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK _____, PAGES _____ THROUGH _____, INCLUSIVE, OF TRACT MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND LYING WITHIN SECTION 10, IN TOWNSHIP 3 NORTH, RANGE 4 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.

INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022



SURVEYOR'S NOTES

- INDICATES FOUND 1" I.P., FLUSH, WITH TAG STAMPED "L.S. 8509" PER TRACT MAP NO. 18989-1, M.B. _____
- ⊙ INDICATES FOUND 1" I.P., FLUSH, WITH PLASTIC PLUG STAMPED "L.S. 3069 PER R.S. 72/23-50 AND MARKED AS SHOWN PER PARCEL MAP NO. 13471, P.M.B. 172/86-101 AND TRACT MAP NO. 18985-1, M.B. 355/9-13.
- () INDICATES RECORD DATA PER TRACT MAP NO. 18989-1, M.B. _____
- INDICATES SET 1" I.D. I.P. AND TAG "LS 8509", FLUSH.
- (R) INDICATES RADIAL BEARING
- ⊗ SHEET NUMBERS

TRACT MAP NO. 18985-4 CONTAINS
18.47 ACRES

SURVEYOR'S NOTES

1. SET 1" I.P. AND TAG, "LS 8509", FLUSH, AT ALL REAR LOT CORNERS, AND AT ALL ANGLE POINTS IN SIDE OR REAR LOT LINES, AND IN LIEU OF FRONT CORNERS, SET NAIL AND TAG MARKED "LS 8509" IN TOP OF CURB AT THE PROLONGATION OF SIDE LOT LINES, AND AT ALL B.C.'s, E.C.'s, P.R.C.'s, AND P.C.C.'s, AND CORNER CUTBACKS PROJECTED PERPENDICULAR OR RADIAL TO LETTERED LOT CENTERLINES.
2. THIS TRACT CONTAINS 57 NUMBERED LOTS AND 5 LETTERED LOTS.
3. ALL MONUMENTS SHOWN "SET" ARE IN ACCORDANCE WITH THE MONUMENT AGREEMENT FOR THE MAP.
4. ||||| INDICATES NON-VEHICULAR ACCESS

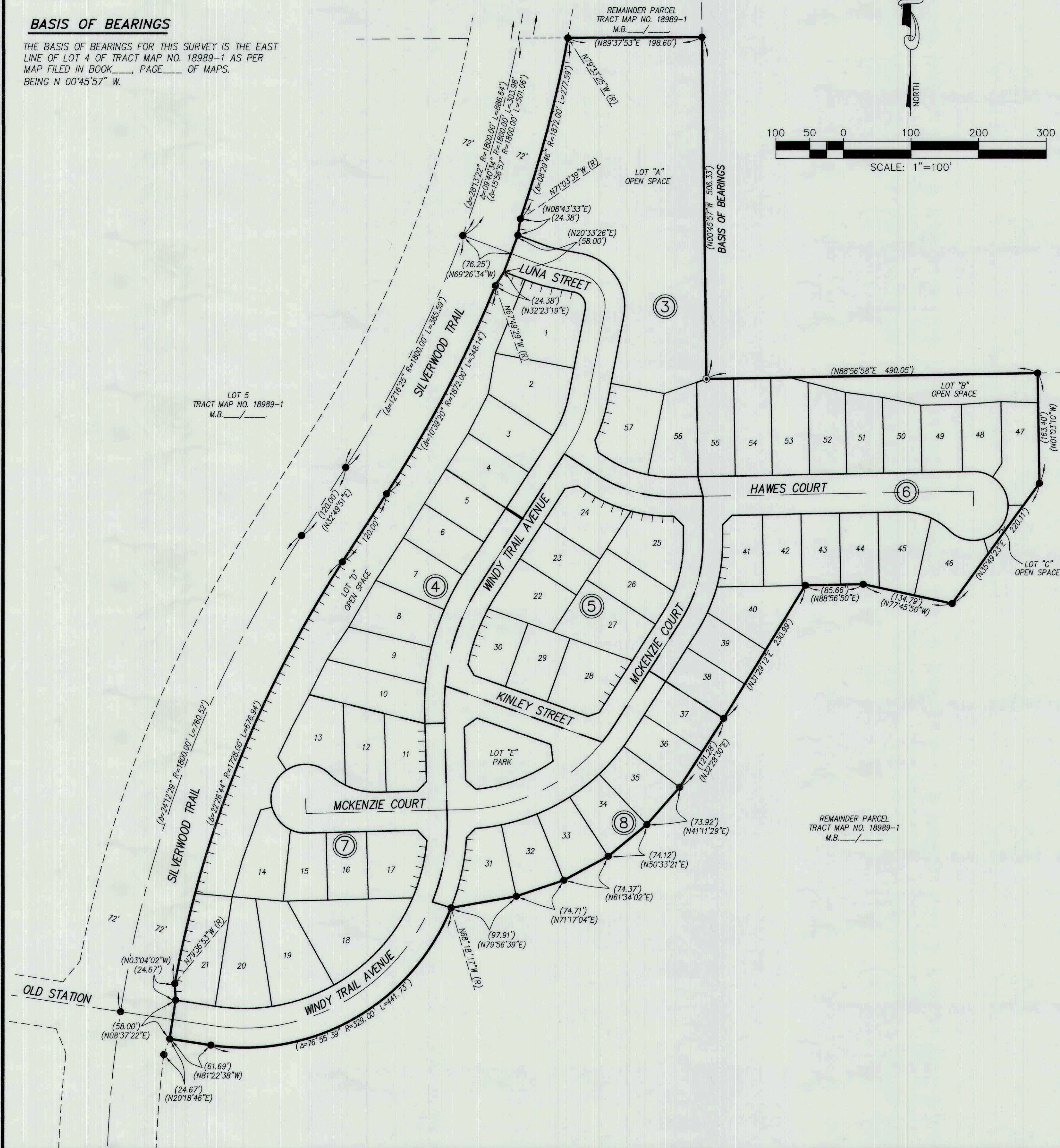
EASEMENT NOTES

NO EASEMENTS

BASIS OF BEARINGS

THE BASIS OF BEARINGS FOR THIS SURVEY IS THE EAST LINE OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK _____, PAGE _____ OF MAPS, BEING N 00°45'57" W.

INDEX AND BOUNDARY MAP



IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
TRACT MAP NO. 18955-4

SHEET 3 OF 8 SHEETS

BEING A SUBDIVISION OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK _____, PAGES _____ THROUGH _____,
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INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

EASEMENT NOTES

NO EASEMENTS

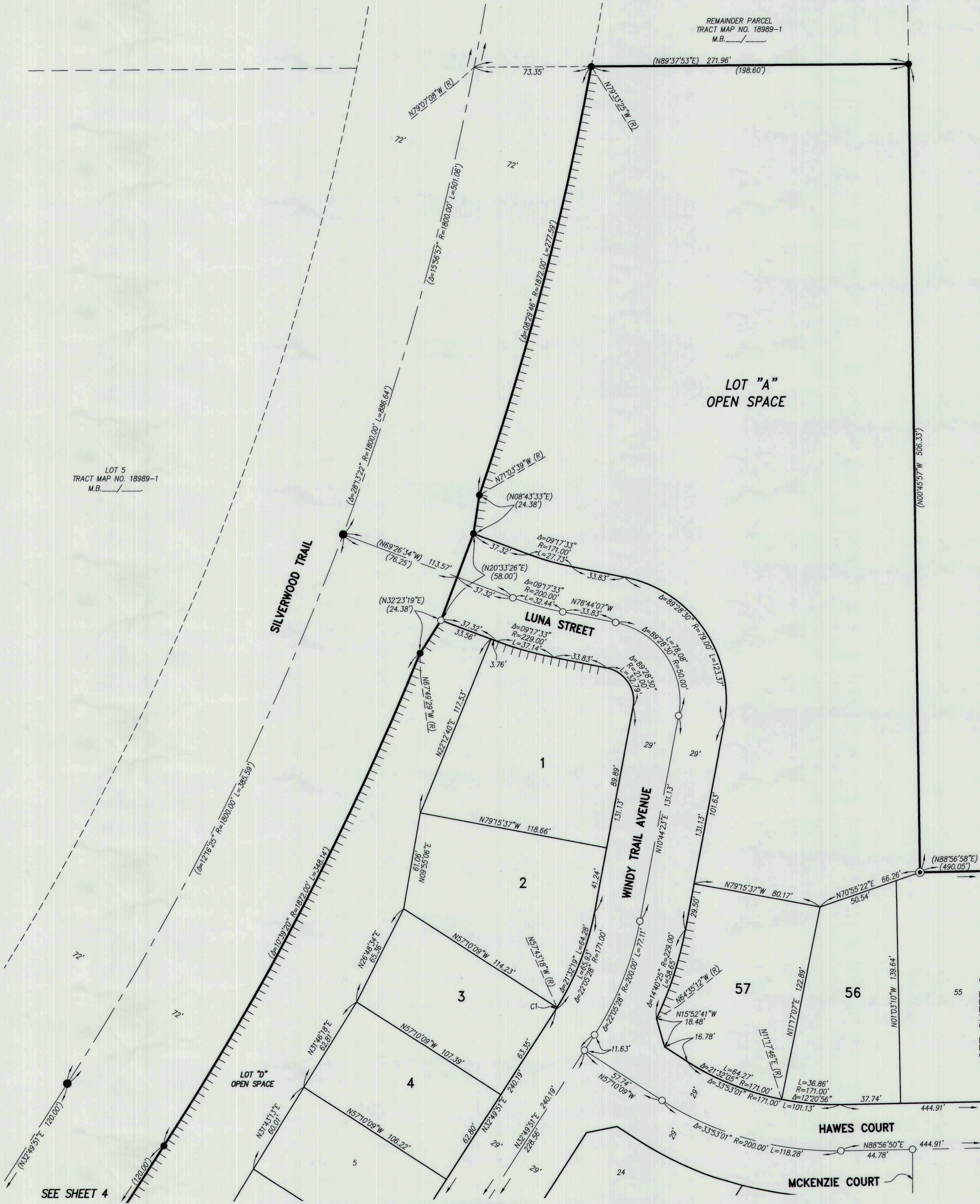
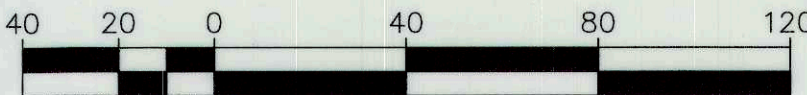
SURVEYOR'S NOTES

SEE SHEET 2

BASIS OF BEARINGS

SEE SHEET 2

ARC TABLE			
NO.	DELTA	RADIUS	LENGTH
C1	$\Delta=00^{\circ}33'09''$	171.00'	1.65'



SHEET 4 OF 8 SHEETS

INLAND VALLEY SURVEYING, INC.

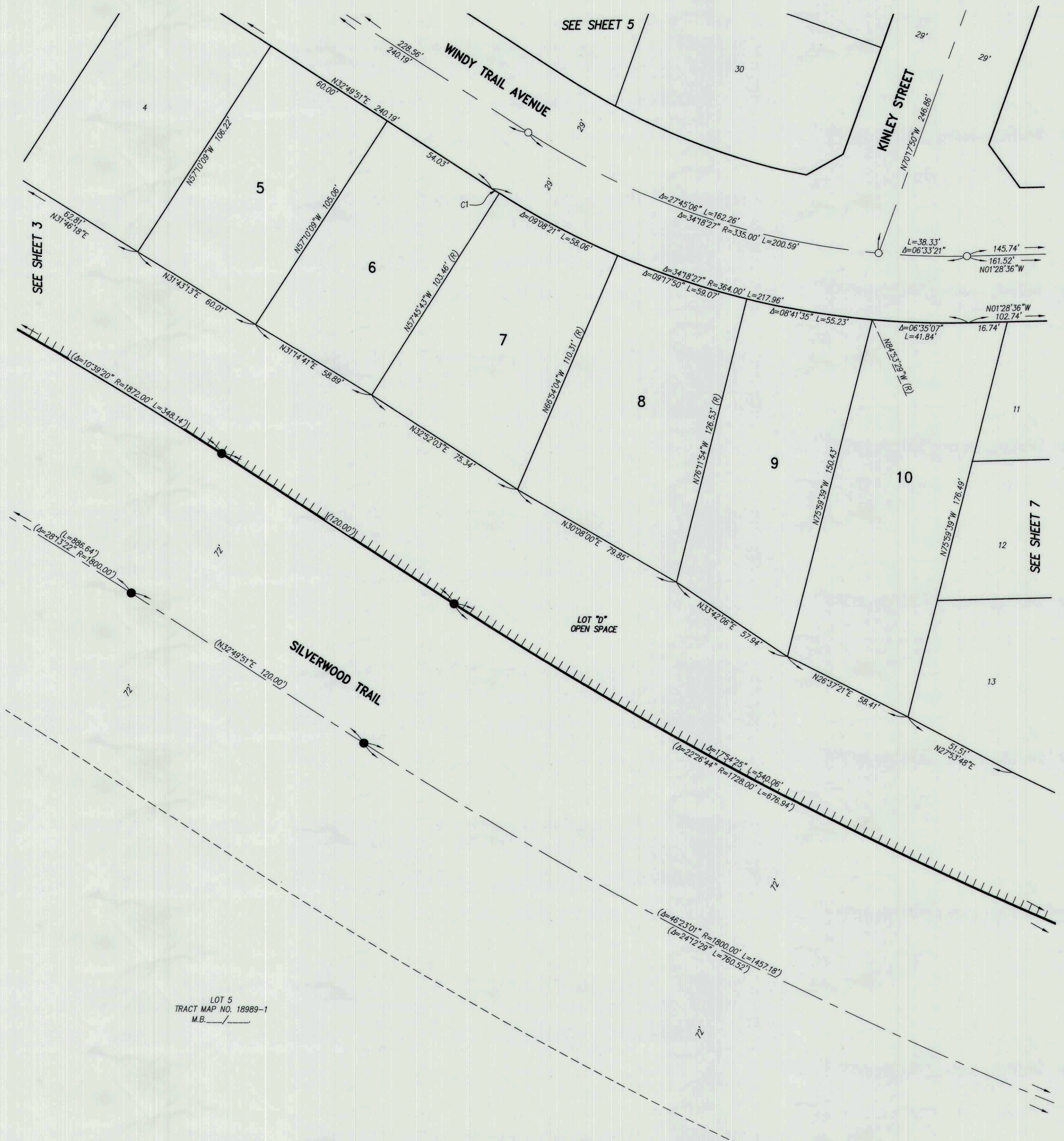
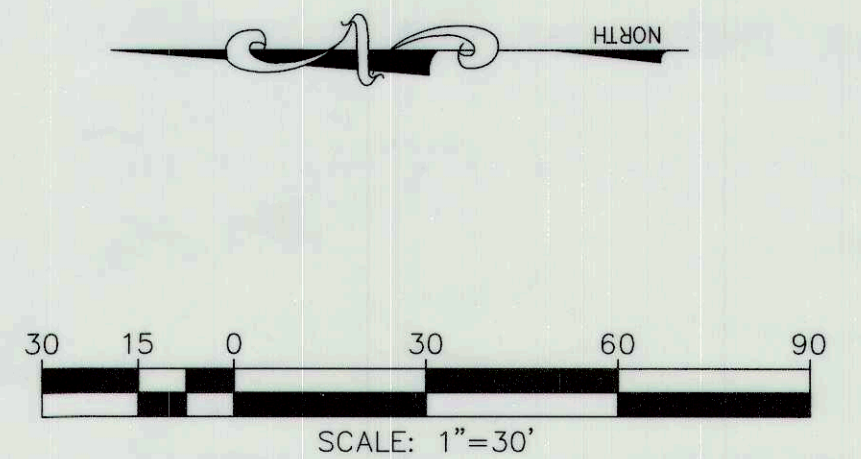
SEPTEMBER, 2022

NO EASEMENTS

SEE SHEET 2

SEE SHEET 2

ARC TABLE			
NO.	DELTA	RADIUS	LENGTH
C1	$\Delta=00^{\circ}35'34''$	364.00'	3.77



SHEET 5 OF 8 SHEETS

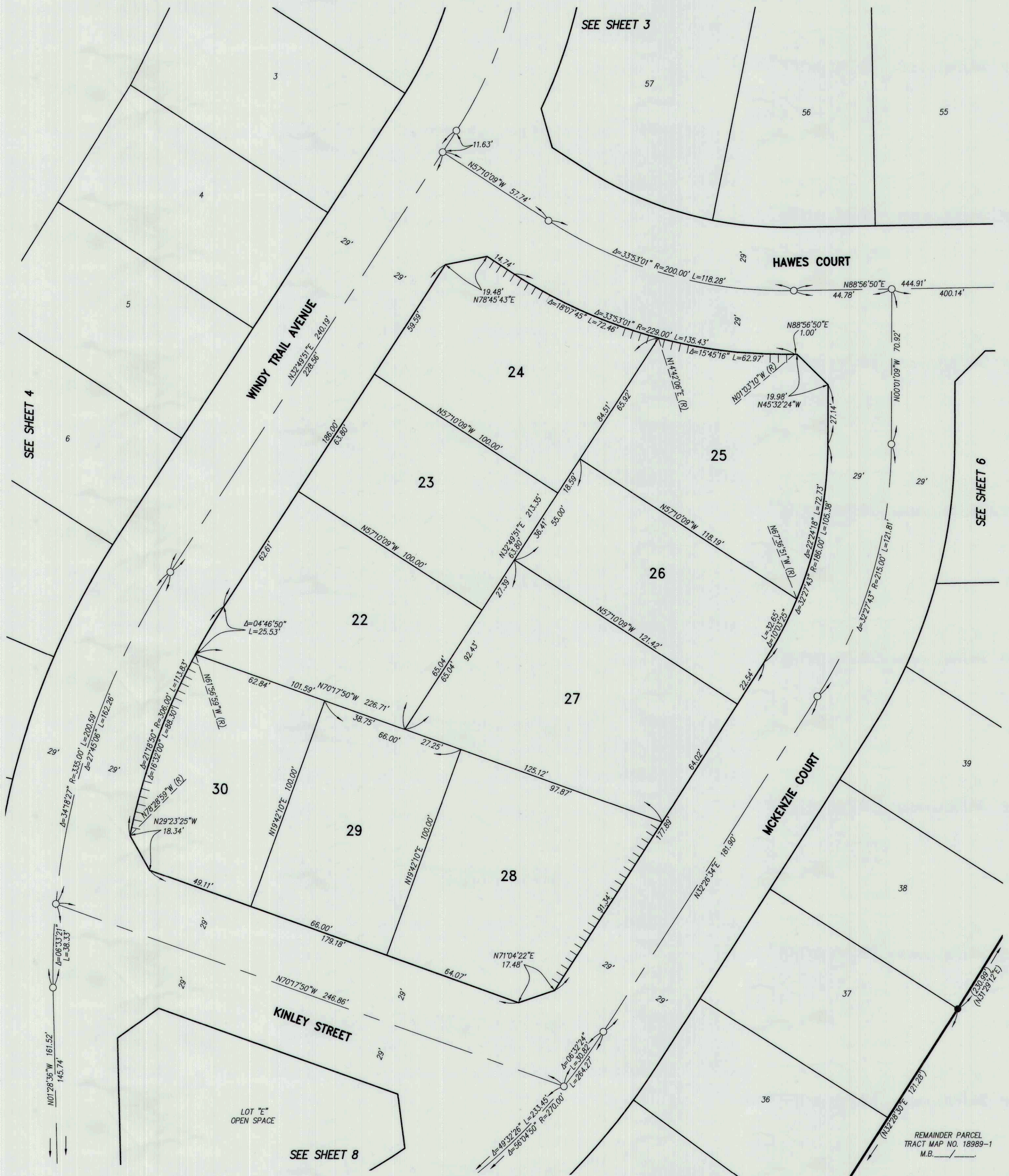
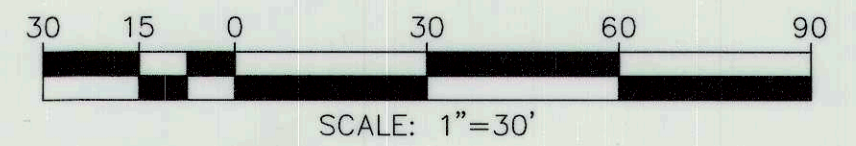
INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

NO EASEMENTS

SEE SHEET 2

SEE SHEET 2



IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
TRACT MAP NO. 18955-4

SHEET 6 OF 8 SHEETS

BEING A SUBDIVISION OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK _____, PAGES _____ THROUGH _____,
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INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

EASEMENT NOTES

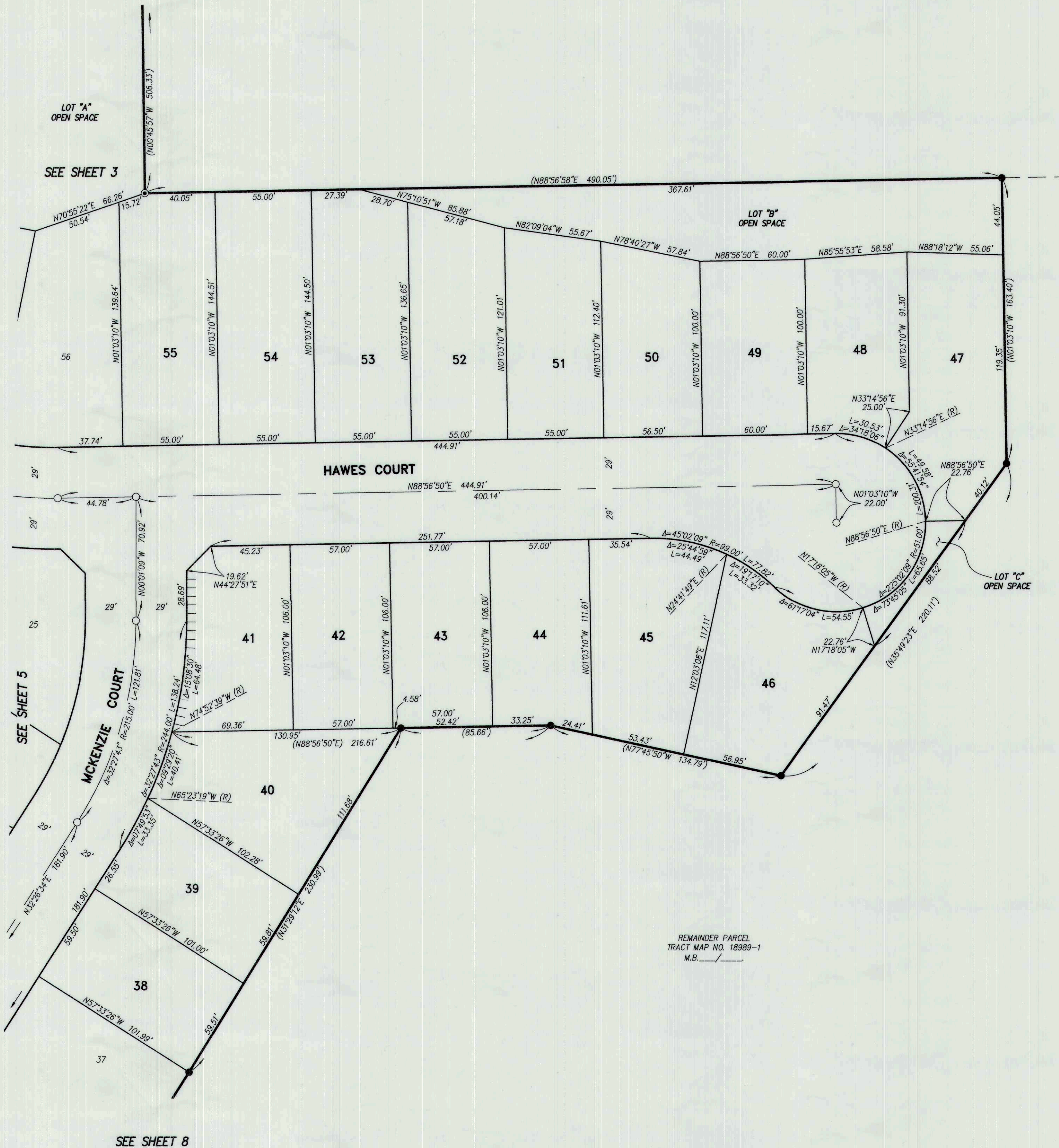
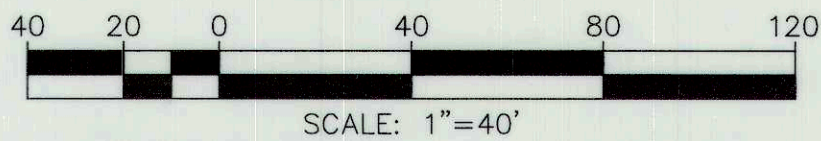
NO EASEMENTS

SURVEYOR'S NOTES

SEE SHEET 2

BASIS OF BEARINGS

SEE SHEET 2



IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
TRACT MAP NO. 18955-4

SHEET 7 OF 8 SHEETS

BEING A SUBDIVISION OF LOT 4 OF TRACT MAP NO. 18989-1 AS PER MAP FILED IN BOOK _____, PAGES _____ THROUGH _____,
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INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

EASEMENT NOTES

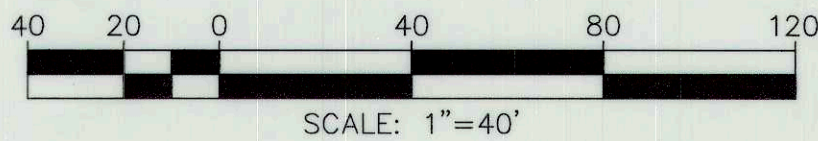
NO EASEMENTS

SURVEYOR'S NOTES

SEE SHEET 2

BASIS OF BEARINGS

SEE SHEET 2



LOT 5
TRACT MAP NO. 18989-1
M.B. _____

SILVERWOOD TRAIL

LOT "D"
OPEN SPACE

SEE SHEET 4

SEE SHEET 8

WINDY TRAIL AVENUE

MCKENZIE COURT

OLD STATION

WINDY TRAIL AVENUE

REMAINDER PARCEL
TRACT MAP NO. 18989-1
M.B. _____

IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
TRACT MAP NO. 18955-4

SHEET 8 OF 8 SHEETS

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INLAND VALLEY SURVEYING, INC.

SEPTEMBER, 2022

EASEMENT NOTES

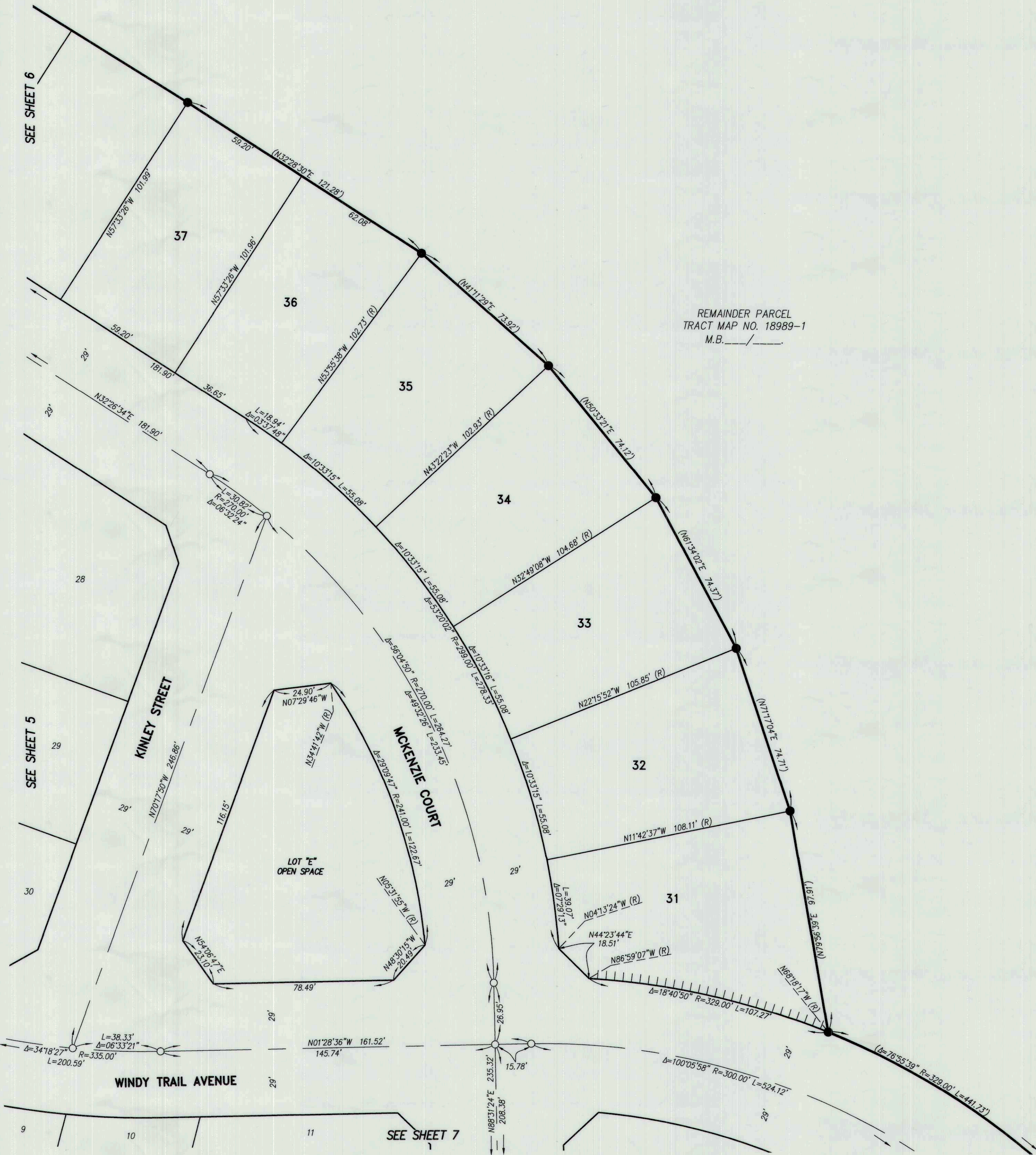
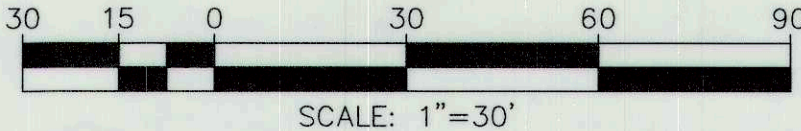
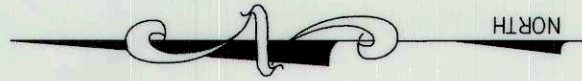
NO EASEMENTS

SURVEYOR'S NOTES

SEE SHEET 2

BASIS OF BEARINGS

SEE SHEET 2



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DATE: May 16, 2023

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager **SECOND READING AND ADOPTION**

BY: Rachel Molina, Assistant City Manager
Ryan Leonard, Senior Planner

SUBJECT: Development Code Amendment DCA23-00004; Applicant: City of Hesperia; Area affected: City-wide

RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance No. 2023-08 approving Development Code Amendment DCA23-00004 modifying development standards associated with on-site digital advertising signs.

BACKGROUND

The proposed Development Code Amendment is intended to incorporate needed revisions to the Municipal Code. Over the past few years, the City has seen an increase in the number of businesses wishing to construct new on-site digital display signs. Currently, the City Municipal Code does not contain any regulations or operational standards for on-site digital advertising displays. For example, the City's sign ordinance (Chapter 16.36 of the Municipal Code) contains various regulations regarding the size, placement, and type of signage that a site may qualify for (i.e. monument sign, pole sign, wall sign, etc.) however it does not contain any development standards as to the placement or operational characteristics of on-site digital display sign. This Development Code Amendment will provide additional standards for sites to be eligible for on-site digital advertising displays and contains regulations that address the operation of digital display signs.

Furthermore, as new digital advertising signs have been constructed, staff has received several complains from nearby property owners who are concerned with the lighting intensity of the signs, and the impacts that the signs could have on pass-by traffic.

ISSUES/ANALYSIS

Currently the Development Code allows all sites in the City that would otherwise qualify for a wall sign, monument sign, freestanding sign, or freeway sign to incorporate a digital advertising display as part of the signage. As previously mentioned, there are no regulations that would restrict a site from qualifying for a digital display sign.

While the use of digital advertising displays may be appropriate in certain instances, the over proliferation of digital advertising could lead to the aesthetic degradation along major commercial corridors. In many communities, digital advertising displays are regulated to mitigate negative impacts on surrounding rights-of-way and adjacent properties. For comparison, staff reviewed the regulations of other nearby cities to determine if they had similar or more restrictive regulations.

The City of Victorville does not allow digital signs for any commercial use that is less than 50 acres in size. In addition, the Town of Apple Valley generally limits on-site digital advertising displays to only specified commercial zones and requires a minimum lot frontage of 100 feet in order to be eligible for an on-site digital advertising display. The Town of Apple Valley also contains numerous design standards and operational standards that are specific to on-site digital display signs.

The proposed Development Code Amendment would add new regulations that any digital advertising display that is included as a monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are part of a multi-tenant shopping center with a defined anchor tenant. However, lots that are less than 5 acres in size would still qualify for a digital wall sign. It should be noted that the following types of uses would be exempt from the 5-acre minimum lot size requirement: gas stations (digital display limited to fuel pricing information only), churches, public and non-profit school facilities, movie theaters, public buildings, and private clubs and lodges (i.e. Moose Lodge, VFW, etc). The City's existing regulations currently allow monument, freestanding or freeway signs to be located a minimum of 1-foot away from the property line. The proposed 5 acre minimum lot size requirement for any digital display that is part of a monument, freestanding or freeway sign will reduce potential adverse impacts to nearby traffic and surrounding rights-of-way. Furthermore, the proposed regulations will maintain the City's existing standard that all sites throughout the City may still qualify for a digital wall sign.

The proposed Development Code Amendment also contains regulations that require a digital advertising display to be located a minimum of 150 feet away from any residentially zoned property. In addition, the proposed Development Code Amendment contains the following design standards:

- a. Signs visible from the public right-of-way shall not change at a frequency in excess of one alternation per five (5) seconds.
- b. Transition between slides shall not exceed one (1) second.
- c. No digital display may depict or simulate any motion or video (i.e., video clips, flashing, etc.).
- d. All digital advertising displays shall be equipped with a light meter to automatically adjust the display brightness to ambient light conditions.
- e. Digital advertising displays may not advertise off-site businesses.
- f. Digital advertising displays shall be subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement.
- g. Digital advertising displays may not be added to legal non-conforming signs.
- h. All digital advertising displays must comply with the illumination provisions of this Section.

Taken together these requirements will ensure that all new digital advertising displays are developed in an orderly and quality manner.

Planning Commission Review: On May 11, 2023, the Planning Commission is scheduled to consider the proposed Development Code Amendment. This meeting has not occurred as of the preparation date of this staff report, but staff will report to the City Council the outcome of the Planning Commission meeting at the May 16, 2023, City Council hearing.

Conclusion: The Development Code Amendment complies with the General Plan. Furthermore, implementation of the proposed development standards will contribute towards a visually pleasing environment along the City's major commercial corridors and will add clear

development regulations that will ensure that future sites are developed in an orderly and quality manner

ATTACHMENT(S)

1. Ordinance No. 2023-08
2. Exhibit "A"
3. Planning Commission Staff Report with attachments.

ORDINANCE NO. 2023-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, ADOPTING A DEVELOPMENT CODE AMENDMENT MODIFYING DEVELOPMENT STANDARDS ASSOCIATED WITH ON-SITE DIGITAL ADVERTISING SIGNS (DCA23-00004)

WHEREAS, on January 5, 1998, the City Council of the City of Hesperia adopted Ordinance No. 250, thereby adopting the Hesperia Municipal Code; and

WHEREAS, the City proposes to amend Chapter 16.36.060 of the City of Hesperia Municipal Code by adding specific regulations for on-site digital advertising displays; and

WHEREAS, the City finds that it is necessary to amend the development regulations applicable for onsite digital advertising signs to reduce potential adverse impacts to nearby traffic and surrounding rights-of-way and to ensure that future sites are developed in an orderly and quality manner; and

WHEREAS, the proposed Development Code Amendment is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Development Code Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Development Code Amendment does not propose to increase the density or intensity allowed in the General Plan.

WHEREAS, on May 11, 2023, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed amendment and concluded said hearing on that date; and

WHEREAS, on May 16, 2023, the City Council of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed Amendment and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Ordinance have occurred.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF HESPERIA DOES ORDAIN AS FOLLOWS:

Section 1. The City Council hereby specifically finds that all of the facts set forth in this Ordinance are true and correct.

Section 2. Based upon substantial evidence presented to the City Council, including written and oral staff reports, the City Council specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan as it will enhance the quality of life by providing a visually pleasing environment and promote the public health, safety and welfare.

Section 3. The proposed development code amendment is necessary because the existing regulations do not contain any development standards as to the placement or operational characteristics of on-site digital display signs. The Development Code

Amendment will provide standards for sites to be eligible for on-site digital advertising displays and contains regulations that address the operation of digital display signs.

Section 4. Based on the findings and conclusions set forth in this Ordinance, this City Council hereby adopts Development Code Amendment DCA23-00004, adding new regulations that any digital advertising display that is included as a monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are part of a multi-tenant shopping center with a defined anchor tenant as shown on Exhibit "A."

Section 5. This Ordinance shall take effect thirty (30) days from the date of adoption.

Section 6. The City Clerk shall certify to the adoption of this Ordinance and shall cause the same to be posted in three (3) public places within the City of Hesperia pursuant to the provisions of Resolution No. 2007-101.

ADOPTED AND APPROVED on this 6th day of June 2023.

Brigit Bennington, Mayor

ATTEST:

Erin Baum, Assistant City Clerk

EXHIBIT “A”

16.36.060 - Nonresidential signs (includes hotel and motel).

- A. The following signs shall be permitted for nonresidential uses. Deviations from the following standards and the sign menu in Section 16.36.130 shall be permitted subject to review and approval of a site sign plan to govern all signage on a site. Should the site plan contain requests for signs that exceed the requirements of Section 16.12.220(7) of the development code, then the sign plan shall be referred to the planning commission for review and approval.
- B. Total Sign Area. The total sign area for an individual use or combination of uses or buildings on a commercial or industrial site is computed as three-square feet of signage per one lineal foot of principal building(s) that fronts on a street, alley or parking lot with customer entrances. Institutional uses shall not be granted a cumulative total, but shall be allowed signs listed in the sign menu and described per this chapter.
- C. All signs must adhere to size, height and spacing limits per the type of sign as specified below:
 - 1. Attached (Wall or Integral Roof) Signs. Wall signs are permitted at two square feet of sign area per lineal foot of principal building(s) fronting the street(s) with a maximum area of one hundred fifty (150) square feet per sign. Wall signs must be attached to the building and may be designated as integral roof signs, but shall not extend above the roof. Wall signs shall be placed on the exterior wall of the tenant space. Any number of signs may be used but the maximum area allowed shall be the cumulative total of all wall signs.
 - 2. Monument Signs. Monument signs shall not exceed forty-eight (48) square feet in area or eight feet in height. Monument signs may be increased to nine feet in height and sixty (60) square feet if installed in a landscaped planter not exceeding three feet in height and at least six feet longer and wider than the sign. Any size site may have at least one monument sign. Multiple numbers of monument signs and freestanding signs allowed for a site shall not exceed one sign per one hundred fifty (150) feet of street frontage.
 - 3. Canopy and Pump Island Signs. Canopy signs are allowed ten square feet in area per side. Signs are to display logos or brand names only. Pump islands are allowed three square feet of sign area per pump.
 - 4. Banners. Banners used as permanent signs shall be attached to a principal building and shall be allowed in addition to attached, secondary, window or canopy signs. The area of these signs shall be counted against the site's allocation. Permanent banners shall not be permitted on separate stand-alone frames or structures, and shall not be attached or tied to perimeter walls, fences, monument signs or freestanding signs. Banners shall be made of canvas, vinyl or similar material of a minimum thickness of thirteen (13) ounces. The edges shall be folded, stitched or glued and equipped with eyelets or cords to facilitate mounting. Lettering, illustrations and logos shall be neat and professional in appearance. Banners shall be securely attached to buildings.

Banners may be mounted inside windows. Any torn, faded, frayed or damaged banners shall be removed or replaced immediately.

5. Secondary Signs. Secondary signs such as food menus on fast food businesses or event or meeting signs shall not exceed fifty (50) square feet for any single sign (thirty (30) square feet for industrial uses)—unless approved as part of a site sign plan.
6. Secondary wall signs listing services offered such as nursery, pharmacy, tires, etc., with a maximum of fifty (50) square feet per sign.
7. Freestanding Signs. Freestanding signs are permitted whenever the project site exceeds two and one-half acres of land or the street frontage where the freestanding sign is proposed exceeds one hundred seventy-five (175) lineal feet. A site with less street frontage may also be eligible for a single freestanding sign should it be combined with at least one other adjacent property by merger, or with a least two other properties through the recordation of a reciprocal access and signage agreement. Properties so merged or combined shall form a continuous street frontage. Freestanding signs for commercial or industrial uses shall not exceed twenty (20) feet in height or two hundred (200) square feet in area. Multiple numbers of monument signs and freestanding signs allowed for a site shall not exceed one sign per one hundred fifty (150) feet of street frontage.
8. Bulletin or Directory Board. Bulletin board signs are monument style signs used to direct customers to tenants on a multiple tenant site. Bulletin boards shall not exceed thirty (30) square feet in area and six feet in height with one per entrance on the site.
9. Freeway Signs. Freeway signs are signs located within six hundred sixty (660) feet of the freeway. Freeway signs may be forty (40) feet high and two hundred (200) square feet in area. When two or more uses record an agreement to share signage, a freeway sign with two signs may be up to three hundred (300) square feet in area and fifty (50) feet in height. A freeway sign with three or more signs may be up to four hundred fifty (450) square feet in area and sixty (60) feet in height. Notwithstanding the paragraph above, freeway signs between sixty (60) and one hundred (100) feet in height and up to one thousand (1,000) square feet in area may be permitted, subject to a study to determine the optimal location in relation to freeway off-ramps, overpasses, existing development, and topography. Such signs must be located on, or within one thousand (1,000) feet of the premises of a development project consisting of at least thirty-five (35) contiguous acres. No more than two signs may be permitted per development. Signs incorporating digital displays may not be closer than one thousand (1,000) feet from another digital display on the same side of the freeway. Such displays are subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement. The location and design of freeway signs must be included in an approved site sign plan for the development to ensure consistency with the design and architecture of the project.
10. Institutional Uses in Commercial Designations. These uses, including schools, churches, hospitals and convalescent homes, shall be limited to a maximum of two square feet of attached sign area per principal building frontage. Monument signs shall be a maximum of forty-eight (48) square feet with one sign per driveway on public streets. Additional signage may be permitted when incorporated in a site sign plan.
11. Digital Advertising Displays (Digital Signs). Unless otherwise listed below, digital advertising displays installed as a part of any monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are a part of a multi-tenant center with a defined anchor tenant. Lots that are less than 5 gross acres may be allowed one (1) digital wall sign. The following uses are not subject to the

minimum lot size requirements for digital advertising displays: service stations (digital display limited to the portion of the sign conveying pricing information), churches and other religious centers, public and non-profit school facilities, movie theaters, public buildings, public recreational buildings, private clubs and lodges.

All digital advertising displays shall be located a minimum of 150 feet away from any residentially zoned property, as measured from the sign to the residential property line. The digital displays will be limited to the same size limitations currently allowed in Section 16.36.060 for the respective sign type (i.e monument, freestanding, wall sign and/or freeway sign). All digital signs shall be subject to the following operational standards:

- a. Signs visible from the public right-of-way shall not change at a frequency in excess of one alternation per five (5) seconds.
- b. Transition between slides shall not exceed one (1) second.
- c. No digital display may depict or simulate any motion or video (i.e., video clips, flashing, etc.).
- d. All digital advertising displays shall be equipped with a light meter to automatically adjust the display brightness to ambient light conditions.
- e. Digital advertising displays may not advertise off-site businesses.
- f. Digital advertising displays shall be subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement.
- g. Digital advertising displays may not be added to legal non-conforming signs.
- h. All digital advertising displays must comply with the illumination provisions of this Section.



DATE: May 11, 2023
TO: Planning Commission
FROM: Rachel Molina, Assistant City Manager
BY: Ryan Leonard, Senior Planner
SUBJECT: Development Code Amendment DCA23-00004; Applicant: City of Hesperia; Area affected: City-wide.

RECOMMENDED ACTION

It is recommended that the Planning Commission adopt Resolution No. PC-2023-17 recommending that the City Council introduce and place on first reading an ordinance approving Development Code Amendment DCA23-00004 modifying development standards associated with on-site digital advertising signs.

BACKGROUND

The proposed Development Code Amendment is intended to incorporate needed revisions to the Municipal Code. Over the past few years, the City has seen an increase in the number of businesses wishing to construct new on-site digital display signs. Currently, the City Municipal Code does not contain any regulations or operational standards for on-site digital advertising displays. For example, the City's sign ordinance (Chapter 16.36 of the Municipal Code) contains various regulations regarding the size, placement, and type of signage that a site may qualify for (i.e. monument sign, pole sign, wall sign, etc.) however it does not contain any development standards as to the placement or operational characteristics of on-site digital display sign. This Development Code Amendment will provide additional standards for sites to be eligible for on-site digital advertising displays and contains regulations that address the operation of digital display signs.

Furthermore, as new digital advertising signs have been constructed, staff has received several complains from nearby property owners who are concerned with the lighting intensity of the signs, and the impacts that the signs could have on pass-by traffic.

ISSUES/ANALYSIS

Currently the Development Code allows all sites in the City that would otherwise qualify for a wall sign, monument sign, freestanding sign, or freeway sign to incorporate a digital advertising display as part of the signage. As previously mentioned, there are no regulations that would restrict a site from qualifying for a digital display sign.

While the use of digital advertising displays may be appropriate in certain instances, the over proliferation of digital advertising could lead to the aesthetic degradation along major commercial corridors. In many communities, digital advertising displays are regulated to mitigate negative impacts on surrounding rights-of-way and adjacent properties. For comparison, staff reviewed the regulations of other nearby cities to determine if they had similar or more restrictive regulations. The City of Victorville does not allow digital signs for any commercial use that is less than 50

acres in size. In addition, the Town of Apple Valley generally limits on-site digital advertising displays to only specified commercial zones and requires a minimum lot frontage of 100 feet in order to be eligible for an on-site digital advertising display. The Town of Apple Valley also contains numerous design standards and operational standards that are specific to on-site digital display signs.

The proposed Development Code Amendment would add new regulations that any digital advertising display that is included as a monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are part of a multi-tenant shopping center with a defined anchor tenant. However, lots that are less than 5 acres in size would still qualify for a digital wall sign. It should be noted that the following types of uses would be exempt from the 5-acre minimum lot size requirement: gas stations (digital display limited to fuel pricing information only), churches, public and non-profit school facilities, movie theaters, public buildings, and private clubs and lodges (i.e. Moose Lodge, VFW, etc). The City's existing regulations currently allow monument, freestanding or freeway signs to be located a minimum of 1-foot away from the property line. The proposed 5 acre minimum lot size requirement for any digital display that is part of a monument, freestanding or freeway sign will reduce potential adverse impacts to nearby traffic and surrounding rights-of-way. Furthermore, the proposed regulations will maintain the City's existing standard that all sites throughout the City may still qualify for a digital wall sign.

The proposed Development Code Amendment also contains regulations that require a digital advertising display to be located a minimum of 150 feet away from any residentially zoned property. In addition, the proposed Development Code Amendment contains the following design standards:

- a. Signs visible from the public right-of-way shall not change at a frequency in excess of one alternation per five (5) seconds.
- b. Transition between slides shall not exceed one (1) second.
- c. No digital display may depict or simulate any motion or video (i.e., video clips, flashing, etc.).
- d. All digital advertising displays shall be equipped with a light meter to automatically adjust the display brightness to ambient light conditions.
- e. Digital advertising displays may not advertise off-site businesses.
- f. Digital advertising displays shall be subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement.
- g. Digital advertising displays may not be added to legal non-conforming signs.
- h. All digital advertising displays must comply with the illumination provisions of this Section.

Taken together these requirements will ensure that all new digital advertising displays are developed in an orderly and quality manner.

Environmental: Approval of the Development Code Amendment is exempt from the requirements of the California Environmental Quality Act per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Development Code Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Development Code Amendment does not propose to increase the density or intensity allowed in the General Plan.

Conclusion: The Development Code Amendment complies with the General Plan. Furthermore, implementation of the proposed development standards will contribute towards a

visually pleasing environment along the City's major commercial corridors and will add clear development regulations that will ensure that future sites are developed in an orderly and quality manner

FISCAL IMPACT

There are no fiscal impacts identified with this action.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. PC-2023-17
2. Exhibit "A"

ATTACHMENT 1

RESOLUTION NO. PC-2023-17

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF HESPERIA, CALIFORNIA, RECOMMENDING THAT THE CITY COUNCIL ADOPT A DEVELOPMENT CODE AMENDMENT MODIFYING DEVELOPMENT STANDARDS ASSOCIATED WITH ON-SITE DIGITAL ADVERTISING SIGNS (DCA23-00004)

WHEREAS, on January 5, 1998, the City Council of the City of Hesperia adopted Ordinance No. 250, thereby adopting the Hesperia Municipal Code; and

WHEREAS, the City proposes to amend Chapter 16.36.060 of the City of Hesperia Municipal Code by adding specific regulations for on-site digital advertising displays; and

WHEREAS, the proposed Development Code Amendment is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Development Code Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Development Code Amendment does not propose to increase the density or intensity allowed in the General Plan.

WHEREAS, on May 11, 2023, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed amendment and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA PLANNING COMMISSION AS FOLLOWS:

Section 1. The Planning Commission hereby specifically finds that all of the facts set forth in this Resolution are true and correct.

Section 2. Based upon substantial evidence presented to the Commission, including written and oral staff reports, the Commission specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan as it will enhance the quality of life by providing a visually pleasing environment and promote the public health, safety and welfare.

Section 3. The proposed development code amendment is necessary because the existing regulations do not contain any development standards as to the placement or operational characteristics of on-site digital display signs. The Development Code Amendment will provide standards for sites to be eligible for on-site digital advertising displays and contains regulations that address the operation of digital display signs.

Section 4. Based on the findings and conclusions set forth in this Resolution, this Commission hereby recommends adoption of Development Code Amendment DCA23-00004, adding new regulations that any digital advertising display that is included as a monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are part of a multi-tenant shopping center with a defined anchor tenants shown on Exhibit "A."

Section 4. That the Secretary shall certify to the adoption of this Resolution.

ADOPTED AND APPROVED on this 11th day of May 2023.

Roger Abreo, Chair, Planning Commission

ATTEST:

Maricruz Montes, Secretary, Planning Commission

EXHIBIT “A”

16.36.060 - Nonresidential signs (includes hotel and motel).

- A. The following signs shall be permitted for nonresidential uses. Deviations from the following standards and the sign menu in Section 16.36.130 shall be permitted subject to review and approval of a site sign plan to govern all signage on a site. Should the site plan contain requests for signs that exceed the requirements of Section 16.12.220(7) of the development code, then the sign plan shall be referred to the planning commission for review and approval.
- B. Total Sign Area. The total sign area for an individual use or combination of uses or buildings on a commercial or industrial site is computed as three-square feet of signage per one lineal foot of principal building(s) that fronts on a street, alley or parking lot with customer entrances. Institutional uses shall not be granted a cumulative total, but shall be allowed signs listed in the sign menu and described per this chapter.
- C. All signs must adhere to size, height and spacing limits per the type of sign as specified below:
 - 1. Attached (Wall or Integral Roof) Signs. Wall signs are permitted at two square feet of sign area per lineal foot of principal building(s) fronting the street(s) with a maximum area of one hundred fifty (150) square feet per sign. Wall signs must be attached to the building and may be designated as integral roof signs, but shall not extend above the roof. Wall signs shall be placed on the exterior wall of the tenant space. Any number of signs may be used but the maximum area allowed shall be the cumulative total of all wall signs.
 - 2. Monument Signs. Monument signs shall not exceed forty-eight (48) square feet in area or eight feet in height. Monument signs may be increased to nine feet in height and sixty (60) square feet if installed in a landscaped planter not exceeding three feet in height and at least six feet longer and wider than the sign. Any size site may have at least one monument sign. Multiple numbers of monument signs and freestanding signs allowed for a site shall not exceed one sign per one hundred fifty (150) feet of street frontage.
 - 3. Canopy and Pump Island Signs. Canopy signs are allowed ten square feet in area per side. Signs are to display logos or brand names only. Pump islands are allowed three square feet of sign area per pump.
 - 4. Banners. Banners used as permanent signs shall be attached to a principal building and shall be allowed in addition to attached, secondary, window or canopy signs. The area of these signs shall be counted against the site's allocation. Permanent banners shall not be permitted on separate stand-alone frames or structures, and shall not be attached or tied to perimeter walls, fences, monument signs or freestanding signs. Banners shall be made of canvas, vinyl or similar material of a minimum thickness of thirteen (13) ounces. The edges shall be folded, stitched or glued and equipped with eyelets or cords to facilitate mounting. Lettering, illustrations and logos shall be neat and professional in appearance. Banners shall be securely attached to buildings. Banners may be mounted inside windows. Any torn, faded, frayed or damaged banners shall be removed or replaced immediately.

5. Secondary Signs. Secondary signs such as food menus on fast food businesses or event or meeting signs shall not exceed fifty (50) square feet for any single sign (thirty (30) square feet for industrial uses)—unless approved as part of a site sign plan.
6. Secondary wall signs listing services offered such as nursery, pharmacy, tires, etc., with a maximum of fifty (50) square feet per sign.
7. Freestanding Signs. Freestanding signs are permitted whenever the project site exceeds two and one-half acres of land or the street frontage where the freestanding sign is proposed exceeds one hundred seventy-five (175) lineal feet. A site with less street frontage may also be eligible for a single freestanding sign should it be combined with at least one other adjacent property by merger, or with a least two other properties through the recordation of a reciprocal access and signage agreement. Properties so merged or combined shall form a continuous street frontage. Freestanding signs for commercial or industrial uses shall not exceed twenty (20) feet in height or two hundred (200) square feet in area. Multiple numbers of monument signs and freestanding signs allowed for a site shall not exceed one sign per one hundred fifty (150) feet of street frontage.
8. Bulletin or Directory Board. Bulletin board signs are monument style signs used to direct customers to tenants on a multiple tenant site. Bulletin boards shall not exceed thirty (30) square feet in area and six feet in height with one per entrance on the site.
9. Freeway Signs. Freeway signs are signs located within six hundred sixty (660) feet of the freeway. Freeway signs may be forty (40) feet high and two hundred (200) square feet in area. When two or more uses record an agreement to share signage, a freeway sign with two signs may be up to three hundred (300) square feet in area and fifty (50) feet in height. A freeway sign with three or more signs may be up to four hundred fifty (450) square feet in area and sixty (60) feet in height. Notwithstanding the paragraph above, freeway signs between sixty (60) and one hundred (100) feet in height and up to one thousand (1,000) square feet in area may be permitted, subject to a study to determine the optimal location in relation to freeway off-ramps, overpasses, existing development, and topography. Such signs must be located on, or within one thousand (1,000) feet of the premises of a development project consisting of at least thirty-five (35) contiguous acres. No more than two signs may be permitted per development. Signs incorporating digital displays may not be closer than one thousand (1,000) feet from another digital display on the same side of the freeway. Such displays are subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement. The location and design of freeway signs must be included in an approved site sign plan for the development to ensure consistency with the design and architecture of the project.
10. Institutional Uses in Commercial Designations. These uses, including schools, churches, hospitals and convalescent homes, shall be limited to a maximum of two square feet of attached sign area per principal building frontage. Monument signs shall be a maximum of forty-eight (48) square feet with one sign per driveway on public streets. Additional signage may be permitted when incorporated in a site sign plan.
11. Digital Advertising Displays (Digital Signs). Unless otherwise listed below, digital advertising displays installed as a part of any monument, freestanding or freeway sign may only be allowed on lots that exceed 5 gross acres in size and that are a part of a multi-tenant center with a defined anchor tenant. Lots that are less than 5 gross acres may be allowed one (1) digital wall sign. The following uses are not subject to the minimum lot size requirements for digital advertising displays: service stations (digital display limited to the portion of the sign conveying pricing information), churches and

other religious centers, public and non-profit school facilities, movie theaters, public buildings, public recreational buildings, private clubs and lodges.

All digital advertising displays shall be located a minimum of 150 feet away from any residentially zoned property, as measured from the sign to the residential property line. The digital displays will be limited to the same size limitations currently allowed in Section 16.36.060 for the respective sign type (i.e monument, freestanding, wall sign and/or freeway sign). All digital signs shall be subject to the following operational standards:

- a. Signs visible from the public right-of-way shall not change at a frequency in excess of one alternation per five (5) seconds.
- b. Transition between slides shall not exceed one (1) second.
- c. No digital display may depict or simulate any motion or video (i.e., video clips, flashing, etc.).
- d. All digital advertising displays shall be equipped with a light meter to automatically adjust the display brightness to ambient light conditions.
- e. Digital advertising displays may not advertise off-site businesses.
- f. Digital advertising displays shall be subject to current Caltrans' specifications as to brightness, frequency of changeable copy and depiction of movement.
- g. Digital advertising displays may not be added to legal non-conforming signs.
- h. All digital advertising displays must comply with the illumination provisions of this Section.

City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Rachel Molina, Assistant City Manager
Ryan Leonard, Senior Planner

SUBJECT: Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003; Applicant: City of Hesperia; Area affected: City-wide.

RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance No. 2023-09 approving Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003 modifying development standards associated with the establishment of new vehicle wash facilities.

BACKGROUND

Within the past year the City has seen an increase in the number of new carwash development applications. In response to the recent expansion of carwash developments, the City Council determined that without further regulation of the location and operation of carwash facilities, there is the potential for significant negative impacts from the development of such uses that cannot be mitigated. To that end, on February 7, 2023, the City Council adopted Urgency Ordinance No. 2023-01 establishing a 45-day moratorium on the establishment or expansion of new carwash facilities in the City. On March 21, 2023, the moratorium was extended for an additional period of ten (10) months and fifteen (15) days, for a total period of one year (Attachment 1).

The purpose of the development moratorium was to allow staff time to study the issues associated with carwash facilities and to present recommendations which would regulate the location of future carwash establishments and the types of development standards that should be imposed on their operation to mitigate any potential impacts.

Planning Commission Review: On April 13, 2023, the Planning Commission voted 4-0 (Commissioner Bartz was absent) to forward this item to the City Council with a recommendation for denial. The Planning Commission deliberated and discussed the proposed project and generally concluded that the proposed Development Code Amendment was not necessary. The overall consensus was that a carwash business would do their own market research and would only choose to invest at a specific location if there was enough consumer demand to warrant it. There were no residents who spoke either in favor or opposition to the project.

ISSUES/ANALYSIS

Existing Regulations: Hesperia Municipal Code section 16.16.320 currently allows vehicle wash facilities in the General Commercial (C2), Service Commercial (C3), and the Limited Manufacturing (I1) zones with approval of a Conditional Use Permit (CUP). Vehicle wash facilities

are listed as prohibited uses in the Convenience Commercial (C1) and General Manufacturing (I2) zones. The proposed Development Code Amendment would not make any modifications to the above zoning designations.

Additionally, within the Main Street and Freeway Corridor Specific Plan (Specific Plan), carwash facilities are allowed in the Regional Commercial (RC), Auto Sales Commercial (ASC) Neighborhood Commercial (NC) and Commercial Industrial Business Park (CIBP) zones with approval of a CUP. Carwash facilities are listed as a permitted use in the General Industrial (GI) zone of the Specific Plan. In addition, carwash facilities are listed as a prohibited uses in the Office Park (OP) and Office Commercial (OC) zones of the Specific Plan. Staff is proposing to change the current requirement to require a CUP for vehicle wash facilities within the General Industrial (GI) zone.

Additionally, Section 16.16.365 of the Municipal Code contains specific design and use standards for carwash facilities. This particular section of the Municipal Code is applicable to properties that are located within and outside of the Specific Plan.

Proposed Regulations: There are three common types of carwash facilities: full service, express, and ancillary facilities. Full- service carwash facilities are usually stand-alone facilities where employees either hand wash or detail vehicles. Express carwash facilities are usually fully automated carwash facilities with self- serve vacuum stalls. Ancillary facilities are typically automated facilities that are associated with gas stations, and more commonly called drive- thru carwashes.

Staff is proposing to create specific development standards that would apply to all future carwash facilities. The proposed Development Code Amendment will add new distance and separation requirements that would require that each full service or express carwash facility be separated by a minimum of 2,000 feet from the nearest standalone carwash facility (i.e. full service or express facility). In addition, ancillary carwash facilities which are part of a gas station would have to be located 1,000 feet away from the nearest standalone carwash facility. However, staff is not proposing a separation requirement from an ancillary carwash facility to another ancillary wash facility. Lastly, any new carwash facility application must submit a market research study supporting the viability of the project in the proposed location.

Carwash facilities will continue to require a Conditional Use Permit, allowing the Planning Commission final say in determining whether a proposed project is suitable and appropriate

Environmental: Approval of the Development Code Amendment is exempt from the requirements of the California Environmental Quality Act per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Development Code Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Development Code Amendment does not propose to increase the density or intensity allowed in the General Plan.

Conclusion: The Development Code Amendment complies with the General Plan. Ensuring that all future vehicle wash facilities are subject to a conditional use permit and adding minimum separation requirements between full service and express carwash facilities will ensure that future sites are developed in an orderly and quality manner.

FISCAL IMPACT

There are no fiscal impacts identified with this action.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Ordinance 2023-09
2. Exhibit A
3. April 13, 2023, Planning Commission staff report (includes March 21, 2023 City Council staff report as an attachment.)

ORDINANCE NO. 2023-09

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, RECOMMENDING THAT THE CITY COUNCIL ADOPT A DEVELOPMENT CODE AMENDMENT AND SPECIFIC PLAN AMENDMENT MODIFYING DEVELOPMENT STANDARDS ASSOCIATED WITH CARWASH DEVELOPMENTS (DCA23-00001 AND SPLA23-00003)

WHEREAS, on January 5, 1998, the City Council of the City of Hesperia adopted Ordinance No. 250, thereby adopting the Hesperia Municipal Code; and

WHEREAS, On September 2, 2008, the City Council of the City of Hesperia adopted Ordinance No. 2008-12, thereby adopting the Main Street and Freeway Corridor Specific Plan; and

WHEREAS, the City proposes to amend Chapter 16.16.365 (C) of the City of Hesperia Municipal Code which contains specific land use standards for vehicle wash facilities; and

WHEREAS, the City has a compelling interest in protecting the public health, safety, and welfare of its citizens, residents, visitors and businesses, and preserving the peace and quiet of the neighborhoods within the City by regulating the establishment and expansion of car washes within City limits; and

WHEREAS, the City is responsible for adopting and implementing land use regulations within its boundaries; and

WHEREAS, the City has no other development standards or regulations applicable to the operation of Cash Washes; and

WHEREAS, the City's permissive policy towards car washes could result in a proliferation or oversaturation of said uses within the City; and

WHEREAS, developable land becomes scarcer in the City, there is concern that the proliferation of car washes without due consideration presents an immediate threat to public health, safety, or welfare because car washes generate undesirable conditions for adjacent properties as a result of noisy, large-scale industrial equipment including vacuums, pumps, pressurized sprayers, and dryers; and

WHEREAS, the oversaturation of car washes in the City provides little economic benefit to the City or City residents; and

WHEREAS, absent clear regulation, the proliferation and oversaturation of car washes in the City poses a threat to the public peace, health, and safety, and, unless the City takes action to regulate, the impacts described above are likely to continue to occur; and

WHEREAS, the City desires to regulate car washes to ensure that public right-of-ways and public property remain free of public nuisances, safe and accessible for all users, and clear of conditions that pose threats to public health, safety, and welfare, to ensure that future development is undertaken in a manner consistent with the City's General Plan, and to ensure that car wash operators comply with State and City regulations that consider the public's health, safety, and welfare; and

WHEREAS, the City finds that it is necessary to amend the development regulations applicable for carwash developments and require that all full service or express carwash facilities be separated by a minimum of 2,000 feet from the nearest standalone carwash facility. In addition, ancillary carwash facilities which are part of a gas station would have to be located 1,000 feet away from the nearest standalone carwash facility (i.e. full service or express carwash). Lastly, any new carwash facility application must submit a market research study supporting the viability of the project in the proposed location; and

WHEREAS, the City finds that it is necessary to amend the development regulations within the Main Street and Freeway Corridor Specific Plan to require a CUP for vehicle wash facilities within the General Industrial (GI) zone. Currently, carwash facilities are allowed as a permitted use within the GI zone but do not require a CUP; and

WHEREAS, on February 7, 2023, the City Council adopted Urgency Ordinance No. 2023-01 establishing a 45-day moratorium on the establishment or expansion of new carwash facilities in the City; and

WHEREAS, on March 21, 2023, the City Council adopted Urgency Ordinance No. 2023-04 extending the moratorium for an additional period of ten (10) months and fifteen (15) days, for a total period of one year; and

WHEREAS, as of the effective date of this ordinance, Urgency Ordinance No. 2023-04 will be repealed and will no longer be in effect; and

WHEREAS, the proposed Development Code Amendment is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Amendments are also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Amendments are exempt if they do not propose to increase the density or intensity allowed in the General Plan; and

WHEREAS, on April 13, 2023, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed amendment and concluded said hearing on that date; and

WHEREAS, on June 6, 2023, the City Council of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed Amendment and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Ordinance have occurred.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF HESPERIA DOES ORDAIN AS FOLLOWS:

Section 1. The City Council hereby specifically finds that all of the facts set forth in this Ordinance are true and correct.

Section 2. Based upon substantial evidence presented to the City Council, including written and oral staff reports, the City Council specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan as it will enhance the quality of life by preserving the peace and quiet of the neighborhoods within the City by regulating the establishment and expansion of car washes within City

limits and will ensure that future development is undertaken in a manner consistent with the City's General .

Section 3. The proposed development code amendment is necessary because the existing regulations do not contain any development standards as to the placement or operational characteristics of carwash facilities. As developable land becomes scarcer in the City, there is concern that the proliferation of car washes without due consideration presents an immediate threat to public health, safety, or welfare because car washes generate undesirable conditions for adjacent properties as a result of noisy, large-scale industrial equipment including vacuums, pumps, pressurized sprayers, and dryers. The Development Code Amendment will provide standards for sites to be eligible for carwash facilities. These development standards address adverse impacts of carwash facilities on vehicular and pedestrian traffic, as well as nearby sensitive uses including residences and are necessary to protect public health, safety and general welfare.

Section 4. Based on the findings and conclusions set forth in this Ordinance, the City Council hereby adopts Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003 modifying development standards associated with the establishment of new of car wash facilities as shown on Exhibit "A."

Section 5. This Ordinance shall take effect thirty (30) days from the date of adoption.

Section 6. The City Clerk shall certify to the adoption of this Ordinance and shall cause the same to be posted in three (3) public places within the City of Hesperia pursuant to the provisions of Resolution No. 2007-101.

ADOPTED AND APPROVED on this 20th day of June 2023.

Brigit Bennington, Mayor

ATTEST:

Erin Baum, Assistant City Clerk

EXHIBIT “A”

DCA23-00001 and SPLA23-00001

The following are modifications to Chapter 16.16.365 of the City of Hesperia Development Code regulations and Chapter 9 of the Main Street and Freeway Corridor Specific Plan (additions are in underlined red text and deletions are shown with ~~red and strikethrough~~):

1) The following are modifications to Chapter 16.16.365 (C)-Vehicle Wash Facilities of the City Municipal Code

C. Vehicle Wash Facilities.

1. Vehicle wash facilities shall be developed in compliance with the following additional standards:

- a. Full service and express vehicle wash facilities (i.e. standalone facilities) shall be separated by a minimum of 2,000 feet, as measured from property lines.
- b. Vehicle wash facilities that are ancillary to a primary use (i.e. a gas station) shall be separated by a minimum of 1,000 feet, as measured from the property line, from the nearest full service or express vehicle wash facility (i.e. standalone facility)
- c. All gas station and car wash Conditional Use Permit applications shall include a market research study that analyses the feasibility of the project at the subject location.
- d. All lights shall be reflected away from adjacent uses.
- e. Premises shall be maintained in a neat, orderly and environmentally safe manner, and all improvements shall be continuously maintained.
- f. Noise from vehicle wash activities shall not exceed levels established in Chapter 16.20, Article V (General Performance Standards).

MAIN STREET AND FREEWAY CORRIDOR SPECIFIC PLAN

Chapter 9, Subsection (I)- General Industrial Zone shall be amended to read:

1. Permitted Uses

The following uses are permitted in the General Industrial zone:

- a) Commercial storage facilities (mini-warehouse).
- b) Contractor's storage yard.
- c) Equipment (large) sales and rental.
- d) Equipment (small) sales and rental.
- e) Lumber yard and building materials (wholesale).
- f) Manufacturing (indoors).

- g) Offices (administrative, business, executive and professional, but not including medical or dental).
- h) Outdoor storage, incidental to the primary use.
- i) Publishing and printing.
- j) Retail sales ancillary to a manufacturing use on-site (floor area not to exceed 15% of gross floor area up to a maximum of 7,500 square feet).
- k) Truck terminal.
- l) Vehicle repair – major.
- m) Vehicle repair – minor.
- n) ~~Vehicle wash facilities.~~
- o) Warehousing and wholesale distribution centers – 200,000 square feet or less.
- p) Accessory structures and uses customarily incidental to any permitted uses when located on the same site with the main building and use.
- q) Veterinary services- clinics and small animal hospitals (short term boarding).
- r) Other similar uses, as interpreted by the Development Services Director or his/her designee

2. Conditionally Permitted Uses

The following uses are conditionally permitted in the General Industrial zone:

- a) Bus terminals.
- b) Kennels – boarding of domestic animals.
- c) Vehicle fuel stations (i.e., gasoline stations).
- d) Warehousing and wholesale distribution centers – 200,000 square feet or more
- e) Vehicle wash facilities.



DATE: April 13, 2023
TO: Planning Commission
FROM: Rachel Molina, Assistant City Manager
BY: Ryan Leonard, Senior Planner
SUBJECT: Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003; Applicant: City of Hesperia; Area affected: City-wide.

RECOMMENDED ACTION

It is recommended that the Planning Commission adopt Resolution No. PC-2023-14 recommending that the City Council introduce and place on first reading an ordinance approving Development Code Amendment DCA23-00001 and Specific Plan Amendment SPLA23-00003 modifying development standards associated with establishment of new vehicle wash facilities.

BACKGROUND

Within the past year the City has seen an increase in the number of new carwash development applications. In response to the recent expansion of carwash developments, the City Council determined that without further regulation of the location and operation of carwash facilities, there is the potential for significant negative impacts from the development of such uses that cannot be mitigated. To that end, on February 7, 2023 the City Council adopted Urgency Ordinance No. 2023-01 establishing a 45-day moratorium on the establishment or expansion of new carwash facilities in the City. On March 21, 2023 the moratorium was extended for an additional period of ten (10) months and fifteen (15) days, for a total period of one year (Attachment 1).

The purpose of the development moratorium was to allow staff time to study the issues associated with carwash facilities and to present recommendations which would regulate the location of future carwash establishments and the types of development standards that should be imposed on their operation to mitigate any potential impacts.

ISSUES/ANALYSIS

Existing Regulations: Hesperia Municipal Code section 16.16.320 currently allows vehicle wash facilities in the General Commercial (C2), Service Commercial (C3), and the Limited Manufacturing (I1) zones with approval of a Conditional Use Permit (CUP). Vehicle wash facilities are listed as prohibited uses in the Convenience Commercial (C1) and General Manufacturing (I2) zones. The proposed Development Code Amendment would not make any modifications to the above zoning designations.

Additionally, within the Main Street and Freeway Corridor Specific Plan (Specific Plan), carwash facilities are allowed in the Regional Commercial (RC), Auto Sales Commercial (ASC) Neighborhood Commercial (NC) and Commercial Industrial Business Park (CIBP) zones with approval of a CUP. Carwash facilities are listed as a permitted use in the General Industrial (GI)

zone of the Specific Plan. In addition, carwash facilities are listed as a prohibited uses in the Office Park (OP) and Office Commercial (OC) zones of the Specific Plan. Staff is proposing to change the current requirement to require a CUP for vehicle wash facilities within the General Industrial (GI) zone.

Additionally, Section 16.16.365 of the Municipal Code contains specific design and use standards for carwash facilities. This particular section of the Municipal Code is applicable to properties that are located within and outside of the Specific Plan.

Proposed Regulations: There are three common types of carwash facilities: full service, express, and ancillary facilities. Full- service carwash facilities are usually stand-alone facilities where employees either hand wash or detail vehicles. Express carwash facilities are usually fully automated carwash facilities with self- serve vacuum stalls. Ancillary facilities are typically automated facilities that are associated with gas stations, and more commonly called drive- thru carwashes.

Staff is proposing to create specific development standards that would apply to all future carwash facilities. The proposed Development Code Amendment will add new distance and separation requirements that would require that each full service or express carwash facility be separated by a minimum of 2,000 feet from the nearest standalone carwash facility (i.e. full service or express facility). In addition, ancillary carwash facilities which are part of a gas station would have to be located 1,000 feet away from the nearest standalone carwash facility. However, staff is not proposing a separation requirement from an ancillary carwash facility to another ancillary wash facility. Lastly, any new carwash facility application must submit a market research study supporting the viability of the project in the proposed location.

Carwash facilities will continue to require a Conditional Use Permit, allowing the Planning Commission final say in determining whether a proposed project is suitable and appropriate

Environmental: Approval of the Development Code Amendment is exempt from the requirements of the California Environmental Quality Act per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Development Code Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Development Code Amendment does not propose to increase the density or intensity allowed in the General Plan.

Conclusion: The Development Code Amendment complies with the General Plan. Ensuring that all future vehicle wash facilities are subject to a conditional use permit and adding minimum separation requirements between full service and express carwash facilities will ensure that future sites are developed in an orderly and quality manner.

FISCAL IMPACT

There are no fiscal impacts identified with this action.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. March 21, 2023 City Council staff report
2. Resolution No. PC-2023-14 with Exhibit A.

City of Hesperia

STAFF REPORT



DATE: March 21, 2023

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Rachel Molina, Assistant City Manager
Ryan Leonard, Senior Planner

SUBJECT: Consideration of an Urgency Ordinance Adopting an Interim Urgency Ordinance Pursuant to California Government Code Section 65858 Extending a Moratorium on the Establishment or Expansion of Car Washes for a Period of Ten (10) Months and Fifteen (15) Days.

RECOMMENDED ACTION

It is recommended that the City Council adopt Urgency Ordinance 2023-04 pursuant to California Government Code Section 65858, extending a moratorium for a period of ten (10) months and fifteen (15) days a moratorium on the establishment or expansion of car washes.

BACKGROUND

Pursuant to State law, Government Code Section 65858, a city may enact an interim zoning ordinance on an urgency basis for the protection of public safety, health, and welfare by prohibiting any use(s) that a city is intending to study within a reasonable period of time. In recent years, the City of Hesperia has had several new proposed car wash businesses which negatively impact the quality of life within Hesperia and compromises Hesperia's ability to provide a variety of services and attract new businesses.

On February 7, 2023 the City Council adopted Urgency Ordinance No. 2023-01 establishing a 45-day moratorium on the establishment or expansion of car washes. Pursuant to State law, the adopted urgency ordinance is valid for 45 days and will expire on March 24, 2023, unless extended by the City Council. After holding a public hearing, the City Council can extend the urgency ordinance for up to an additional 10 months and 15 days, for a total period of one year. As with the initial adoption of the urgency ordinance, a four-fifths (4/5) vote is required to extend the urgency ordinance.

Staff intends to present a development code amendment to the Planning Commission on April 13, 2023, that would include additional regulations for the establishment of new car wash facilities. After the Planning Commission hearing, the upcoming development code amendment would be presented to the City Council for a final decision. An extension of the urgency ordinance would allow staff additional time to complete the necessary work to finalize the development code amendment and to present it to the Planning Commission and City Council.

ISSUES/ANALYSIS

There are three common types of car washes: full service, express, and ancillary facilities. Full-service car washes are usually stand-alone facilities where employees either hand wash or detail vehicles. Express car washes are usually fully automated car wash facilities with self-serve

vacuum stalls. Ancillary facilities are typically automated facilities that are associated with gas stations, and more commonly called drive- thru car washes. There are currently no City- wide regulations in effect regarding the operational and locational standards for car washes of any type.

The City currently has 21 car washes including 13 express facilities, three full-service facilities, and five facilities that are attached to gas stations, minimarts, and other business. A table of all facilities citywide and their location is shown below in Table 1. Attachment 1 shows the locations of the facilities that are along Main Street and Bear Valley Road.

Table 1-Carwash Facilities Citywide

No.	Address	Type	Name
1	16002 Main St	Full Service	Shark Sight Hand Car Wash and Hot Wax
2	16701 Main St	Express	Main Street Car Wash
3	13311 Main St	Express	Hesperia Speedwash
4	14076 Main St	Express	Xpress Car Wash Inc
5	14949 Bear Valley Rd	Full Service	Bear Valley Car Wash
6	18659 Bear Valley Rd	Express	Quick Quack Car Wash
7	16028 Main St	Express	E-Z Coin Car Wash
8	17165 Bear Valley Rd	Express	Bear Valley Coin Car Wash
9	17985 Bear Valley Rd	Express	Express Car Wash
10	17465 Main St	Express	Gaius Family Corp
11	13188 Main St	Gas Station	Chevron Travel Center
12	12720 Main St	Gas Station	Sky Marketing Inc
13	Main St	Express	Quick Quack Car Wash
14	16968 Main St	Express	Quick Quack
15	17112 Main St	Express	Mister
16	13100 Main St	Gas Station	Western Refining Retail
17	12675 Main St	Express	Main Street Inc
18	13537 Main St	Express	Sparkys Car Wash
19	16575 Bear Valley Rd	Full Service	Shine Auto Spa
20	15760 Ranchero Rd	Gas Station	Shell
21	12750 Main St	Gas Station	AM PM

As developable commercial land becomes scarcer in the City, there is concern that the proliferation of car washes without due consideration presents an immediate threat to public health, safety, or welfare because car washes generate undesirable conditions for adjacent properties as a result of noisy, large-scale industrial equipment including vacuums, pumps,

pressurized sprayers, dryers, engines, and car stereos. In addition, the use increases vehicle traffic in the immediate vicinity, and can cause runoff of chemicals. Airborne mist, odors from chemicals and vehicle exhaust are also a result of such uses.

Furthermore, the oversaturation of car washes in the City provides little economic benefit to the City or City residents as there are minimal sales tax revenues associated with the use, few employees hired, and typical wages paid would not increase the City's overall median income. Car washes are often noisy due to large industrial sized equipment and cause an increase in vehicular traffic where they are located. Additionally, car washes near residential uses have the potential to expose residents to excessive noise and traffic. The negative impacts frequently associated with operation of car washes will likely increase as car washes continue to proliferate throughout the City, resulting in an unregulated and significant negative impact upon public health, safety, and welfare of the community.

Staff intends to study the issues associated with car washes to determine which locations are most appropriate for the use, and the types of development standards that should be imposed on their operation to mitigate any potential impacts. This includes reviewing land use definitions for car washes to determine if revisions are needed, evaluating all land use districts in which car washes are permitted for suitability and study development standards and best practices from other jurisdictions to determine if they would be appropriate City-wide.

Further, staff believes that continued approval of entitlements, building permits, or other approvals for new or expanded car washes poses a current and immediate threat to the public health, safety or general welfare. Without further regulation of their location and operation, there is the potential for significant negative impacts by the development of new car washes or the expansion of existing car washes that cannot be mitigated.

Pursuant to Government Code Section 65858, a city may adopt an interim ordinance, prohibiting any uses that may be in conflict with a contemplated general plan, specific plan, or zoning proposal that the legislative body, planning commission or the planning department is considering or studying or intends to study within a reasonable time, for the immediate preservation of the general health, safety or welfare, provided the ordinance contains a declaration of the facts constituting the urgency, and is passed by not less than a four-fifths (4/5) vote of the City Council. With adoption of this Ordinance, the City will extend the moratorium for a period of ten (10) months and fifteen (15) days, or until such time as a permanent development code amendment is in full force and effect.

FISCAL IMPACT

There are no fiscal impacts identified with this action.

ALTERNATIVE(S)

1. Deny the extension of the development moratorium and allow the existing 45-day moratorium to expire
2. Provide alternative direction to staff.

ATTACHMENT(S)

1. Carwash locations along Main Street and Bear Valley Road
2. Urgency Ordinance 2023-04

ATTACHMENT 1

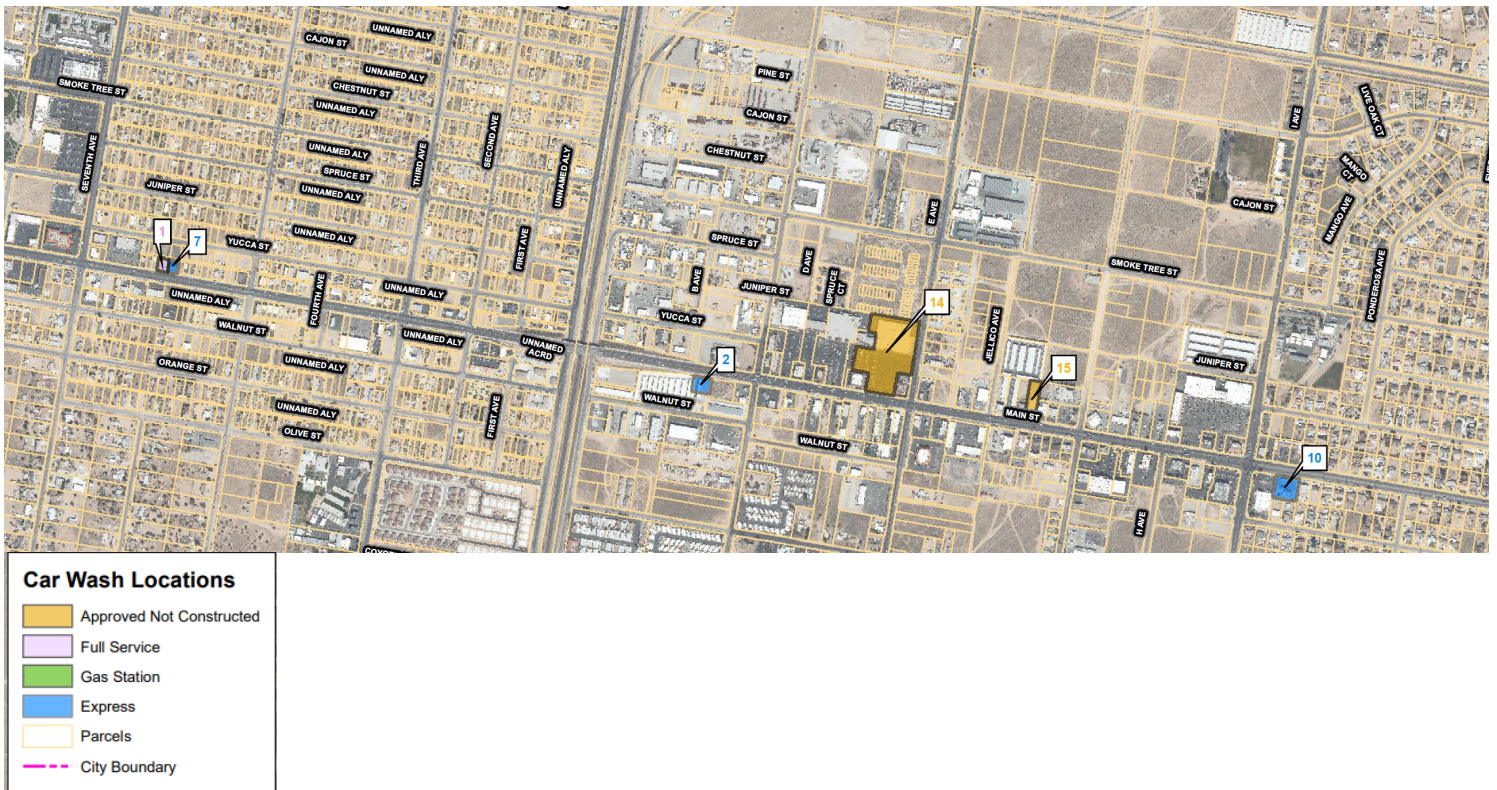
Carwash Locations along Main Street from the I-15 freeway to Topaz Avenue



CARWASH LOCATIONS ALONG MAIN STREET FROM THE I-15 FREEWAY TO TOPAZ AVENUE

ATTACHMENT 1A

Carwash Locations along Main Street from Seventh Avenue to I Avenue



CARWASH LOCATIONS ALONG MAIN STREET FROM SEVENTH AVENUE TO I AVENUE

ATTACHMENT 1B

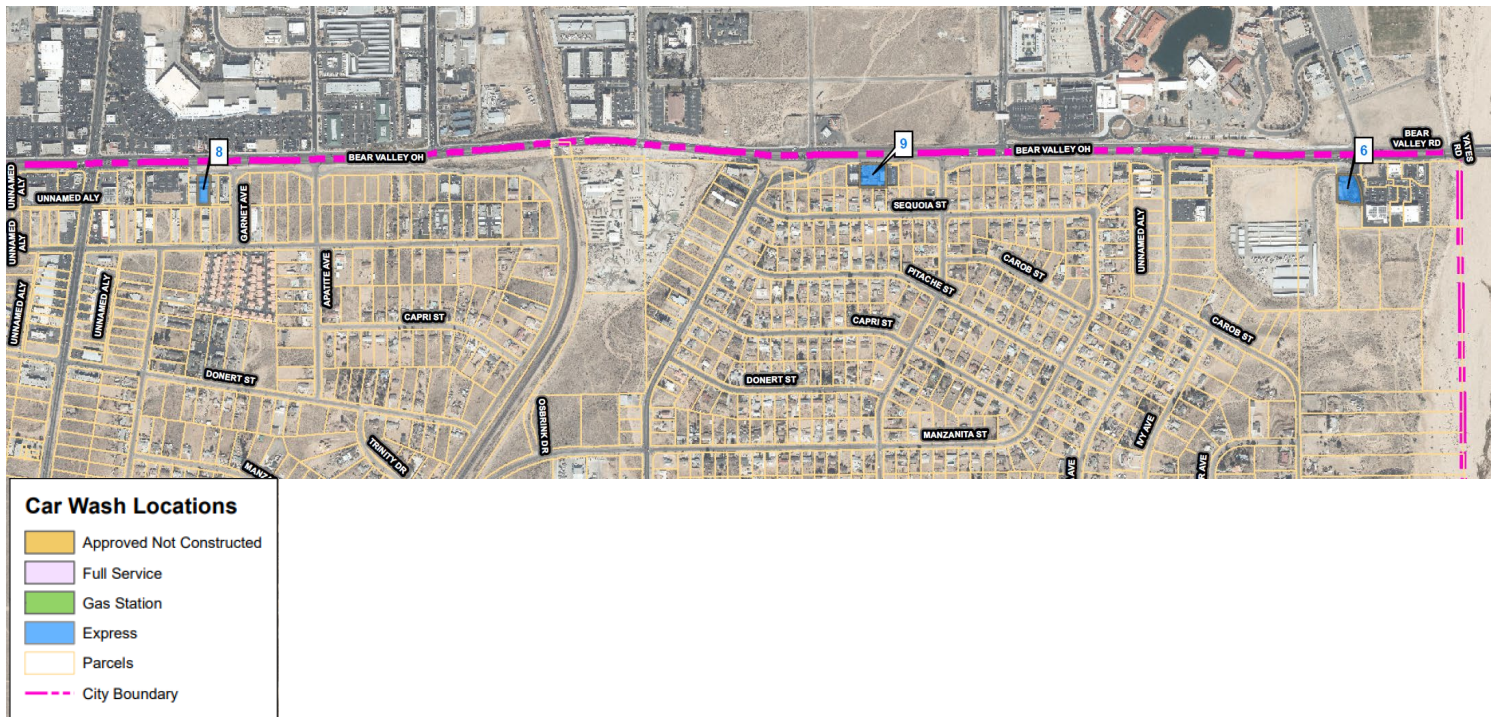
Carwash Locations along Bear Valley Road from the I-15 freeway to Hesperia Road



CARWASH LOCATIONS ALONG BEAR VALLEY ROAD FROM THE I-15 FREEWAY TO HESPERIA ROAD

ATTACHMENT 1C

Carwash Locations along Bear Valley Road from Hesperia Road to the eastern City boundary



CARWASH LOCATIONS ALONG BEAR VALLEY ROAD FROM HESPERIA ROAD TO THE EASTERN CITY BOUNDARY

ORDINANCE NO. 2023-04

AN INTERIM URGENCY ORDINANCE OF THE CITY OF HESPERIA, CALIFORNIA, ENACTED PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 65858 EXTENDING A TEMPORARY MORATORIUM ON THE ESTABLISHMENT OR EXPANSION OF CAR WASH FACILITIES WITHIN THE CITY LIMITS FOR TEN MONTHS (10) AND FIFTEEN (15) DAYS.

WHEREAS, the City of Hesperia has the authority and responsibility to protect the public health, safety, and welfare of the City; and

WHEREAS, the City has a compelling interest in protecting the public health, safety, and welfare of its citizens, residents, visitors and businesses, and preserving the peace and quiet of the neighborhoods within the City by regulating the establishment and expansion of car washes within City limits; and

WHEREAS, the City is responsible for adopting and implementing land use regulations within its boundaries; and

WHEREAS, the City has no other development standards or regulations applicable to the operation of Cash Washes; and

WHEREAS, the City's permissive policy towards car washes could result in a proliferation or oversaturation of said uses within the City; and

WHEREAS, developable land becomes scarcer in the City, there is concern that the proliferation of car washes without due consideration presents an immediate threat to public health, safety, or welfare because car washes generate undesirable conditions for adjacent properties as a result of noisy, large-scale industrial equipment including vacuums, pumps, pressurized sprayers, dryers, engines, and car stereos. In addition the use increases vehicle traffic in the immediate vicinity, and can cause runoff of chemicals. Finally, airborne mist, odors from chemicals and vehicle exhaust are a result of such uses; and

WHEREAS, the oversaturation of car washes in the City provides little economic benefit to the City or City residents; and

WHEREAS, absent clear regulation, the proliferation and oversaturation of car washes in the City poses a threat to the public peace, health, and safety, and, unless the City takes action to regulate, the impacts described above are likely to continue to occur; and

WHEREAS, the City desires to regulate car washes to ensure that public right-of-ways and public property remain free of public nuisances, safe and accessible for all users, and clear of conditions that pose threats to public health, safety, and welfare, to ensure that future development is undertaken in a manner consistent with the City's General Plan, and to ensure that car wash Operators comply with State and City regulations that consider the public's health, safety, and welfare; and

WHEREAS, the City anticipates that car wash operators may seek to establish additional car washes, or desire to expand existing car washes before a non-urgency ordinance would become effective; and

WHEREAS, Government Code Sections 36934, 36937 and 65858 expressly authorize the City Council to adopt an urgency ordinance for the immediate preservation of the public peace, health or safety and to prohibit a use that is in conflict with a contemplated general plan, specific plan, or zoning proposal that the legislative body, planning commission or the planning department is considering or studying or intends to study within a reasonable time; and

WHEREAS, City staff require time to study and develop appropriate regulations for car wash operators consistent with State and federal law; and

WHEREAS, on February 7, 2023 the City Council adopted Ordinance No. 2023-01 establishing a 45-day moratorium on the establishment or expansion of car washes within the City limits. Ordinance No. 2023-01 will expire on March 24, 2023; and

WHEREAS, the City now desires to impose a ten month (10) and fifteen (15) day moratorium on the establishment or expansion of car washes within the City limits in order to complete a proposed development code amendment that will create new development regulations and development standards for car wash facilities; and

WHEREAS, pursuant to the above-described express statutory authority and its police power, the City Council desires, on an urgency basis, to temporarily prohibit establishment of new, or expansion of existing, car washes within the City.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA DOES HEREBY ORDAIN AS FOLLOWS.

SECTION 1. FINDINGS

The City Council finds the facts set forth in the recitals in this Urgency Ordinance are true and correct, and are hereby incorporated by reference. Additionally, based on the foregoing, both verbal and written testimony at the public hearing, including the staff report, exhibits, and any materials provided by members of the public, the City Council finds as follows:

A. This Ordinance is being adopted in order to allow the City time to thoroughly study and develop the City's laws, rules, procedures and fees related to the operation and establishment of car washes, to enable the City to adequately and appropriately preserve the health, safety and welfare of the community in the City of Hesperia.

B. For the purposes of this Ordinance the definition of "Car Wash" shall include full service, express, and ancillary facilities. Full-service car washes are usually stand-alone facilities where employees either hand wash or detail vehicles. Express car washes are usually fully automated car wash facilities with self-serve vacuum stalls. Ancillary facilities are typically automated facilities that are associated with gas stations, and more commonly called drive- thru car washes. This ordinance is intended to apply to car washes that are either the primary use or the accessory use of the relevant parcel. Temporary car washes (e.g., fundraising activities generally conducted at a service station or other automotive-related business, where volunteers wash vehicles by hand and the duration of the event is limited to one day) are not part of this definition.

C. For purposes of this Ordinance, “Car Wash Operator” shall mean a person that manages and/or operates a car wash, whether for profit or not.

D. The City finds that in the absence of a regulatory framework to govern car washes, the adverse impacts frequently associated with car washes likely will occur, resulting in unregulated and significant negative impacts upon the public health, safety, and welfare of the community.

E. The City finds that the adverse impacts from car washes include the following:

(1) The proliferation of car washes throughout the City without due consideration presents an immediate threat to public health, safety, or welfare because car washes generate undesirable conditions for adjacent properties as a result of use noisy, large-scale industrial equipment including vacuums, pumps, pressurized sprayers, dryers, engines and car stereos; and

(2) In addition, the use tends to increase vehicle traffic in their immediate vicinity, and can cause runoff of chemicals; and

(3) Also, airborne mist, odors from chemicals and vehicle exhaust are also a result of such uses; and

F. The City also finds that car washes could have a negative economic impact for the City as follows:

(1) The use provides little economic benefit to the City or City residents, as there are minimal sales tax revenues associated with the use, few employees hired, and typical wages paid would not increase the City’s overall median income; and

(2) The continued establishment of car washes will result in the immediate loss of potential revenues to the City and the immediate loss of desirable commercial and/or manufacturing sites throughout the City.

G. The City needs time to draft a proposed text amendment to the Zoning Code to preserve the health, safety and welfare of the community in the City of Hesperia with respect to the operation of car washes.

SECTION 2. **AUTHORITY AND EFFECT**

The State Planning and Zoning Law (Cal. Gov’t Code Sections 65000, *et seq.*) broadly empowers the City to plan for and regulate the use of land in order to provide for orderly development, the public health safety and welfare, and a balancing of property rights and the desires of the community and how its citizens envisions their city.

SECTION 3. **MORATORIUM**

A. During the Effective Period of this Ordinance as specified below, no permit shall be issued, for any development of any new car wash, nor may a permit be issued for the expansion of an existing car wash, within the City. The foregoing shall explicitly prohibit the issuance of any zoning, land use, discretionary permit, building permit, environmental approval, business license or any other entitlement involving businesses defined as a car wash herein, during the Effective Period.

B. Notwithstanding the foregoing, any existing car wash facility shall be allowed to obtain their annual City of Hesperia business license. Additionally, permits may be issued for minor construction, rehabilitation and landscaping or other purposes not involving an expansion of building area. Any car wash facilities under construction with a valid building permit or any car wash facility approved by the Planning Commission on the effective date of this Urgency Ordinance shall be exempt from this Urgency Ordinance.

SECTION 4. **STUDY AND DEVELOPMENT**

During the period of this Ordinance, the City shall study and develop as necessary City laws, rules, procedures and fees related to car washes, to enable the City to adequately and appropriately preserve the health, safety and welfare of the community in the City of Hesperia. Pursuant to Government Code Section 65858 the Planning Manager will issue a report for the legislative body on what has been accomplished during the moratorium before it expires or is extended.

SECTION 5. **URGENCY MEASURE**

It is hereby declared that this Ordinance is necessary as an urgency measure for the preservation of the public health, safety and welfare. The City Council finds that current zoning regulations and land use plans do not adequately regulate the establishment and operation of car washes and therefore do not adequately protect the peace, health, safety and general welfare of the residents of the City or in communities around the City. The City Council finds the urgency measure is necessary in order to ensure adequate regulation of the operation of car washes. The facts constituting the urgency are:

The City of Hesperia does not currently have clear standards in the Hesperia Municipal Code related specifically to the establishment and expansion of car washes within the City.

The negative impacts frequently associated with operation of car washes will likely increase as car washes continue to proliferate throughout the City, resulting in an unregulated and significant negative impact upon public health, safety, and welfare of the community.

To permit the proliferation of car washes to continue within the City without being subject to specific regulations that are consistent with the General Plan, and that take into account the impacts that such establishments have, constitutes a threat to the health, safety, and welfare. Car washes generate undesirable conditions for adjacent properties. Airborne mist, odors from chemicals and vehicle exhaust, and noise from vacuums, pumps, pressurized sprayers, dryers, engines and car stereos are examples of common impacts generated by these uses. The impacts can be detrimental to the quality of life for adjacent residents and disruptive to adjacent businesses. Allowing the continued establishment of car washes will result in the immediate potential for disruptions to the quality of life for adjacent residents and businesses.

Car Wash facilities in the community provide the City with little economic benefit as there are minimal sales tax revenues associated with car wash operations.

Car Wash facilities hire few employees and typical wages paid at car wash facilities would not increase the City's overall median incomes. Car washes therefore would not bolster employee densities in commercial and manufacturing zones or increase the per capita median income of the community. Allowing the continued establishment of car washes will result in the immediate loss of

potential income to City residents and reduce potential employment opportunities throughout the City.

Car wash operators are likely to seek to be located in the City based on the lack of explicit regulations, which will further exacerbate the impacts of such businesses.

Absent the adoption of this Interim Urgency Ordinance, the operation of car washes in the City would likely result in the negative and harmful secondary effects, as identified above, including, but not limited to, increased noise, traffic, pollution, and public health and safety concerns, and other impacts identified herein.

As a result of the negative and harmful secondary effects associated with improperly regulated or unregulated operation of car washes, the current and immediate threat such effects pose to the public health, safety and welfare, it is necessary to adopt a temporary, ten month (10) and fifteen (15) day day moratorium on the establishment of new car washes and the expansion of existing car washes in the City.

A moratorium is immediately required to preserve the public health, safety and welfare and should be adopted immediately as an urgency ordinance, to make certain that the establishment and expansion of car washes is prohibited for the period of this Ordinance. Imposition of a moratorium will allow the City sufficient time to conclude the preparation of a comprehensive ordinance for the regulation of such activities.

SECTION 6. **SEVERABILITY**

The City Council hereby declares, if any provision, section, subsection, paragraph, sentence, phrase or word of this Ordinance is rendered or declared invalid or unconstitutional by any final action in a court of competent jurisdiction or by reason of any preemptive legislation, then the City Council would have independently adopted the remaining provisions, sections, subsections, paragraphs, sentences, phrases or words of this Ordinance and as such they shall remain in full force and effect.

SECTION 7. **CEQA COMPLIANCE**

Pursuant to the California Environmental Quality Act Guidelines ("CEQA," California Code of Regulations Title 14, §§ 15000 *et seq.*), this Interim Urgency Ordinance is exempt from CEQA based on the following: (i) this Ordinance is not a project within the meaning of CEQA Section 15378 because it has no potential for resulting in physical change to the environment, either directly or indirectly and (ii) this Ordinance is also exempt pursuant to CEQA Section 15061(b)(3) since the proposed ordinance involves an Interim Urgency Ordinance establishing a ten month (10) and fifteen (15) day moratorium on the operation of car washes and thus there is no possibility that the proposed ordinance may have a significant effect on the environment.

SECTION 8. **EFFECTIVENESS OF ORDINANCE.**

This Ordinance shall take effect immediately upon its adoption by a 4/5 vote, pursuant to the authority conferred upon the City Council by Government Code Sections 36934, 36937, and 65858. This Ordinance shall be effective during the Effective Period which shall be from its adoption and shall be of no further force and effect ten months (10) and fifteen (15) days following the date of its adoption unless extended in accordance with the provisions set forth in Government Code Section 65858(b).

SECTION 9. **PUBLICATION**

The City Clerk shall certify as to the passage and adoption of this Interim Urgency Ordinance and shall cause the same to be published in a manner prescribed by law.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Hesperia, California, at a regular meeting held on this 21st day of March, 2023.

Brigit Bennington, Mayor

ATTEST:

Erin Baum, Assistant City Clerk

ATTACHMENT 1

RESOLUTION NO. PC-2023-14

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF HESPERIA, CALIFORNIA, RECOMMENDING THAT THE CITY COUNCIL ADOPT A DEVELOPMENT CODE AMENDMENT AND SPECIFIC PLAN AMENDMENT MODIFYING DEVELOPMENT STANDARDS ASSOCIATED WITH CARWASH DEVELOPMENTS (DCA23-00001 AND SPLA23-00003)

WHEREAS, on January 5, 1998, the City Council of the City of Hesperia adopted Ordinance No. 250, thereby adopting the Hesperia Municipal Code; and

WHEREAS, On September 2, 2008, the City Council of the City of Hesperia adopted Ordinance No. 2008-12, thereby adopting the Main Street and Freeway Corridor Specific Plan; and

WHEREAS, the City proposes to amend Chapter 16.16.365 (C) of the City of Hesperia Municipal Code which contains specific land use standards for vehicle wash facilities; and

WHEREAS, the City proposes to amend Chapter 9 of the Main Street and Freeway Corridor Specific Plan to require that any new vehicle wash facility in the General Industrial (GI) zone require a CUP; and

WHEREAS, the City finds that it is necessary to amend the development regulations applicable for carwash developments and require that all new or expanded carwash facilities meet specified distance limitations between other carwash facilities and that all gas station applications shall submit a market research study; and

WHEREAS, the proposed Development Code Amendment is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Amendments are also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as the Amendments are exempt if they do not propose to increase the density or intensity allowed in the General Plan; and

WHEREAS, on April 13, 2023, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed amendment and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA PLANNING COMMISSION AS FOLLOWS:

Section 1. The Planning Commission hereby specifically finds that all of the facts set forth in this Resolution are true and correct.

Section 2. Based upon substantial evidence presented to the Commission, including written and oral staff reports, the Commission specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan.

Section 3. Based on the findings and conclusions set forth in this Resolution, this Commission hereby recommends adoption of Development Code Amendment DCA23-

00001 and Specific Plan Amendment SPLA23-00003 modifying development standards associated with establishment of new of car washes and demonstrate compliance with specific criteria and development standards prior to operating in the City as shown on Exhibit "A."

Section 4. That the Secretary shall certify to the adoption of this Resolution.

ADOPTED AND APPROVED on this 13th day of April 2023.

Roger Abreo, Chair, Planning Commission

ATTEST:

Maricruz Montes, Secretary, Planning Commission

EXHIBIT “A”

DCA23-00001 and SPLA23-00001

The following are modifications to Chapter 16.16.365 of the City of Hesperia Development Code regulations and Chapter 9 of the Main Street and Freeway Corridor Specific Plan (additions are in underlined red text and deletions are shown with ~~red and strikethrough~~):

1) The following are modifications to Chapter 16.16.365 (C)-Vehicle Wash Facilities of the City Municipal Code

C. Vehicle Wash Facilities.

1. Vehicle wash facilities shall be developed in compliance with the following additional standards:

- a. Full service and express vehicle wash facilities (i.e. standalone facilities) shall be separated by a minimum of 2,000 feet, as measured from property lines.
- b. Vehicle wash facilities that are ancillary to a primary use (i.e. a gas station) shall be separated by a minimum of 1,000 feet, as measured from the property line, from the nearest full service or express vehicle wash facility (i.e. standalone facility)
- c. All gas station and car wash Conditional Use Permit applications shall include a market research study that analyses the feasibility of the project at the subject location.
- d. All lights shall be reflected away from adjacent uses.
- e. Premises shall be maintained in a neat, orderly and environmentally safe manner, and all improvements shall be continuously maintained.
- f. Noise from vehicle wash activities shall not exceed levels established in Chapter 16.20, Article V (General Performance Standards).

MAIN STREET AND FREEWAY CORRIDOR SPECIFIC PLAN

Chapter 9, Subsection (I)- General Industrial Zone shall be amended to read:

1. Permitted Uses

The following uses are permitted in the General Industrial zone:

- a) Commercial storage facilities (mini-warehouse).
- b) Contractor's storage yard.
- c) Equipment (large) sales and rental.
- d) Equipment (small) sales and rental.
- e) Lumber yard and building materials (wholesale).
- f) Manufacturing (indoors).

- g) Offices (administrative, business, executive and professional, but not including medical or dental).
- h) Outdoor storage, incidental to the primary use.
- i) Publishing and printing.
- j) Retail sales ancillary to a manufacturing use on-site (floor area not to exceed 15% of gross floor area up to a maximum of 7,500 square feet).
- k) Truck terminal.
- l) Vehicle repair – major.
- m) Vehicle repair – minor.
- n) ~~Vehicle wash facilities.~~
- o) Warehousing and wholesale distribution centers – 200,000 square feet or less.
- p) Accessory structures and uses customarily incidental to any permitted uses when located on the same site with the main building and use.
- q) Veterinary services- clinics and small animal hospitals (short term boarding).
- r) Other similar uses, as interpreted by the Development Services Director or his/her designee

2. Conditionally Permitted Uses

The following uses are conditionally permitted in the General Industrial zone:

- a) Bus terminals.
- b) Kennels – boarding of domestic animals.
- c) Vehicle fuel stations (i.e., gasoline stations).
- d) Warehousing and wholesale distribution centers – 200,000 square feet or more
- e) Vehicle wash facilities.

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City of Hesperia

STAFF REPORT



DATE: June 6, 2023

TO: City Council of the City of Hesperia

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Administrative Services

SUBJECT: Resolution of the City Council of the City of Hesperia and a Resolution of the Board of Directors of the Hesperia Joint Public Finance Authority, Each Authorizing the Issuance and Sale of the 2023 Refunding Lease Revenue Bonds and Related Documents and Actions

RECOMMENDED ACTION

It is recommended that the City Council adopt the following resolution:

Resolution No. CC 2023-24 – Resolution of the City of Hesperia approving, authorizing and directing execution of certain financing documents and directing certain related actions in connection with the refinancing of outstanding lease payment obligations

It is recommended that the Hesperia Joint Public Finance Authority adopt the following resolution:

Resolution No. HJPFA 2023-02 – Resolution of the Hesperia Joint Public Finance Authority approving, authorizing and directing execution of certain financing documents and directing certain related actions in connection with the refinancing of an outstanding lease obligation of the City of Hesperia

BACKGROUND

In 2013, the Hesperia Joint Public Finance Authority (“Authority”) issued refunding bonds (“2013 Bonds”) to refinance the City of Hesperia’s (“City”) outstanding 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing), which had financed the acquisition of the Civic Plaza. The 2013 Bonds are payable from lease payments made by the City from its General Fund. Based on current market conditions, there is an opportunity to refinance the outstanding 2013 Bonds for debt service savings (“Refunding Bonds”).

<u>Issue</u>	<u>Original Par</u>
Hesperia Joint Public Finance Authority, 2013 Lease Revenue Bonds (Refinancing of the 2005 Civic Plaza Financing) *	\$12,445,000

* Callable any date after 10/1/2023 at par. Current outstanding principal balance is \$9,610,000.

The City’s municipal advisor, in consultation with the proposed underwriter, estimates that, based on current market conditions:

- (i) the projected debt service gross savings from issuing Refunding Bonds to refinance the outstanding 2013 Bonds is \$2,121,900, or an average annual reduction in debt service payments of \$163,223 over the next twelve (12) years.
- (ii) the projected true interest cost is estimated to be 3.53%, and
- (iii) the principal amount of outstanding bonds is projected to be reduced from \$9,610,000 to \$7,480,000.

The final bond year of the Refunding Bonds would remain the same as the 2013 Bonds, but the final maturity date will be extended by one month (from October 1, 2035 to November 1, 2035) to satisfy rating agency requirements.

The City's Debt Policy requires a minimum net present value savings (including transaction costs) equal to at least 3% of the outstanding principal amount of the bonds to be refunded. Under current market conditions and using very conservative assumptions, the proposed refunding would result in projected net present value savings (including transaction costs) of 5.86% of the outstanding principal amount of the 2013 Bonds. In addition to generating debt service savings, the proposed refunding of the 2013 Bonds would also:

- Potentially free up an encumbered City asset, which may facilitate future financings.
- Use the existing debt service reserve fund to buy down the debt now instead of waiting to apply it as a credit against the debt service owed in the final year of the 2013 Bonds.
- Reduce the principal amount of debt outstanding by about \$2,130,000.

Below is a table summarizing the details of the Refunding Bonds:

Refunding Statistics*	
Refunding Bonds	
Refunding Type	Current
Tax Status	Tax-Exempt
Par Amount of 2023 Bonds	\$7,480,000
True Interest Cost	3.53%
Call Date	11/1/2033 @ 100%
Underlying Rating	A-
Bond Insurance Rating	AA
Amount of Refunded Bonds	\$9,610,000
Call Date of 2013 Bonds	10/01/2023 @ 100%
Final Maturity	11/1/2035
Savings Statistics	
Average Annual Savings	\$163,223
Total Gross Savings	\$2,121,900
Net Present Value Savings	\$562,669
% Savings of Refunded Bonds	5.86%

*Preliminary subject to change. Based on interest rates as of May 2, 2023.

The Refunding Bonds will be payable from and secured by semi-annual lease payments made by the City to the Authority (and assigned to the Trustee) pursuant to the Property Lease

described below with respect to the City properties identified in the list below (“Leased Property”). The City will covenant to budget and appropriate for the lease payments, subject to abatement in the event of eminent domain or property damage. Although the City is expected to pay the lease payments from its General Fund, there is no lien upon or pledge of any particular City revenues.

Initial Leased Property:

- City Hall*
- Civic Plaza Park

*It is anticipated that City Hall will be released and substituted with the Hesperia Branch Library.

Bond Sizing (Not-to-Exceed Amounts) - In order to authorize the sale of the Bonds, staff must provide not-to-exceed amounts in the City Resolution and the Authority Resolution. In order to provide staff with maximum flexibility in determining the optimal size of the Bonds, staff requests: a not to exceed principal amount of \$9,000,000; a net present value savings of not less than 3% of the outstanding principal amount of the 2013 Bonds; and a not-to-exceed Underwriter’s discount of 1.10%. These limits have been included in the City Resolution and Authority Resolution to create a reasonable amount of flexibility for the City and the Authority, even though the final principal amount, and underwriter’s discount are anticipated to be less, and in the case of the net present value savings, savings are anticipated to be greater.

Official Action - Tonight’s action is the last step in the process to refund the 2013 Bonds. It is anticipated that the refunding will be completed in July 2023. The key milestones to complete the refunding are identified below:

- Secure underlying credit rating and municipal bond insurance (Pending)
- Adoption of Resolutions approving the Refunding Bonds, Preliminary Official Statement and related financing documents (**Tonight’s Action**)
- Negotiated sale of Refunding Bonds (June 2023)
- Refunding Bonds Closing (July 2023)

Approval of tonight’s resolutions will authorize the issuance of the Refunding Bonds and approve the Preliminary Official Statement and related documents and actions as follows:

- **Approve Preliminary Official Statement** – The form of the Preliminary Official Statement is approved and Designated Officers of the City and the Authority are authorized to deem it final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Stifel, Nicolaus & Company, Inc., as the underwriter for the Refunding Bonds (“Underwriter”), is authorized to distribute the Preliminary Official Statement to potential investors. Designated Officers are authorized to finalize the Official Statement after the Refunding Bonds have been priced by the Underwriter.
- **Approve Continuing Disclosure Certificate** – The form of the Continuing Disclosure Certificate is approved in substantially the form thereof or with such changes as may be approved by a Designated Officer of the City and is included in the Preliminary Official Statement as Appendix D.

- **Approve Site and Facilities Lease** – The form of the Site and Facilities Lease is approved in substantially the form thereof or with such changes as may be approved by a Designated Officer. The Site and Facilities Lease is between the City and the Authority and allows the City to lease the Leased Property to the Authority in order to allow the Authority to sub-lease the Leased Property back to the City pursuant to the Property Lease.
- **Approve Property Lease** – The Authority will sub-lease the Leased Property back to the City pursuant to the Property Lease. The City will covenant in the Property Lease to budget and appropriate for the scheduled lease payments – in an amount sufficient to pay debt service on the Refunding Bonds – on an annual basis.
- **Approve Indenture** – Under the Indenture, between the Authority and U.S. Bank Trust Company, National Association, as trustee, the Authority will issue the Refunding Bonds; the trustee will use the lease payments paid by the City and assigned by the Authority to pay debt service on the Refunding Bonds. Proceeds from the sale of the Refunding Bonds by the Authority to the Underwriter will be used by the Authority to pay the site lease payment. The proceeds of the site lease payment will be used to (i) fund a refunding escrow for the 2013 Bonds and (ii) pay the costs of issuing the Refunding Bonds. There is no debt service reserve fund for the Refunding Bonds.
- **Approve Escrow Deposit and Trust Agreement**– This Agreement with U.S. Bank Trust Company, National Association, as escrow bank and trustee for the 2013 Bonds, governs the use of the Refunding Bonds proceeds (and other available funds, including the 2013 Reserve Fund) to pay the principal and interest due on the 2013 Bonds on October 1, 2023 and to redeem the remaining principal of the 2013 Bonds on October 1, 2023. This document includes directions to invest the Escrow Fund, and includes forms of redemption notice and defeasance notice.
- **Approve Bond Purchase Agreement** – The form of the Bond Purchase Agreement is approved in substantially the form thereof or with such changes as may be approved by a Designated Officer. The City and the Authority will enter into a Bond Purchase Agreement with the Underwriter with respect to the Refunding Bonds. The Bond Purchase Agreement will specify the conditions under which the Underwriter will purchase the Refunding Bonds.
- **Approve Amendments to 2012 Financing Documents** – The Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the “2012 Bonds”), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the “2012 Property Lease”), between the Finance Authority as lessor and the City as lessee. Staff is recommending that the City amend the 2012 Property Lease and other documents related to the 2012 Bonds to release the Hesperia Branch Library and the Civic Plaza Park as leased property thereunder. This release will provide greater flexibility to the City with future financings. The amendments are approved in substantially the form on file with the City Clerk, with such changes as may be approved by a Designated Officer.
- **Approve County Subordination Agreement** – Staff recommends that the Hesperia Branch Library be leased under the Property Lease and the Site Lease, but, in order to lease the Hesperia Branch Library, the City needs to receive from the County of San

Bernardino a written subordination of its interests under an unrecorded lease agreement to the Property Lease and the Site Lease. The form of the subordination agreement between the City and the County is approved in substantially the form on file with the City Clerk, with such changes as may be approved by a Designated Officer. If required by the County, the Authority will be added as a party.

The resolution authorizes the Designated Officers to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale, and delivery of the Refunding Bonds.

Compliance with Federal Securities Laws - The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council and the Board of Directors of the Authority by the City's financing team. The distribution of the Preliminary Official Statement by the Authority is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Refunding Bonds. If the City Council and the Board of Directors conclude that the Preliminary Official Statement includes all facts that would be material to an investor in the Refunding Bonds, they must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over municipal entities' compliance with the federal securities laws, has issued guidance as to the duties of the City Council/Board of Directors with respect to their approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of the City Council/Board of Directors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Refunding Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the City Council/Board of Directors could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Set forth below is a summary of the financing, including cross-references to specific sections of the Preliminary Official Statement.

Purpose of Financing. The 2023 Bonds are being issued to (refinance the 2013 Bonds, which would reduce the semi-annual lease payments made by the City from its General Fund and (ii) pay the costs of issuing the 2023 Bonds. See the section of the Preliminary Official Statement entitled "REFUNDING PLAN."

Security for the Refunding Bonds. The 2023 Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments (the "Base Rental") payments to be made by the City pursuant to the Property Lease for the use of the Leased Property See "THE LEASED PROPERTY." Under the Property Lease, the City covenants to take such action as necessary to include the Base

Rental payments in its annual budgets and to make all necessary appropriations for such Base Rental payments (subject to abatement as described below). See “SECURITY FOR THE 2023 BONDS – Source of Payments; Covenant to Appropriate.”

Risk Factors. Base Rental payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Leased Property. See the sections of the Preliminary Official Statement entitled “SECURITY FOR THE 2023 BONDS – Abatement” and “BOND OWNERS’ RISKS – Abatement.” Abatement of Base Rental payments under the Property Lease, to the extent payment is not made from alternative sources as described in the Official Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the 2023 Bonds. To the extent that moneys in any of the funds and accounts established under the Indenture or proceeds of rental interruption insurance are available, Base Rental payments (or a portion thereof) may be made during periods of abatement.

The Refunding Bonds are payable from Base Rental payments made by the City under the Property Lease. Because the City expects to pay the Base Rental payments from its General Fund, the Official Statement includes material information about the City’s finances in APPENDIX A. Risk factors related to the General Fund are set forth in the sections of the Preliminary Official Statement entitled “BOND OWNERS’ RISKS.”

FISCAL IMPACT

The issuance of the Refunding Bonds will result in an average annual reduction in debt service payments of approximately \$163,223. These are estimated savings based on market conditions as of May 2, 2023, and are subject to change. Costs will be paid from the proceeds of the Refunding Bonds.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. 2023-24
2. HPJFA Resolution No. 2023-02
3. Preliminary Official Statement (including Continuing Disclosure Certificate)
4. Site and Facilities Lease
5. Property Lease
6. Indenture
7. Escrow Deposit and Trust Agreement
8. Bond Purchase Agreement
9. Amendment No. 1 to Site and Facilities Lease (related to the 2012 Bonds)
10. Amendment No. 1 to Property Lease (related to the 2012 Bonds)
11. Subordination Agreement

Green Sheet Item # 9 information updated after posting of the Agenda.

RESOLUTION NO. 2023-24

RESOLUTION OF THE CITY OF HESPERIA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH THE REFINANCING OF OUTSTANDING LEASE PAYMENT OBLIGATIONS

WHEREAS, the City of Hesperia (the "City") and the Hesperia Water District entered into a Joint Exercise of Powers Agreement, dated as of October 2, 2012, establishing the Hesperia Joint Public Finance Authority (the "Finance Authority") for the purpose, among others, of providing assistance to the City with its financing programs; and

WHEREAS, to provide assistance to the City with the financing of its acquisition of approximately 5,971 acre-feet of base annual production rights in the Alto Subarea of the Mojave Water Basin previously held by Rancho Las Flores, LLC, the Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the "2012 Bonds"), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the "2012 Property Lease"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the property leased by the City from the Finance Authority under the 2012 Lease Agreement includes the real property and improvements constituting the Hesperia Branch Library, the Civic Plaza Park and the Hesperia Police Station; and

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Finance Authority to issue its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the City leased the real property and improvements comprising City Hall from the Finance Authority under the 2013 Lease Agreement; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Finance Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Finance Authority to defease and redeem the 2012 Bonds and the 2013 Bonds, and, for that purpose, the

Finance Authority proposes to issue lease revenue bonds (the "2023 Lease Revenue Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, in order to accomplish the refinancing plan, (i) the City and the Finance Authority will enter into a Site and Facilities Lease (the "Site Lease"), under which the City will lease to the Finance Authority certain real property and improvements of the City (the "Leased Property"), (ii) the City and the Finance Authority will enter into a Property Lease (the "Property Lease"), under which the Finance Authority will sublease the Leased Property to the City, (iii) the City and the Finance Authority will enter into an Escrow Deposit and Trust Agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association, as escrow bank and trustee for the 2013 Bonds, (iv) the Finance Authority will enter into an Indenture (the "Indenture") with U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and (v) the Finance Authority will issue the 2023 Lease Revenue Bonds, which will be payable from the lease payments made by the City to the Finance Authority under the Property Lease; and

WHEREAS, there has been submitted to the City Council a form of preliminary Official Statement in connection with the marketing of the 2023 Lease Revenue Bonds and the City Council, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the 2023 Lease Revenue Bonds that are in the personal knowledge of the Council Members and the City staff; and

WHEREAS, the Finance Authority and the City propose to sell the 2023 Lease Revenue Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), the form of which is on file with the City Clerk; and

WHEREAS, in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing disclosure obligations with respect to the 2023 Lease Revenue Bonds pursuant to a continuing disclosure certificate to be executed by the City (the "Continuing Disclosure Certificate"); and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the 2023 Lease Revenue Bonds is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, in order to lease the Hesperia Branch Library as part of future financings, the City needs to receive from the County of San Bernardino (the "County") a written subordination of its interests under an unrecorded lease agreement ("County Library Lease Agreement") to the Property Lease and the Site Lease; and

WHEREAS, in response to feedback from the capital markets, the City intends to lease the City Hall under the Property Lease and the Site Lease, although those documents preserve for the City the flexibility to substitute other assets; and

WHEREAS, the City has duly considered such transactions and wishes at this time to approve certain matters relating to the transactions as being in the public interest of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hesperia, as follows:

Section 1. Pursuant to the Law, and based on the information provided to the City Council by City staff and consultants, all as set forth in the proceedings and documents providing for the issuance and delivery of the 2023 Lease Revenue Bonds, the City Council hereby finds and determines that the issuance of the 2023 Lease Revenue Bonds and the transactions related thereto will result in significant public benefits.

Section 2. The City Council hereby approves the preparation of, and hereby authorizes the Mayor, the City Manager, or the written designee of the City Manager (each, a "Designated Officer"), acting alone, to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (except for permitted omissions), the preliminary form of the Official Statement describing the 2023 Lease Revenue Bonds (the "Preliminary Official Statement") on file with the City Clerk, together with such changes or additions as a Designated Officer, acting alone may deem necessary, desirable or appropriate upon consultation with bond counsel. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. A Designated Officer, acting alone, is hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel, and the execution of the final Official Statement by the City shall be conclusive evidence of the approval of any such additions and changes. The City Council hereby authorizes the distribution of the final Official Statement.

Section 3. The City Council hereby approves the forms of the Site Lease and the Property Lease on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Site Lease and the Property Lease. The City Council hereby authorizes the performance by the City of its obligations under the Site Lease and the Property Lease. The City Council further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Property Lease.

Section 4. The City Council hereby approves the forms of the amendments to the site lease and the 2012 Property Lease related to the 2012 Bonds (the "2012 Lease Amendments") on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the 2012 Lease Amendments and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the 2012 Lease Amendments. For the avoidance of doubt, the City Council hereby approves and directs execution and delivery of the 2012 Lease Amendments regardless of whether the 2023 Lease Revenue Bonds are issued.

Section 5. The City Council hereby approves the form of a subordination agreement (the "Subordination Agreement") between the City and the County on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Subordination Agreement and

such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the Subordination Agreement. If requested by the County or another interested party, the Subordination Agreement may be updated to add the Finance Authority as a party.

Section 6. The City Council hereby approves the Continuing Disclosure Certificate in the form on file with the City Clerk, together with such changes thereto as a Designated Officer, acting alone, deems necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive proof of the approval thereof. A Designated Officer, acting alone, is hereby authorized and directed to execute the Continuing Disclosure Certificate, with such changes, insertions and omissions as may be approved by such official executing the Continuing Disclosure Certificate.

Section 7. The City Council hereby approves the form of the Bond Purchase Agreement on file with the City Clerk, with such additions thereto and changes therein as a Designated Officers, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change shall provide for an underwriter's discount (exclusive of any original issue discount) of greater than 1.1% of the principal amount of the 2023 Lease Revenue Bonds or net present value savings of less than 3% of the outstanding principal amount of the 2013 Bonds. A Designated Officer, acting alone, is hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the City and to take all actions necessary to fulfill the City's obligations thereunder.

Section 8. The City Council hereby approves the form of the Escrow Agreement on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, the Escrow Agreement. The City Council hereby authorizes the performance by the City of its obligations under the Escrow Agreement.

Section 9. The Designated Officers, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2023 Lease Revenue Bonds, the refinancing of the 2013 Bonds, the selection of the Leased Property under the Property Lease, the removal of the Hesperia Branch Library and Civic Plaza Park as leased property with respect to the 2012 Bonds, the Subordination Agreement, the elimination of encumbrances on title to the Leased Property (including any amendments to the documents related to the 2013 Bonds), the purchase of one or more insurance policies for the 2023 Lease Revenue Bonds if determined to be in the best interest of the City by a Designated Officer, and the consummation of the transactions as described herein, and such documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

Section 10. This Resolution shall take effect immediately upon its passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Hesperia at a regular meeting held this 6th day of June, 2023.

AYES: Councilmember:
NOES: Councilmember:
ABSENT: Councilmember:
ABSTAIN: Councilmember

ATTEST:

Brigit Bennington, Mayor

Erin Baum, Assistant City Clerk

EXHIBIT A

REQUIRED GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

1. True Interest Cost of the 2023 Lease Revenue Bonds: 3.53%.
2. Finance charge for the 2023 Lease Revenue Bonds, being the sum of all fees and charges paid to third parties (Costs of Issuance of approximately \$287,744 plus estimated underwriter's compensation of \$82,280): \$370,024.
3. Amount of proceeds of the 2023 Lease Revenue Bonds expected to be received by the Finance Authority, net of proceeds for Costs of Issuance described in (2) above and net of capitalized interest (if any) and reserves (if any) paid or funded with the proceeds of the 2023 Lease Revenue Bonds: \$7,983,372.
4. Total payment amount for the 2023 Lease Revenue Bonds, being the sum of (a) debt service to be paid on the 2023 Lease Revenue Bonds to final maturity, plus (b) any financing costs not paid from proceeds of the 2023 Lease Revenue Bonds: \$10,417,722.

**All amounts and percentages are estimates, and are made in good faith by the City based on information available as of the date of adoption of this Resolution.*

RESOLUTION HPJFA NO. 2023-02

**RESOLUTION OF THE HESPERIA JOINT PUBLIC FINANCE AUTHORITY
APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN
FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN
CONNECTION WITH THE REFINANCING OF AN OUTSTANDING LEASE
OBLIGATION OF THE CITY OF HESPERIA**

WHEREAS, the City of Hesperia (the "City") and the Hesperia Water District entered into a Joint Exercise of Powers Agreement, dated as of October 2, 2012, establishing the Hesperia Joint Public Finance Authority (the "Finance Authority") for the purpose, among others, of providing assistance to the City with its financing programs; and

WHEREAS, to provide assistance to the City with the financing of its acquisition of approximately 5,971 acre-feet of base annual production rights in the Alto Subarea of the Mojave Water Basin previously held by Rancho Las Flores, LLC, the Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the "2012 Bonds"), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the "2012 Property Lease"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the property leased by the City from the Finance Authority under the 2012 Lease Agreement includes the real property and improvements constituting the Hesperia Branch Library, the Civic Plaza Park and the Hesperia Police Station; and

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Finance Authority to issue its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the City leased the real property and improvements comprising City Hall from the Finance Authority under the 2013 Lease Agreement; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Finance Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Finance Authority to defease and redeem the 2013 Bonds, and, for that purpose, the Finance Authority proposes to issue lease revenue bonds (the "2023 Lease Revenue Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, in order to accomplish the refinancing plan, (i) the City and the Finance Authority will enter into a Site and Facilities Lease (the "Site Lease"), under which the City will lease to the Finance Authority certain real property and improvements of the City (the "Leased Property"), (ii) the City and the Finance Authority will enter into a Property Lease (the "Property Lease"), under which the Finance Authority will sublease the Leased Property to the City, (iii) the City and the Finance Authority will enter into an Escrow Deposit and Trust Agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association, as escrow bank and trustee for the 2013 Bonds, (iv) the Finance Authority will enter into an Indenture (the "Indenture") with U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and (v) the Finance Authority will issue the 2023 Lease Revenue Bonds, which will be payable from the lease payments made by the City to the Finance Authority under the Property Lease; and

WHEREAS, there has been submitted to the Board of Directors (the "Board") of the Finance Authority a form of preliminary Official Statement in connection with the marketing of the 2023 Lease Revenue Bonds and the Board, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the 2023 Lease Revenue Bonds that are in the personal knowledge of the members of the Board; and

WHEREAS, the Finance Authority and the City propose to sell the 2023 Lease Revenue Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), the form of which is on file with the City Clerk; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the 2023 Lease Revenue Bonds is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, as permitted by Section 12.02 of the 2012 Property Lease, the City wishes to amend the 2012 Property Lease and certain other documents related to the 2012 Bonds to release the Hesperia Branch Library and the Civic Plaza Park from the 2012 Property Lease; and

WHEREAS, in order to lease the Hesperia Branch Library as part of future financings, the City needs to receive from the County of San Bernardino (the "County") a written subordination of its interests under an unrecorded lease agreement ("County Library Lease Agreement") to the Property Lease and the Site Lease; and

WHEREAS, in response to feedback from the capital markets, the City intends to lease the City Hall under the Property Lease and the Site Lease, although those documents preserve for the City the flexibility to substitute other assets; and

WHEREAS, the Board has duly considered these transactions and wishes at this time to approve these transactions and make certain findings regarding significant public benefits to the Finance Authority's members with respect to these transactions;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE HESPERIA JOINT PUBLIC FINANCE AUTHORITY, as follows:

Section 1. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the 2023 Lease Revenue Bonds and the transactions related thereto will result in significant public benefits to its members.

Section 2. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the 2023 Lease Revenue Bonds in the maximum principal amount of not to exceed \$9,000,000, subject to the requirement that the issuance of the 2023 Lease Revenue Bonds result in net present value savings equal to or greater than 3% of the outstanding principal amount of the 2013 Bonds and the Underwriter's discount (exclusive of any original issue discount) does not exceed 1.1% of the principal amount of the 2023 Lease Revenue Bonds. The 2023 Lease Revenue Bonds shall be issued pursuant to the Indenture. The Board hereby approves the Indenture in the form on file with the Secretary of the Finance Authority (the "Secretary"), together with such additions thereto and changes therein as the Chair, the Executive Director or the Treasurer, or the written designee of any of them (each, a "Designated Officer"), acting alone, deems necessary, desirable or appropriate upon consultation with Jones Hall, A Professional Law Corporation, as bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Finance Authority. The Board hereby authorizes the performance by the Finance Authority of its obligations under the Indenture. The Board further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Indenture.

Section 3. Approval of Property Lease and Site Lease. The Board hereby approves the form of the Property Lease and the Site Lease by and between the Finance Authority and the City in the forms on file with the Secretary together with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final forms of the Property Lease and the Site Lease for and in the name of and on behalf of the Finance Authority. The Finance Authority hereby authorizes the performance by the Finance Authority of its obligations under the Property Lease and the Site Lease. The Board further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Property Lease.

Section 4. Approval of 2012 Lease Amendments. The Board hereby approves the forms of the amendments to the site lease and the 2012 Property Lease related to the 2012 Bonds (the "2012 Lease Amendments") on file with the Secretary, together with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, as appropriate, the 2012 Lease Amendments and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the 2012 Lease Amendments. For the avoidance of doubt, the Board hereby approves and directs execution and delivery of the 2012 Lease Amendments regardless of whether the 2023 Lease Revenue Bonds are issued.

Section 5. Subordination Agreement. The Board hereby approves the form of a subordination agreement (the "Subordination Agreement") between the City and the County on file with the Secretary, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel. If requested by the County or another interested party, the Subordination Agreement may be updated to add the Finance Authority as a party, and execution of the Subordination Agreement by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes approved hereby. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, as appropriate, the Subordination Agreement and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the Subordination Agreement.

Section 6. Sale of Bonds. The Finance Authority hereby authorizes and directs a Designated Officer of the Finance Authority to enter into a contract on behalf of the Finance Authority to sell the 2023 Lease Revenue Bonds pursuant to a negotiated sale to the Underwriter. The Finance Authority hereby approves the form of the Bond Purchase Agreement on file with the Secretary, with such additions thereto and changes therein as a Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, the execution of which by a Designated Officer be conclusive evidence of the approval of any such additions or changes, subject to compliance with the parameters set forth in Section 2. A Designated Officer, acting alone, is hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the Finance Authority's obligations thereunder.

Section 7. Official Statement. The Board hereby approves the form of Official Statement relating to the 2023 Lease Revenue Bonds (the "Official Statement") on file with the Secretary, together with such changes or additions thereto as a Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, and authorizes a Designated Officer, acting alone, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, except for omissions permitted therein. Distribution of the preliminary form of Official Statement by the Underwriter is hereby approved. A Designated Officer, acting alone, is hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, and the execution of the final Official Statement by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement.

Section 8. Escrow Agreement. The Board hereby approves the form of the Escrow Agreement on file with the Secretary, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute the Escrow Agreement. The Board hereby authorizes the performance by the Finance Authority of its obligations under the Escrow Agreement.

Section 9. Agreement with Bond Counsel and Disclosure Counsel. The Board hereby designates Jones Hall, A Professional Law Corporation, to act as bond counsel and disclosure counsel. The Designated Officers, each acting alone, are hereby authorized and directed to

execute an agreement with Jones Hall, A Professional Law Corporation, in the form on file with the Secretary.

Section 10. Official Actions. The Designated Officers, the Secretary and any and all other officers of the Finance Authority are hereby authorized and directed, for and in the name of and on behalf of the Finance Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2023 Lease Revenue Bonds, the refinancing of the 2013 Bonds, the selection of the Leased Property under the Property Lease, the removal of the Hesperia Branch Library and Civic Plaza Park as leased property with respect to the 2012 Bonds, the Subordination Agreement, the elimination of encumbrances on title to the Leased Property (including any amendments to the documents related to the 2013 Bonds), the purchase of one or more insurance policies for the 2023 Lease Revenue Bonds if determined to be in the bests interest of the Finance Authority by a Designated Officer, and the consummation of the transactions described herein, and such documents, assignments, certificates and agreements as may be required by the Indenture, the Property Lease, the Site Lease, the Refunding Instructions and any and all other documents and agreements approved hereunder.

Section 11. Regular Meeting. The Board of Directors hereby ratifies and confirms Section 1.03(d) of the Joint Exercise of Powers Agreement that regular meetings of the Board of Directors are held on the same day and time and in the same place as regular meetings of the City Council.

Section 12. Effective. This Resolution shall take effect immediately upon its passage and adoption.

* * * * *

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Hesperia Joint Public Finance Authority at a regular meeting held this 6th day of June, 2023.

AYES: Member:
NOES: Member:
ABSENT: Member:
ABSTAIN: Member

ATTEST:

Brigit Bennington, Chair

Erin Baum, Secretary

EXHIBIT A

REQUIRED GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

1. True Interest Cost of the 2023 Lease Revenue Bonds: 3.53%.
2. Finance charge for the 2023 Lease Revenue Bonds, being the sum of all fees and charges paid to third parties (Costs of Issuance of approximately \$287,744 plus estimated underwriter's compensation of \$82,280): \$370,024.
3. Amount of proceeds of the 2023 Lease Revenue Bonds expected to be received by the Finance Authority, net of proceeds for Costs of Issuance described in (2) above and net of capitalized interest (if any) and reserves (if any) paid or funded with the proceeds of the 2023 Lease Revenue Bonds: \$7,983,372.
4. Total payment amount for the 2023 Lease Revenue Bonds, being the sum of (a) debt service to be paid on the 2023 Lease Revenue Bonds to final maturity, plus (b) any financing costs not paid from proceeds of the 2023 Lease Revenue Bonds: \$10,417,722.

**All amounts and percentages are estimates, and are made in good faith by the Finance Authority based on information available as of the date of adoption of this Resolution.*

RESOLUTION NO. 2023-24

RESOLUTION OF THE CITY OF HESPERIA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH THE REFINANCING OF OUTSTANDING LEASE PAYMENT OBLIGATIONS

WHEREAS, the City of Hesperia (the "City") and the Hesperia Water District entered into a Joint Exercise of Powers Agreement, dated as of October 2, 2012, establishing the Hesperia Joint Public Finance Authority (the "Finance Authority") for the purpose, among others, of providing assistance to the City with its financing programs; and

WHEREAS, to provide assistance to the City with the financing of its acquisition of approximately 5,971 acre-feet of base annual production rights in the Alto Subarea of the Mojave Water Basin previously held by Rancho Las Flores, LLC, the Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the "2012 Bonds"), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the "2012 Property Lease"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the property leased by the City from the Finance Authority under the 2012 Lease Agreement includes the real property and improvements constituting the Hesperia Branch Library, the Civic Plaza Park and the Hesperia Police Station; and

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Finance Authority to issue its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the City leased the real property and improvements comprising City Hall from the Finance Authority under the 2013 Lease Agreement; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Finance Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Finance Authority to defease and redeem the 2012 Bonds and the 2013 Bonds, and, for that purpose, the

Finance Authority proposes to issue lease revenue bonds (the “2023 Lease Revenue Bonds”) under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Law”); and

WHEREAS, in order to accomplish the refinancing plan, (i) the City and the Finance Authority will enter into a Site and Facilities Lease (the “Site Lease”), under which the City will lease to the Finance Authority certain real property and improvements of the City (the “Leased Property”), (ii) the City and the Finance Authority will enter into a Property Lease (the “Property Lease”), under which the Finance Authority will sublease the Leased Property to the City, (iii) the City and the Finance Authority will enter into an Escrow Deposit and Trust Agreement (the “Escrow Agreement”) with U.S. Bank Trust Company, National Association, as escrow bank and trustee for the 2013 Bonds, (iv) the Finance Authority will enter into an Indenture (the “Indenture”) with U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) and (v) the Finance Authority will issue the 2023 Lease Revenue Bonds, which will be payable from the lease payments made by the City to the Finance Authority under the Property Lease; and

WHEREAS, there has been submitted to the City Council a form of preliminary Official Statement in connection with the marketing of the 2023 Lease Revenue Bonds and the City Council, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the 2023 Lease Revenue Bonds that are in the personal knowledge of the Council Members and the City staff; and

WHEREAS, the Finance Authority and the City propose to sell the 2023 Lease Revenue Bonds to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) pursuant to a bond purchase agreement (the “Bond Purchase Agreement”), the form of which is on file with the City Clerk; and

WHEREAS, in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing disclosure obligations with respect to the 2023 Lease Revenue Bonds pursuant to a continuing disclosure certificate to be executed by the City (the “Continuing Disclosure Certificate”); and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the 2023 Lease Revenue Bonds is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, the City and the Public Finance Authority intend to lease the Hesperia Branch Library and the Civic Plaza Park under the Property Lease and the Site Lease, but, in order to lease the Hesperia Branch Library, the City needs to receive from the County of San Bernardino (the “County”) a written subordination of its interests under an unrecorded lease agreement (“County Library Lease Agreement”) to the Property Lease and the Site Lease; and

WHEREAS, as a result, the City intends to lease the City Hall under the Property Lease and the Site Lease in place of the Hesperia Branch Library until the County has agreed to subordinate the County Library Lease Agreement to the Property Lease and the Site Lease, after which the City intends to substitute the Hesperia Branch Library for the Hesperia City Hall; and

WHEREAS, the City has duly considered such transactions and wishes at this time to approve certain matters relating to the transactions as being in the public interest of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hesperia, as follows:

Section 1. Pursuant to the Law, and based on the information provided to the City Council by City staff and consultants, all as set forth in the proceedings and documents providing for the issuance and delivery of the 2023 Lease Revenue Bonds, the City Council hereby finds and determines that the issuance of the 2023 Lease Revenue Bonds and the transactions related thereto will result in significant public benefits.

Section 2. The City Council hereby approves the preparation of, and hereby authorizes the Mayor, the City Manager, or the written designee of the City Manager (each, a "Designated Officer"), acting alone, to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (except for permitted omissions), the preliminary form of the Official Statement describing the 2023 Lease Revenue Bonds (the "Preliminary Official Statement") on file with the City Clerk, together with such changes or additions as a Designated Officer, acting alone may deem necessary, desirable or appropriate upon consultation with bond counsel. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. A Designated Officer, acting alone, is hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel, and the execution of the final Official Statement by the City shall be conclusive evidence of the approval of any such additions and changes. The City Council hereby authorizes the distribution of the final Official Statement.

Section 3. The City Council hereby approves the forms of the Site Lease and the Property Lease on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Site Lease and the Property Lease. The City Council hereby authorizes the performance by the City of its obligations under the Site Lease and the Property Lease. The City Council further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Property Lease.

Section 4. The City Council hereby approves the forms of the amendments to the site lease and the 2012 Property Lease related to the 2012 Bonds (the "2012 Lease Amendments") on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the 2012 Lease Amendments and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the 2012 Lease Amendments. For the avoidance of doubt, the City Council hereby approves and directs execution and delivery of the 2012 Lease Amendments regardless of whether the 2023 Lease Revenue Bonds are issued.

Section 5. The City Council hereby approves the form of a subordination agreement (the "Subordination Agreement") between the City and the County on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a

Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Subordination Agreement and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the Subordination Agreement. If requested by the County or another interested party, the Subordination Agreement may be updated to add the Finance Authority as a party.

Section 6. The City Council hereby approves the Continuing Disclosure Certificate in the form on file with the City Clerk, together with such changes thereto as a Designated Officer, acting alone, deems necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive proof of the approval thereof. A Designated Officer, acting alone, is hereby authorized and directed to execute the Continuing Disclosure Certificate, with such changes, insertions and omissions as may be approved by such official executing the Continuing Disclosure Certificate.

Section 7. The City Council hereby approves the form of the Bond Purchase Agreement on file with the City Clerk, with such additions thereto and changes therein as a Designated Officers, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change shall provide for an underwriter's discount (exclusive of any original issue discount) of greater than 1.1% of the principal amount of the 2023 Lease Revenue Bonds or net present value savings of less than 3% of the outstanding principal amount of the 2013 Bonds. A Designated Officer, acting alone, is hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the City and to take all actions necessary to fulfill the City's obligations thereunder.

Section 8. The City Council hereby approves the form of the Escrow Agreement on file with the City Clerk, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, the Escrow Agreement. The City Council hereby authorizes the performance by the City of its obligations under the Escrow Agreement.

Section 9. The Designated Officers, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2023 Lease Revenue Bonds, the refinancing of the 2013 Bonds, the selection of the Leased Property under the Property Lease, the removal of the Hesperia Branch Library and Civic Plaza Park as leased property with respect to the 2012 Bonds, the Subordination Agreement, the elimination of encumbrances on title to the Leased Property (including any amendments to the documents related to the 2013 Bonds), the purchase of one or more insurance policies for the 2023 Lease Revenue Bonds if determined to be in the best interest of the City by a Designated Officer, and the consummation of the transactions as described herein, and such documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

Section 10. This Resolution shall take effect immediately upon its passage and adoption.

* * * * *

PASSED, APPROVED AND ADOPTED by the City Council of the City of Hesperia at a regular meeting held this 6th day of June, 2023.

AYES: Councilmember:

NOES: Councilmember:

ABSENT: Councilmember:

ABSTAIN: Councilmember

ATTEST:

Brigit Bennington, Mayor

Erin Baum, Assistant City Clerk

EXHIBIT A

REQUIRED GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

1. True Interest Cost of the 2023 Lease Revenue Bonds: 3.53%.
2. Finance charge for the 2023 Lease Revenue Bonds, being the sum of all fees and charges paid to third parties (Costs of Issuance of approximately \$287,744 plus estimated underwriter's compensation of \$82,280): \$370,024.
3. Amount of proceeds of the 2023 Lease Revenue Bonds expected to be received by the Finance Authority, net of proceeds for Costs of Issuance described in (2) above and net of capitalized interest (if any) and reserves (if any) paid or funded with the proceeds of the 2023 Lease Revenue Bonds: \$7,983,372.
4. Total payment amount for the 2023 Lease Revenue Bonds, being the sum of (a) debt service to be paid on the 2023 Lease Revenue Bonds to final maturity, plus (b) any financing costs not paid from proceeds of the 2023 Lease Revenue Bonds: \$10,417,722.

**All amounts and percentages are estimates, and are made in good faith by the City based on information available as of the date of adoption of this Resolution.*

RESOLUTION HPJFA NO. 2023-02

RESOLUTION OF THE HESPERIA JOINT PUBLIC FINANCE AUTHORITY APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH THE REFINANCING OF AN OUTSTANDING LEASE OBLIGATION OF THE CITY OF HESPERIA

WHEREAS, the City of Hesperia (the “City”) and the Hesperia Water District entered into a Joint Exercise of Powers Agreement, dated as of October 2, 2012, establishing the Hesperia Joint Public Finance Authority (the “Finance Authority”) for the purpose, among others, of providing assistance to the City with its financing programs; and

WHEREAS, to provide assistance to the City with the financing of its acquisition of approximately 5,971 acre-feet of base annual production rights in the Alto Subarea of the Mojave Water Basin previously held by Rancho Las Flores, LLC, the Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the “2012 Bonds”), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the “2012 Property Lease”), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the property leased by the City from the Finance Authority under the 2012 Lease Agreement includes the real property and improvements constituting the Hesperia Branch Library, the Civic Plaza Park and the Hesperia Police Station; and

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the “2005 Certificates”) pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the “Financing Authority”) and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Finance Authority to issue its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the “2013 Bonds”), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the “2013 Lease Agreement”), between the Finance Authority as lessor and the City as lessee; and

WHEREAS, the City leased the real property and improvements comprising City Hall from the Finance Authority under the 2013 Lease Agreement; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Finance Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Finance Authority to defease and redeem the 2013 Bonds, and, for that purpose, the Finance Authority proposes to issue lease revenue bonds (the "2023 Lease Revenue Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, in order to accomplish the refinancing plan, (i) the City and the Finance Authority will enter into a Site and Facilities Lease (the "Site Lease"), under which the City will lease to the Finance Authority certain real property and improvements of the City (the "Leased Property"), (ii) the City and the Finance Authority will enter into a Property Lease (the "Property Lease"), under which the Finance Authority will sublease the Leased Property to the City, (iii) the City and the Finance Authority will enter into an Escrow Deposit and Trust Agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association, as escrow bank and trustee for the 2013 Bonds, (iv) the Finance Authority will enter into an Indenture (the "Indenture") with U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and (v) the Finance Authority will issue the 2023 Lease Revenue Bonds, which will be payable from the lease payments made by the City to the Finance Authority under the Property Lease; and

WHEREAS, there has been submitted to the Board of Directors (the "Board") of the Finance Authority a form of preliminary Official Statement in connection with the marketing of the 2023 Lease Revenue Bonds and the Board, with the aid of its staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the 2023 Lease Revenue Bonds that are in the personal knowledge of the members of the Board; and

WHEREAS, the Finance Authority and the City propose to sell the 2023 Lease Revenue Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), the form of which is on file with the City Clerk; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the 2023 Lease Revenue Bonds is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, as permitted by Section 12.02 of the 2012 Property Lease, the City wishes to amend the 2012 Property Lease and certain other documents related to the 2012 Bonds to release the Hesperia Branch Library and the Civic Plaza Park from the 2012 Property Lease; and

WHEREAS, the City and the Public Finance Authority intend to lease the Hesperia Branch Library and the Civic Plaza Park under the Property Lease and the Site Lease, but, in order to lease the Hesperia Branch Library, the City needs to receive from the County of San Bernardino (the "County") a written subordination of its interests under an unrecorded lease agreement ("County Library Lease Agreement") to the Property Lease and the Site Lease; and

WHEREAS, as a result, the City intends to lease the City Hall under the Property Lease and the Site Lease in place of the Hesperia Branch Library until the County has agreed to subordinate the County Library Lease Agreement to the Property Lease and the Site Lease, after which the City intends to substitute the Hesperia Branch Library for the Hesperia City Hall; and

WHEREAS, the Board has duly considered these transactions and wishes at this time to approve these transactions and make certain findings regarding significant public benefits to the Finance Authority's members with respect to these transactions;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE HESPERIA JOINT PUBLIC FINANCE AUTHORITY, as follows:

Section 1. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the 2023 Lease Revenue Bonds and the transactions related thereto will result in significant public benefits to its members.

Section 2. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the 2023 Lease Revenue Bonds in the maximum principal amount of not to exceed \$9,000,000, subject to the requirement that the issuance of the 2023 Lease Revenue Bonds result in net present value savings equal to or greater than 3% of the outstanding principal amount of the 2013 Bonds and the Underwriter's discount (exclusive of any original issue discount) does not exceed 1.1% of the principal amount of the 2023 Lease Revenue Bonds. The 2023 Lease Revenue Bonds shall be issued pursuant to the Indenture. The Board hereby approves the Indenture in the form on file with the Secretary of the Finance Authority (the "Secretary"), together with such additions thereto and changes therein as the Chair, the Executive Director or the Treasurer, or the written designee of any of them (each, a "Designated Officer"), acting alone, deems necessary, desirable or appropriate upon consultation with Jones Hall, A Professional Law Corporation, as bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Finance Authority. The Board hereby authorizes the performance by the Finance Authority of its obligations under the Indenture. The Board further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Indenture.

Section 3. Approval of Property Lease and Site Lease. The Board hereby approves the form of the Property Lease and the Site Lease by and between the Finance Authority and the City in the forms on file with the Secretary together with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final forms of the Property Lease and the Site Lease for and in the name of and on behalf of the Finance Authority. The Finance Authority hereby authorizes the performance by the Finance Authority of its obligations under the Property Lease and the Site Lease. The Board further hereby authorizes and directs execution and delivery by a Designated Officer of a memorandum of Property Lease.

Section 4. Approval of 2012 Lease Amendments The Board hereby approves the forms of the amendments to the site lease and the 2012 Property Lease related to the 2012 Bonds (the "2012 Lease Amendments") on file with the Secretary, together with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, as appropriate, the 2012 Lease Amendments and such other agreements, documents

and certificates as may be necessary or desirable to effectuate the purposes of the 2012 Lease Amendments. For the avoidance of doubt, the Board hereby approves and directs execution and delivery of the 2012 Lease Amendments regardless of whether the 2023 Lease Revenue Bonds are issued.

Section 5. Subordination Agreement. The Board hereby approves the form of a subordination agreement (the "Subordination Agreement") between the City and the County on file with the Secretary, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel. If requested by the County or another interested party, the Subordination Agreement may be updated to add the Finance Authority as a party, and execution of the Subordination Agreement by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes approved hereby. A Designated Officer, acting alone, is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, as appropriate, the Subordination Agreement and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of the Subordination Agreement.

Section 6. Sale of Bonds. The Finance Authority hereby authorizes and directs a Designated Officer of the Finance Authority to enter into a contract on behalf of the Finance Authority to sell the 2023 Lease Revenue Bonds pursuant to a negotiated sale to the Underwriter. The Finance Authority hereby approves the form of the Bond Purchase Agreement on file with the Secretary, with such additions thereto and changes therein as a Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, the execution of which by a Designated Officer be conclusive evidence of the approval of any such additions or changes, subject to compliance with the parameters set forth in Section 2. A Designated Officer, acting alone, is hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the Finance Authority's obligations thereunder.

Section 7. Official Statement. The Board hereby approves the form of Official Statement relating to the 2023 Lease Revenue Bonds (the "Official Statement") on file with the Secretary, together with such changes or additions thereto as a Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, and authorizes a Designated Officer, acting alone, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, except for omissions permitted therein. Distribution of the preliminary form of Official Statement by the Underwriter is hereby approved. A Designated Officer, acting alone, is hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officer deems necessary, desirable or appropriate upon consultation with bond counsel to the Finance Authority, and the execution of the final Official Statement by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement.

Section 8. Escrow Agreement. The Board hereby approves the form of the Escrow Agreement on file with the Secretary, with such additions thereto and changes therein as a Designated Officer, acting alone, deems necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. A Designated Officer, acting alone, is hereby authorized and directed to execute the Escrow Agreement. The Board hereby authorizes the performance by the Finance Authority of its obligations under the Escrow Agreement.

Section 9. Agreement with Bond Counsel and Disclosure Counsel. The Board hereby designates Jones Hall, A Professional Law Corporation, to act as bond counsel and disclosure counsel. The Designated Officers, each acting alone, are hereby authorized and directed to execute an agreement with Jones Hall, A Professional Law Corporation, in the form on file with the Secretary.

Section 10. Official Actions. The Designated Officers, the Secretary and any and all other officers of the Finance Authority are hereby authorized and directed, for and in the name of and on behalf of the Finance Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2023 Lease Revenue Bonds, the refinancing of the 2013 Bonds, the selection of the Leased Property under the Property Lease, the removal of the Hesperia Branch Library and Civic Plaza Park as leased property with respect to the 2012 Bonds, the Subordination Agreement, the elimination of encumbrances on title to the Leased Property (including any amendments to the documents related to the 2013 Bonds), the purchase of one or more insurance policies for the 2023 Lease Revenue Bonds if determined to be in the bests interest of the Finance Authority by a Designated Officer, and the consummation of the transactions described herein, and such documents, assignments, certificates and agreements as may be required by the Indenture, the Property Lease, the Site Lease, the Refunding Instructions and any and all other documents and agreements approved hereunder.

Section 11. Effective. This Resolution shall take effect immediately upon its passage and adoption.

* * * * *

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Hesperia Joint Public Finance Authority at a regular meeting held this 6th day of June, 2023.

AYES: Member:
NOES: Member:
ABSENT: Member:
ABSTAIN: Member

Brigit Bennington, Chair

ATTEST:

Erin Baum, Secretary

EXHIBIT A

REQUIRED GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

1. True Interest Cost of the 2023 Lease Revenue Bonds: 3.53%.
2. Finance charge for the 2023 Lease Revenue Bonds, being the sum of all fees and charges paid to third parties (Costs of Issuance of approximately \$287,744 plus estimated underwriter's compensation of \$82,280): \$370,024.
3. Amount of proceeds of the 2023 Lease Revenue Bonds expected to be received by the Finance Authority, net of proceeds for Costs of Issuance described in (2) above and net of capitalized interest (if any) and reserves (if any) paid or funded with the proceeds of the 2023 Lease Revenue Bonds: \$7,983,372.
4. Total payment amount for the 2023 Lease Revenue Bonds, being the sum of (a) debt service to be paid on the 2023 Lease Revenue Bonds to final maturity, plus (b) any financing costs not paid from proceeds of the 2023 Lease Revenue Bonds: \$10,417,722.

**All amounts and percentages are estimates, and are made in good faith by the Finance Authority based on information available as of the date of adoption of this Resolution.*

Attachment 3
PRELIMINARY OFFICIAL STATEMENT DATED _____, 2023

Agenda Draft

NEW ISSUE - FULL BOOK-ENTRY

INSURED BONDS RATING: S&P: “___”
UNINSURED BONDS RATING: S&P: “___”
See “RATINGS.”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2023 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2023 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$(PAR)*
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds

Dated: Date of Delivery

Due: November 1, as shown on inside cover

Authority for Issuance. The Hesperia Joint Public Finance Authority (the “Authority”) is issuing the bonds captioned above (the “2023 Bonds”) pursuant to an Indenture dated as of July 1, 2023 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee for the 2023 Bonds (the “Trustee”).

Use of Proceeds. The proceeds of the 2023 Bonds will be used to (i) prepay in full the lease payments payable by the City under a Property Lease dated as of October 1, 2013, between the Authority as lessor and the City as lessee, and thereby cause the Authority to defease and redeem all of its outstanding 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing), and (ii) pay the costs of issuing the 2023 Bonds. See “REFUNDING PLAN.”

Security for the 2023 Bonds. Under the Indenture, the 2023 Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments (“Base Rental”) to be made by the City pursuant to a Property Lease, dated as of July 1, 2023 (the “Lease”), between the Authority and the City, for the leasing of certain real property (the “Leased Property”). Under the Property Lease, the City covenants to take such action as necessary to include the Base Rental payments in its annual budgets and make all necessary appropriations for such payments (subject to abatement under certain circumstances as described in this Official Statement). The Authority will not establish a debt service reserve fund for the 2023 Bonds. See “SECURITY FOR THE 2023 BONDS.”

Bond Terms; Book-Entry Only. The 2023 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2023, and will be issued in fully-registered form without coupons in integral multiples of \$5,000. The 2023 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the 2023 Bonds will not receive certificates representing their interests in the 2023 Bonds. Payments of the principal of, premium, if any, and interest on the 2023 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2023 Bonds. See “THE 2023 BONDS – General Provisions.”

Redemption. The 2023 Bonds are subject to redemption prior to maturity. See “THE 2023 BONDS – Redemption.”

Bond Insurance. The scheduled payment of principal of and interest on certain maturities of the 2023 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued by _____ (“[INSURER]”) concurrently with the delivery of the 2023 Bonds. The City will determine the maturities of the 2023 Bonds to be so insured in connection with the pricing of the 2023 Bonds. See “BOND INSURANCE,” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

[Bond Insurer Logo]

Additional Bonds. Under the Indenture, the Authority may establish one or more other issues of bonds on a parity with the 2023 Bonds in the future if certain conditions are satisfied. See “SECURITY FOR THE 2023 BONDS – Additional Bonds.”

THE 2023 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2023 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of this issue of 2023 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2023 Bonds.

The 2023 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Certain legal matters will be passed upon for the City and the Authority by Aleshire & Wynder LLP, as City Attorney. It is anticipated that the 2023 Bonds will be delivered in book-entry only form through the facilities of DTC in New York, New York on or about July [11], 2023.

STIFEL

The date of this Official Statement is: _____, 2023

¹ Preliminary; subject to change.

MATURITY SCHEDULE

**\$(PAR)*
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds**

Base CUSIP†: _____

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

\$_____ - _____% Term 2023 Bonds due November 1, 20____; Yield _____%; Price _____; CUSIP†: _____

\$_____ - _____% Term 2023 Bonds due November 1, 20____; Yield _____%; Price _____; CUSIP†: _____

*Preliminary, subject to change.

† 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 Authority, the City, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

HESPERIA JOINT PUBLIC FINANCE AUTHORITY

Board of Directors

Brigit Bennington, *Chair*
Larry Bird, *Vice Chair*
Rebekah Swanson, *Board Member*
Allison Lee, *Board Member*
Cameron Gregg, *Board Member*

CITY OF HESPERIA

City Council

Brigit Bennington, *Mayor, District 4*
Larry Bird, *Mayor Pro Tem, District 5*
Rebekah Swanson, *Council Member, District 1*
Allison Lee, *Council Member, District 2*
Cameron Gregg, *Council Member, District 3*

City and Authority Officials

Nils Bentsen, *City Manager and Executive Director*⁽¹⁾
Rachel Molina, *Assistant City Manager*⁽¹⁾
Casey Brooksher, *Director of Administrative Services and Treasurer*
Melinda Sayre, *Director of Governmental Services and Secretary*

PROFESSIONAL SERVICES

City Attorney

Aleshire & Wynder LLP
Irvine, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

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

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

⁽¹⁾ Mr. Nils Bentsen has announced that he will retire as City Manager effective June 18, 2023. The City Council of the City has appointed Ms. Rachel Molina as City Manager effective June 19, 2023.

[INSERT REGIONAL LOCATION MAPS]

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2023 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2023 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Authority or any other parties described in this Official Statement since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2023 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2023 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the 2023 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2023 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

2023 Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2023 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. 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," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Insurer Disclaimer. _____ ("INSURER") makes no representation regarding the 2023 Bonds or the advisability of investing in the 2023 Bonds. In addition, [INSURER] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [INSURER] supplied by the [INSURER] and presented under the heading "BOND INSURANCE" and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

City Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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OFFICIAL STATEMENT

\$[PAR]
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “**2023 Bonds**”) by the Hesperia Joint Public Finance Authority (the “**Authority**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2023 Bonds to potential investors is made only by means of the entire Official Statement.

General

The Authority is issuing the 2023 Bonds under Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “**State**”), commencing with Section 6584 (the “**Bond Law**”), a resolution adopted by the Board of Directors of the Authority on June 6, 2023, a resolution adopted by the City Council (the “**City Council**”) of the City of Hesperia, California (the “**City**”) on June 6, 2023, and an Indenture (the “**Indenture**”), dated as of July 1, 2023, between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

The 2023 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“**DTC**”), or its nominee. DTC, or its nominee, will act as securities depository for the 2023 Bonds. Purchasers of the 2023 Bonds will not receive certificates representing the 2023 Bonds that are purchased. See “THE 2023 BONDS – Book-Entry Only System” and “APPENDIX F – DTC and the Book-Entry Only System.”

The 2023 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described in this Official Statement. See the caption “THE 2023 BONDS – Redemption.”

The 2023 Bonds are being issued to (i) prepay in full the lease payments payable by the City under a Property Lease dated as of October 1, 2013 (the “**2013 Property Lease**”), between the Authority as lessor and the City as lessee, and thereby cause the Authority to defease and

^{*} Preliminary; subject to change.

redeem all of its outstanding 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) (the “**2013 Bonds**”), and (ii) pay the costs of issuing the 2023 Bonds. See “REFUNDING PLAN.”

Security for the 2023 Bonds

The 2023 Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments (the “**Base Rental**”) to be made by the City pursuant to a Property Lease, dated as of July 1, 2023, between the City and the Authority (the “**Property Lease**”) for the use and occupancy of certain real property and improvements thereon (the “**Leased Property**”). See “THE LEASED PROPERTY.” Under the Property Lease, the City covenants to take such action as necessary to include the Base Rental payments in its annual budgets and to make all necessary appropriations for such Base Rental payments (subject to abatement under certain circumstances described in the Property Lease). See “SECURITY FOR THE 2023 BONDS – Source of Payments; Covenant to Appropriate.”

Base Rental payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Leased Property or any portion thereof. See “SECURITY FOR THE 2023 BONDS – Abatement” and “BOND OWNERS’ RISKS – Abatement.” Abatement of Base Rental payments under the Property Lease, to the extent payment is not made from alternative sources as described in this Official Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the 2023 Bonds. To the extent that moneys in any of the funds and accounts established under the Indenture or proceeds of insurance are available, Base Rental payments (or a portion thereof) may be made during periods of abatement.

To provide an upfront site lease payment to facilitate the refunding plan, the City and the Authority will enter into a Site and Facilities Lease dated as of July 1, 2023 (the “**Site Lease**”), under which the City will lease the Leased Property to the Authority. Concurrently, the City and the Authority will enter into the Property Lease, under which the Authority will lease the Leased Property back to the City. See “THE LEASED PROPERTY.”

No Debt Service Reserve Fund

The Authority will not establish a debt service reserve fund for the 2023 Bonds.

Bond Insurance

The scheduled payment of principal and interest on certain maturities of the 2023 Bonds (the “**Insured 2023 Bonds**”), when due, will be guaranteed under a municipal bond insurance policy (the “**Insurance Policy**”) to be issued concurrently with the delivery of the 2023 Bonds by _____ (“**[INSURER]**”). The City will determine the maturities of the 2023 Bonds to be so insured in connection with the pricing of the 2023 Bonds. See “BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Limited Obligation

THE 2023 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2023 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Additional Bonds

Under the Indenture, the Authority may establish one or more other issues of bonds on a parity with the 2023 Bonds in the future (“**Additional Bonds**” and together with the 2023 Bonds, the “**Bonds**”), and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority if certain conditions are satisfied. See “SECURITY FOR THE 2023 BONDS – Additional Bonds.”

The Authority

The Authority is a joint exercise of powers authority organized and existing pursuant to the provisions of Article 1 and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government code of the State of California (the “**Act**”) and a Joint Exercise of Powers Agreement, dated October 2, 2012 (the “**Joint Powers Agreement**”), by and between the City and the Hesperia Water District (the “**Water District**”). See “THE AUTHORITY.”

The City

The City is situated in the County. The City encompasses approximately 75 square miles, and is located 35 miles north of the City of San Bernardino and 90 miles northeast of the City of Los Angeles. The City is bisected by California State Highway 395 and Interstate 15. The City is bordered to the north by the City of Victorville and on the east by the Town of Apple Valley and to the south by the San Bernardino mountains.

The City is governed by a five-member City Council under the Council-Manager form of government. For information about the City, including general demographic information and financial information relating to the General Fund of the City, see “APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION.”

Professionals Involved in the Offering

Fieldman, Rolapp & Associates, Inc., Irvine, California, has acted as municipal advisor to the Authority and the City (the “**Municipal Advisor**”) in connection with the offering of the 2023 Bonds. U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the 2023 Bonds. Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) is underwriting the 2023 Bonds.

All proceedings in connection with the issuance of the 2023 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by Aleshire & Wynder LLP, as City Attorney, and by Jones Hall, A Professional Law Corporation, San

Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if, or when, its expectations, or events, conditions or circumstances on which such statements are based change.

Risk Factors

Certain events could affect the ability of the City to make the Base Rental payments when due. See the caption "BOND OWNERS' RISKS" for a discussion of certain factors that should be considered, in addition to other matters that are set forth in this Official Statement, in evaluating an investment in the 2023 Bonds.

Summaries Not Definitive

The summaries of and references to documents, statutes, reports and other instruments in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by the complete document, statute, report or instrument. Copies of the documents described in this Official Statement will be available from the City for a reasonable copying fee at City Hall, 9700 Seventh Avenue, Hesperia, California 92345.

REFUNDING PLAN

Refunding of 2013 Bonds

The 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption prior to maturity on or after October 1, 2023 at the option of the Authority, as a whole or in part on any date, at a redemption price equal to the principal amount of 2013 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

On the date the 2023 Bonds are issued, pursuant to an Escrow Deposit and Trust Agreement dated as of July 1, 2023 (the “**Escrow Agreement**”), among the City, the Authority and U.S. Bank Trust Company, National Association, as escrow agent (the “**Escrow Agent**”) and trustee of the 2013 Bonds, the Authority will cause to be delivered a portion of the proceeds of the 2023 Bonds which, together with moneys relating to the 2013 Bonds, will be deposited by the Escrow Agent in the escrow fund established under the Escrow Agreement (the “**Escrow Fund**”), on behalf of the City and for the benefit of the owners of the outstanding 2013 Bonds.

The Escrow Agent will invest a portion of the funds on deposit in the Escrow Fund in federal securities and will hold the remainder in cash, uninvested. From the moneys on deposit in the Escrow Fund and the investment earnings thereon, the Escrow Agent will pay (i) the regularly scheduled principal of and interest on the outstanding 2013 Bonds maturing on October 1, 2023, and (ii) the principal of the outstanding 2013 Bonds maturing after October 1, 2023, plus interest with respect thereto accrued through October __, 2023, without premium. The outstanding 2013 Bonds are described in the following table.

Maturity Date (October 1)	Principal Amount	Interest	CUSIP (Base: 42806H)
2023	\$460,000	4.000%	BH2
2024*	500,000	3.750	BJ8
2025*	535,000	4.000	BK5
2026*	575,000	4.000	BL3
2027*	620,000	4.250	BM1
2028*	665,000	4.250	BN9
2031* T	2,305,000	4.750	BP4
2035* T	3,950,000	5.000	BQ2

* To be redeemed on October 1, 2023.

T: Term 2013 Bonds.

The sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, all of the outstanding 2013 Bonds will be discharged pursuant to the provisions of the indenture relating to the 2013 Bonds as of the date of issuance of the 2023 Bonds.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the outstanding 2013 Bonds. Neither the funds deposited in the Escrow Fund, nor any interest thereon, will be available for the payments of principal of or interest on the 2023 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2023 Bonds are as follows:

<u>Sources:</u>	<u>Amount</u>
Principal	\$
<i>Plus:</i> Original Issue Premium	
<i>Plus:</i> Available Funds relating to 2013 Bonds	
<i>Less:</i> Underwriter's Discount	
<i>TOTAL SOURCES</i>	<hr/> \$
 <u>Uses:</u>	
Escrow Fund ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
<i>TOTAL USES</i>	<hr/> \$

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- (1) To be used to defease and redeem the outstanding 2013 Bonds. See "REFUNDING PLAN – Refunding of 2013 Bonds."
- (2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, and the Municipal Advisor, Insurance Policy premium, rating agency fees, and printing the preliminary and final Official Statements.

[INSERT PHOTOS OF PARK AND LIBRARY]

THE LEASED PROPERTY

Description and Location

Base Rental payments will be made by the City under the Property Lease for the use and occupancy of certain real property and improvements thereon. Initially, such property will consist of the City's (i) City Hall and (ii) Civic Plaza Park. The Leased Property includes both the parcels on which these facilities are situated and the buildings and other improvements thereon. In the Property Lease, the City and Authority agree and determine that the total Base Rental payments represent the fair rental value of the Leased Property. See "BOND OWNERS' RISKS – Limitations on Remedies" for a discussion of the limitations on remedies with respect to the Leased Property.

The City also owns the Hesperia Branch Library. It is maintained jointly by the City and the County and operated by the San Bernardino County Library system pursuant to an unrecorded Lease Agreement by and between the City and the County related to the Hesperia Branch Library, the term of which commenced on October 1, 2006 (the "**County Library Lease Agreement**"). On the date the 2023 Bonds are issued, the Hesperia Branch Library will not be part of the Leased Property subject to the leasehold interest under the Property Lease. However, the City currently intends to substitute the Hesperia Branch Library for City Hall, if and when it receives a written subordination from the County subordinating the County's interests under the County Library Lease Agreement to the Property Lease and the Site Lease, subject to the satisfaction of certain other conditions precedent in the Property Lease. See "– Substitution of Leased Property." No assurance can be provided that the City will substitute the Hesperia Branch Library for City Hall or the timing thereof.

Photos of City Hall, Civic Plaza Park and Hesperia Branch Library are included in the immediately preceding pages. Descriptions of the City Hall, Civic Plaza Park and Hesperia Branch Library follow below.

City Hall. Located on a 4.6-acre parcel in the Civic Center area of Hesperia, City Hall is a two-story building totaling approximately 58,828 gross square feet. City Hall houses the City Manager's Office, the City Clerk's Office and the following additional City Departments: Building & Safety, Community Relations, Development Services, Economic Development, Engineering, Finance, Human Resources/Risk Management, Information Technology, Management Services, Planning and Purchasing. It also houses the City Council Chambers, other office space, reception area and conference rooms.

Completed in 2006, City Hall shares the architectural style of the nearby Hesperia Police Station, Hesperia Branch Library and San Bernardino County Government Center. It is constructed with reinforced concrete curtain exterior walls and a heavy steel frame, flat roof. It is served by 100% sprinkler protection, automatic and manual fire alarms and a security system. Other building services include modern elevator, heating, air conditioning, electrical and plumbing systems. The parcel contains surface parking with approximately 226 parking stalls.

City Hall was completed at a total cost of \$19,352,415, including land acquisition costs of approximately \$321,383. The fair rental value of City Hall, when added to the fair rental value of the remaining Leased Property, is equal to or greater than the Base Rental payable under the Property Lease.

Civic Plaza Park. Located in the Civic Center area to the west of the Hesperia Branch Library and Hesperia City Hall, the Hesperia Civic Plaza Park is an outdoor community gathering place and host to a variety of activities for the community including the City's annual Christmas tree lighting ceremony, the Hesperia Community Farmers' Market, the Fall Safety Fair and Costume Contest, community 5k event, a free Summer Concert series and a free Movies in the Park series.

The park covers approximately five acres and incorporates Eighth Avenue as hardscape for parking and display purposes. A circular "Civic Green" lawn area is provided at the north end of the park. This area allows numerous passive and non-organized events. Other features of the park include central steel-framed trellis structures with adjacent seating; the vacated Eighth Avenue terminates in a large circular "quad" which is used for a Farmers' Market, car shows, and similar outdoor events; a permanent Christmas tree used for the City's annual holiday celebration; an amphitheater with seating for 800; walking paths within the park and along the perimeter used by pedestrians and their pets (with dog-waste dispensers located in several locations); and a wind-powered generator providing "green" energy. All landscaping is irrigated using an electronic "water-budget" system, and is dual-plumbed for use of reclaimed water when it becomes available. The park also includes three fountains, one of which features a 6,200-pound, spinning, black granite globe as its centerpiece. The American Public Works Association's Southern California chapter (comprising Los Angeles, San Bernardino, Riverside and Orange Counties) named the park their 2008 "Project of the Year."

The park is owned by the City, and is jointly maintained and operated by the City and the Hesperia Recreation and Park District pursuant to a joint use agreement. The site is patrolled by on-site security personnel under contract by the City, and periodically by deputies from the Hesperia Police Station, which is located directly across Smoke Tree Street.

Completed in 2008, the final project cost was \$4.6 million. The fair rental value of the park, when added to the fair rental value of the remaining Leased Property, is equal to or greater than the Base Rental payable under the Property Lease.

Hesperia Branch Library. Located on a four-acre parcel adjacent to Hesperia City Hall at 9650 Seventh Avenue, the Hesperia Branch Library is a one-story building covering 20,102 square feet. It is the only public library in the City with the next closest public library located approximately six miles north in Victorville. In addition to a library, the building houses offices, a conference room, a community room and restrooms.

The Hesperia Branch Library is housed in a 20,000 square foot building (with expansion capabilities to 40,000 square feet) and features a 3,488 square foot patio, on-site parking, drainage detention system and landscaping. The interior of the Hesperia Branch Library includes a "Community Meeting Room" with a capacity for over 200 people; a "Heritage Room" for periodicals and city-oriented archived items; adult and children reading areas; and a fireplace among other amenities.

The Hesperia Branch Library is owned by the City, maintained jointly by the City and the County, and operated by the San Bernardino County Library system. The County Library Lease Agreement has an initial term until September 30, 2026, with two 5-year extensions available.

The building design utilizes tilt-up concrete construction techniques, and incorporates a space-frame roof line to resemble a silhouette of the nearby San Gabriel and San Bernardino mountains. The concrete tilt-up design was selected to signify permanence and continuity for all

city/government functions. Its north-south building alignment help frame the adjacent park, and incorporates the park features with common use of building materials. The building has a reinforced concrete curtain wall exterior and a metal, monoslope roof. It is 100% sprinkler-protected, has both automatic and manual fire alarms and carries a ISO Class fire suppression rating of “4” (Masonry Non-Combustible). Security cameras are in place along the perimeter of the building, and the site is patrolled by on-site security personnel under contract with the City.

Completed in 2006, the development cost of the library was approximately \$8,524,000, including land acquisition of approximately \$276,000 and improvement costs of approximately \$8,248,000.

As previously described, on the date the 2023 Bonds are issued, the Hesperia Branch Library will not be part of the Leased Property subject to the leasehold interest under the Property Lease. However, the City currently intends to substitute the Hesperia Branch Library for City Hall, if and when it receives a written subordination from the County subordinating the County's interests under the County Library Lease Agreement to the Property Lease and the Site Lease, and subject to the satisfaction of certain other conditions precedent in the Property Lease.

Modifications of Leased Property

Under the Property Lease, the City has the right during the term of the Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. In addition, the City may remove any fixture, structure or sign added by the City, but such release shall be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

The Property Lease further provides that in the event the City shall at any time during the term of the Property Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by a mechanic's, materialman's or other lien against the Leased Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Substitution of Leased Property

General. Under the Property Lease, whenever the City determines that the annual fair rental value of substitute real property and improvements thereon (the “**Substitute Leased Property**”) is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid thereunder and that the Substitute Leased Property is available for beneficial use and occupancy by the City, the City may amend the Property Lease to establish the Substitute Leased Property as the Leased Property thereunder upon compliance with all of

the conditions described below. After a Substitution, all or a portion of the Leased Property originally leased thereunder shall be released from the leasehold thereunder, as appropriate. The Authority and the City shall also make any amendments needed to be made to the Property Lease, and shall enter into any necessary site or ground leases in connection with such Substitution. Such amendments may be made without the consent of Bondowners.

The Property Lease states that no Substitution shall take place under the Property Lease until the City delivers to the Authority and the Trustee the following:

(a) A certificate of the City stating that: (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of Substitution; (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term of the Property Lease; and (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

(b) An Opinion of Bond Counsel to the effect that the amendment described in paragraph (c) below has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to the Property Lease containing an amended Exhibit A thereto, or a memorandum reflecting such amendment to Exhibit A.

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Leased Property thereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with a certificate of the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Substitute Leased Property by the City.

(e) The City shall provide written notice to each rating agency then rating the Bonds of the proposed Substitution.

The Property Lease further states that in connection with a substitution of the Hesperia Branch Library for the City Hall as the Substitute Leased Property in place of the City Hall, the City shall not be required to comply with the requirements described in paragraphs (b) and (e) above. See "– Description and Location."

Release of Leased Property

Under the Property Lease, the City has the option at any time and from time to time during its term to release from the Property Lease any portion of the Leased Property; provided that the City shall satisfy all of the following requirements which conditions precedent to such release:

(a) No event of default has occurred and is continuing under the Property Lease.

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to the Property Lease which deletes the legal description of such Leased Property.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder a copy of an executed amendment to the Property Lease containing an amended Exhibit A thereto, or a memorandum reflecting such amendment to Exhibit A.

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel to the effect that the amendment described in paragraph (c) above has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the release of Leased Property will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(e) The City shall file with the Authority and the Trustee a certificate stating that (i) the annual fair rental value of the remaining Leased Property, taking into consideration the release of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of such release and (ii) the useful life of the remaining Leased Property is at least as long as the remaining term of the Property Lease.

(f) The City shall provide written notice to each rating agency then rating the Bonds of the proposed release.

Addition of Leased Property

Under the Property Lease, the City may, at any time it deems it necessary or advisable, amend the Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased thereunder. No such addition shall take place thereunder until the City delivers to the Authority and the Trustee the opinion described in paragraph (b) under the subcaption “– Substitution of Leased Property” above, provided that in such instance the opinion shall relate to the addition of Leased Property and not the substitution of Leased Property. If the addition to the Leased Property (the “**Addition**”) is being done in connection with the issuance of Additional Bonds, the following requirements will apply:

(a) A certificate of the City with respect to clauses (i) and (ii) below stating that: (i) the annual fair rental value of the Leased Property (including the Addition) is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of such Addition; (ii) the remaining useful life of such Leased Property (including the Addition) is at least equal to the remaining term of the Property Lease; and (iii) the City will, at the time of the Addition, have beneficial use and occupancy of all of the Leased Property.

(b) An Opinion of Bond Counsel to the effect that the amendment to the Property Lease has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the

Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to the Property Lease containing an amended Exhibit A thereto, or a memorandum reflecting such amendment to Exhibit A.

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the City's leasehold interest in the Addition to the Leased Property thereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

(e) The City shall provide written notice to each rating agency then rating the Bonds of the proposed addition.

Amendments to Property Lease

The Authority and the City may at any time amend or modify any of the provisions of the Property Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in the Property Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City in the Property Lease;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement the Property Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution, release or addition of property under the Property Lease;
- (v) to obligate the City to pay additional amounts of Base Rental in connection with the issuance of Additional Bonds in accordance with the Indenture; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such

modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Base Rental payment date or reducing any Base Rental payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

THE 2023 BONDS

General Provisions

The 2023 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2023 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates (calculated on the basis of a 360-day year of twelve 30-day months), set forth on the inside cover page of this Official Statement.

Interest on the 2023 Bonds will be payable on May 1 and November 1 in each year, beginning November 1, 2023 (each an “**Interest Payment Date**”). Principal on the 2023 Bonds will be payable on the dates and in the amounts set forth on the inside front cover of this Official Statement.

Interest with respect to each 2023 Bond shall accrue from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date, or (ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date in which event interest with respect thereto shall be payable from its dated date; provided, however, that if at the time of authentication of any 2023 Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment.

Interest with respect to any 2023 Bond shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2023 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest shall be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners by first class mail not less than 10 days prior thereto.

The Indenture defines “**Record Date**” to mean the 15th day of the calendar month immediately preceding the month in which an Interest Payment Date occurs regardless of whether or not such day is a Business Day.

Notwithstanding the foregoing, while the 2023 Bonds are subject to the book-entry system, the principal and interest and any prepayment premium with respect to the 2023 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2023 Bonds. See “– Book-Entry Only System” below.

Transfer, Registration and Exchange

See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the 2023 Bonds.

Redemption*

Optional Redemption. The 2023 Bonds maturing on or before November 1, ____, are not subject to optional redemption prior to maturity. The 2023 Bonds maturing on or after November 1, ____ are subject to optional redemption prior to maturity on or after November 1, ____, at the option of the Authority, as a whole or in part on any date, as set forth in a Request of Authority, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor other than those described in the subcaption “– *Mandatory Redemption from Insurance or Condemnation Proceeds*” below, at a redemption price equal to the principal amount of 2023 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Redemption from Insurance or Condemnation Proceeds. The Trustee shall, on such date as is set forth in a Request of the Authority, redeem the Bonds, including the 2023 Bonds, as a whole, or in part by lot within any maturity if less than all of the Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in the Indenture at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2023 Bonds maturing on November 1, 20__ (the “Term Bonds”) shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, 20__, and on each November 1 thereafter to and including November 1, 20__, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued interest on the Term Bonds to be redeemed to the redemption date, without premium. The principal amount of the Term Bonds to be redeemed and the redemption dates are set forth in the following schedule:

Redemption Date (November 1)	Principal Amount
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*

*Maturity

* Preliminary; subject to change.

Mandatory Sinking Account Payments shall be adjusted as directed by the Authority in the event of a partial redemption as described under the subcaptions “– *Optional Redemption*” and “– *Mandatory Redemption from Insurance or Condemnation Proceeds*.”

Purchase In-Lieu of Redemption. In lieu of redemption of the 2023 Bonds, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Fund or the Principal Fund pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the Authority, upon the Request of the Authority delivered to the Trustee, at any time for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of Term Bonds so purchased by the Authority in any twelve-month period ending on November 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to the Indenture on the next succeeding November 1.

Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds will be deemed to be composed of \$5,000 portions or any integral multiple thereof. Unless otherwise directed by the Authority, whenever less than all of the Outstanding Bonds of more than one series are called for redemption at any one time, the Trustee will select the Outstanding Bonds or portions thereof to be redeemed from the Outstanding Bonds on a pro rata basis among series.

Whenever less than all the Outstanding Bonds of the same issue maturing on any one date are called for redemption as described in the subcaptions “– *Optional Redemption*” and “– *Mandatory Redemption from Insurance or Condemnation Proceeds*” above at any one time, the Trustee will select the Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, on a pro rata basis.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, not less than 20 nor more than 60 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website and (iii) the Securities Depositories.

Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses and telephone number or numbers of the Trustee), the CUSIP number (if any) of the maturity or maturities, the interest rate and maturity date of each Bond to be redeemed, and, if less than all of any such maturity, the distinctive certificate 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. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Each notice relating to optional redemption or mandatory redemption from insurance or condemnation proceeds as described in the subcaptions “– *Optional Redemption*” and “– *Mandatory Redemption from Insurance or Condemnation Proceeds*” above, respectively, shall

further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

The Trustee will mail by certified mail with return receipt requested a second notice of redemption 60 days after the scheduled redemption date to Owners who failed to surrender their Bonds on such redemption date.

Failure by the Trustee to give notice pursuant to the Indenture to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website or any one or more of the Securities Depositories or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed will not affect the sufficiency of the proceedings for redemption.

The Authority will have the right to provide a conditional redemption notice and to rescind any notice of optional redemption or mandatory redemption from insurance or condemnation proceeds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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

Effect of Redemption. When notice of redemption has been duly given, and moneys for payment of the redemption price are deposited with the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2023 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2023 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2023 Bonds. Purchasers of the 2023 Bonds will not receive certificates representing their interests therein, which will be held at DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annualized debt service payments on the 2023 Bonds, assuming no optional redemption or special mandatory redemption from insurance or condemnation proceeds.

Year Ending June 30	Principal	Interest	Total Debt Service
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Total:

SECURITY FOR THE 2023 BONDS

The principal of and interest on the 2023 Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture. This section provides summaries of the security for the 2023 Bonds and certain provisions of the Indenture and the Property Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture and the Property Lease.

Pledge of Revenues

Under the Indenture, the Authority pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Indenture, shall be prior in right to any other pledge, lien or security interest created by the Authority therein:

- (i) the Revenues,
- (ii) all moneys and investments (excluding amounts required to pay rebate) held from time to time by the Trustee under the Indenture, and
- (iii) earnings on amounts included in provisions (i) and (ii) above, subject to any limitations under the Code

for the equal and proportionate benefit and security of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by the provisions of the Indenture concerning the allocation of Revenues to special funds.

"Revenues" are defined in the Indenture as (i) the Base Rentals set forth in the Property Lease which are received by the Trustee for the benefit of the Owners of the Bonds and (ii) other amounts received by the Trustee for the benefit of the Owners of the Bonds.

Except as otherwise provided in the provisions of the Indenture concerning the investment of moneys in funds, all Revenues to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Revenues collected or received by the Authority shall be deemed to be held in trust and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof. All such Revenues shall be immediately deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund." The Revenue Fund shall be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding. All moneys at any time deposited in the Revenue Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and shall be

disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, as described below under the subcaption “– Allocation of Revenues by Trustee; Application of Funds.”

THE 2023 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2023 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROPERTY LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Allocation of Revenues by Trustee; Application of Funds

Transfers from the Revenue Fund. Under the Indenture, upon receipt of Revenues, the Trustee shall deposit all Revenues in the Revenue Fund. The Trustee shall deposit all moneys in the Revenue Fund in one or more of the funds set forth below, each of which the Trustee shall establish, maintain and hold in trust, and the moneys in each of which shall be disbursed and applied only as authorized in the Indenture. Revenues shall be so deposited in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) Interest Fund. The Trustee, on or before the Business Day next preceding each Interest Payment Date, shall deposit in the Interest Fund an amount which, together with any balance then on deposit in the Interest Fund, shall be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding Interest Payment Date shall be carried forward and applied to the payment of interest on any subsequent Interest Payment Date. Moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity), subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(b) Principal Fund. The Trustee, on or before the Business Day next preceding each Principal Payment Date and on or before each Sinking Account Payment Date, after making the deposit into the Interest Fund on such date, shall deposit in the Principal Fund an amount which, together with any balance then on deposit in the Principal Fund, equals the principal of the Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the Bonds in accordance with the terms of the Indenture.

Any moneys in the Principal Fund not then required for the payment of such principal on such Principal Payment Date or Sinking Account Payment Date shall be

carried forward and applied to the payment of principal on any subsequent Principal Payment Date or Sinking Account Payment Date. Moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable, subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(c) Surplus Revenue Fund. After making the deposits to the Interest Fund and the Principal Fund described above, the Trustee, on or before the Business Day immediately preceding each Principal Payment Date, shall deposit any remaining Revenues in the Surplus Revenue Fund. The Trustee shall, immediately upon making each deposit in the Surplus Revenue Fund, determine if any moneys then in the Surplus Revenue Fund are required for the payment of principal of or interest on the Bonds on such Principal Payment Date or the next succeeding Interest Payment Date or for the replenishment of a debt service reserve fund (if any) so that amounts on deposit therein are not less than the required amount, and shall hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund, the Principal Fund or such debt service reserve fund as so needed. Except as provided above, moneys in the Surplus Revenue Fund are not pledged to the Bonds and shall be paid to, or at the direction of, the City within 60 Business Days after each Principal Payment Date.

(d) Insurance and Eminent Domain Proceeds Fund. The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee shall be deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in the Indenture.

No Debt Service Reserve Fund

The Authority will not establish a debt service reserve fund for the 2023 Bonds.

Additional Bonds

Under the Indenture, in addition to the 2023 Bonds, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds on a parity with the 2023 Bonds, and may issue and deliver such Additional Bonds in a principal amount as may be determined by the Authority, but only upon compliance by the Authority with the provisions of the Indenture regarding the proceedings for issuing Additional Bonds, and subject to the following specific conditions which are conditions precedent to the issuance of Additional Bonds:

- (a) Such Additional Bonds shall have been authorized to finance or refinance acquisition and/or construction of additional capital assets for the City, and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.
- (b) The Authority and the City shall be in compliance with all covenants and undertakings set forth in the Indenture, the Property Lease and the Site Lease.
- (c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture may not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

- (d) Such Additional Bonds shall be equally and ratably secured by the Revenues with all other Bonds authorized under the Indenture. A series of Additional Bonds may be issued without a corresponding deposit into a debt service reserve fund.
- (e) The Authority shall have entered into an amendment to the Property Lease, in and by which the City obligates itself in the manner provided in the Property Lease to make Base Rental payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Property Lease, and the City must certify in writing that such Base Rental payments, as amended, in any Lease Year shall not exceed the fair rental value of the Leased Property.
- (f) If necessary to ensure that the Base Rental payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Lease Year, the Authority and the City must amend the Property Lease to add additional property to the Leased Property.
- (g) In the event that the Additional Bonds are being issued to finance the construction of a to-be-built project, such project is to be part of the Leased Property prior to its completion and the City has determined that the project must be completed for the Base Rental payments after the issuance of the Additional Bonds to not exceed the fair rental value of the Leased Property in any Lease Year, the Supplemental Indenture authorizing the issuance of such Additional Bonds shall require the deposit into a separate account an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated completion date of the project.

In addition, the Indenture requires the City to send written notice of the issuance of such Additional Bonds to each rating agency then rating the Bonds.

Base Rental

Requirement to Make Base Rental Payments. Under the Property Lease, the City is required to pay to the Authority, as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of the Property Lease concerning the extension of the lease term, fair rental value, rental abatement and eminent domain) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in the Property Lease.

Base Rental shall be payable on each “**Base Rental Payment Date**” (defined as April 15 and October 15 of each year, beginning October 15, 2023) during the term of the Property Lease.

Base Rental shall be for the use and occupancy of the Leased Property for the Lease Year in which such April 15 and October 15 occurs, provided that the Base Rental paid on any April 15 and October 15 shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of the Property Lease is extended, the payments of Base Rental shall continue to and including such time as the Property Lease terminates in accordance with its terms.

Payment in Installments. Each installment of Base Rental payable under the Property Lease and each installment of Additional Rental (as described below) payable under the Property Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority designates.

Except as otherwise provided in the Property Lease, any installment of Base Rental or Additional Rental accruing under the Property Lease which is not paid when due shall bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law. Notwithstanding any dispute between the Authority and the City, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due under the Property Lease or, at the City's option, refunded at the time of such determination.

Offsets and Credits. Notwithstanding any dispute between the Authority and the City, the City is obligated to make all rental payments when due under the Property Lease without deduction or offset of any kind and may not withhold any rental payments pending the final resolution of such dispute. The City will receive a credit for any Base Rental payment if and to the extent a credit is due to the City due to abatement.

Additional Rental

Under the Property Lease, the City is also required to pay to the Authority (but only after payment of Base Rental), as Additional Rental thereunder, such amounts as are required by the Authority for the payment of the following:

- (a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received under the Property Lease for the retirement of the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges), and any and all costs and expenses incurred by the Authority in taking whatever steps may be necessary, upon written request by the City, to contest any proposed valuation, the amount of any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid.
- (b) To the extent permitted by law, all reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

- (c) Insurance premiums for all insurance required under the Property Lease and not obtained by the City.
- (d) Amounts, if any, required to be rebated by the Authority to the United States of America under the Indenture.

Fair Rental Value

The payments of the Base Rental and Additional Rental during the term of the Property Lease shall constitute the total rental for the City's use and occupancy of the Leased Property for the Lease Year in which such payments are scheduled to be made, and the City and the Authority have agreed and determined that such total rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the costs of financing and leasing of the Leased Property by the Authority, the uses and purposes which may be served by the Leased Property, and the benefits which shall accrue to the Authority, the City and the general public therefrom.

The Property Lease further states that, notwithstanding any other provision thereof, in the event that rental payments due thereunder shall be abated partially for any period of time, the rental payments due for such period of time shall not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time. See "– Abatement" below.

Source of Payments; Covenant to Appropriate

Under the Property Lease, the City will covenant to take such action as may be necessary to include all Base Rental payments and Additional Rental due under the Property Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. These covenants shall be deemed to be and be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements agreed to be carried out and performed by the City in the Property Lease.

Abatement

During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due under the Property Lease shall be subject to abatement proportionately. Under the Property Lease, the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease shall continue in full force and effect.

Subject to the provisions of the Property Lease concerning fair rental value, in the case of abatement relating to the Leased Property, the amount of abatement shall be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City shall calculate the amount to be abated and shall provide the Authority and the Trustee with a certificate setting forth its calculation and the basis for such calculation. Such abatement shall continue for the period commencing with

the date on which there is substantial interference with the use and occupancy by the City of the Leased Property and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of the Property Lease shall be extended by the period during which the rental is abated under the Property Lease, except that the term shall in no event be extended beyond for the period commencing with the date on which the Leased Property is not available for use and occupancy and ending with the date on which the Leased Property is available for use and occupancy; and the term of the Property Lease shall be extended by the period during which the rental is abated, except that the term may in no event be extended beyond the date specified in the Property Lease.

The Property Lease provides that notwithstanding the foregoing, the City shall still be obligated to apply amounts legally available to the City for payments due under the Property Lease, despite the interference with the use and occupancy, including without limitation: amounts available that have been deposited in and transferred from the Revenue Fund under the Indenture, amounts available from any capitalized interest account, any debt service reserve fund maintained under the Indenture and the Surplus Revenue Fund proceeds of rental interruption insurance; proceeds of any condemnation proceedings; and proceeds of hazard insurance, other property insurance, and title insurance.

Insurance

General Liability Insurance. Under the Property Lease, the City is required to maintain or cause to be maintained, throughout the term of the Property Lease, general liability insurance naming the Authority, its members, officers, agents and employees, the Trustee and the City and its officers, agents and employees as insured parties. Said policy or policies shall insure said parties against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Property Insurance. Under the Property Lease, throughout the term of the Property Lease, the City is required to maintain or cause to be maintained fire and lightning (i.e., property) insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) one hundred percent of the replacement cost of such structures or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, and shall include earthquake coverage if available at reasonable cost from reputable insurers in the judgment of the City.

Rental Interruption Insurance. Under the Property Lease, the City is required to maintain or cause to be maintained, throughout the term of the Property Lease, rental income interruption insurance in an amount not less than the maximum total Base Rental payable by the City pursuant to the Property Lease during any consecutive 24 month period, plus the Additional Rental expected to be payable pursuant to the Property Lease for such period, to insure against loss of rental income from the Leased Property caused by perils covered by the property insurance required by the Property Lease as described in the subcaption “– *Property Insurance*” above.

Title Insurance. Under the Indenture, the Authority is required to provide, or cause the City to provide, upon the delivery of the Bonds, a title insurance policy or policies with endorsement so as to be payable to the Trustee for the use and benefit of the Bondowners. Such policy or policies shall be in the amount of the aggregate principal amount of the Bonds initially issued pursuant to the Indenture, and shall insure the Authority's leasehold interest in the Leased Property, and the City's leasehold therein, subject only to Permitted Encumbrances. The lease agreement between the City and the San Bernardino County Library system relating to the Hesperia Library Branch will constitute a Permitted Encumbrance.

Alternative Insurance Programs. All insurance required to be maintained pursuant to the Property Lease may be maintained either separately or as a part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of participation by the City in a joint powers agency or other program providing pooled issuance.

Application of Net Proceeds. The Trustee, as assignee of the Authority under the Indenture, has the right to receive the net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee. As provided in the Indenture, the Trustee will deposit all such proceeds in the Insurance and Eminent Domain Proceeds Fund and any such proceeds which are not applied to repair, rebuild or replace the Leased Property will be applied to the redemption of 2023 Bonds under certain circumstances set forth in the Indenture. See also "THE 2023 BONDS – Redemption – *Mandatory Redemption from Insurance or Condemnation Proceeds.*"

See "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for further provisions regarding required insurance coverage for the Leased Property and the application of proceeds resulting from any insurance claim or eminent domain proceedings payable to the Trustee.

Default; Remedies

Under the Property Lease, the City shall be deemed to be in default thereunder (i) if it shall (A) fail to pay any rental payable thereunder when the same becomes due and payable, time being expressly agreed to be of the essence in the Property Lease, or (B) fail to keep, observe or perform any other term, covenant or condition contained therein to be kept or performed by the City; or (ii) upon the happening of any of the events described in the following paragraph.

If (1) the City's interest in the Property Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority as provided for in the Property Lease; or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a

receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors; or (3) the City shall abandon or vacate any portion or portions of the Leased Property, then the City shall be deemed to be in default under the Property Lease with respect to that portion or portions of the Leased Property to which the default relates.

Under the Property Lease, the Authority may exercise any and all remedies available pursuant to law (other than those specifically waived therein) or granted pursuant to the Property Lease upon the occurrence of any default. The Property Lease further provides that the City shall not be in default in the observance or performance of any covenant, condition or agreement in the Property Lease on its part to be observed or performed, other than as referred to in clauses (i)(A), or (ii) of the first paragraph of this section, unless the City shall have failed, for a period of 30 days or such additional time as is reasonably required, to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement.

Neither the Authority nor the Trustee may accelerate the Base Rental payments or otherwise declare any Base Rental payments not then in default to be immediately due and payable.

Upon any such default, the Authority shall have the right to collect each installment of rent as it becomes due and enforce any other terms or provision hereof to be kept or performed by the City; notwithstanding the foregoing, the Authority waives the right to re-enter or re-let the Leased Property. See "BOND OWNERS' RISKS – Limitations on Remedies" and See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE AUTHORITY

The City and the Water District formed the Authority pursuant to the provisions of the Act and the Joint Powers Agreement to assist them from time to time in connection with their respective financing programs, including the acquisition, construction and improvement of public capital improvements and other programs of such member.

The members of the City Council serve as the governing board of the Authority, the City Manager serves as Executive Director of the Authority, the Director of Government Services serves as Secretary of the Authority, the Director of Administrative Services serves as the Treasurer and the City Attorney serves as counsel to the Authority. The Authority is a separate entity constituting a public instrumentality of the State.

THE CITY

For information about the City, including general demographic information and financial information relating to the General Fund, see "APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

BOND INSURANCE

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

[To come from bond insurer]

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 fiscal year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Articles XIIC and XIID of the California Constitution.

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

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

Taxes. Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“**general taxes**”) require a majority vote; taxes for specific purposes (“**special taxes**”), even if deposited into the City’s General Fund, require a two-thirds vote. The voter approval requirements of Article XIIC reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees, Charges and Assessments. Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2023 Bonds could be adversely affected.

Burden of Proof. Article XIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental

activity.” Similarly, Article XIIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIIID.

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

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

Judicial Interpretation. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceed the aggregate limit, the excess must be returned to the local government’s taxpayers through tax rate or fee reductions over the following two years.

Statutory Revenue Limitations - Proposition 62

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

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively. In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-2005 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-2007, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax

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

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

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 amended the state Constitution to eliminate or reduce the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes.

Unitary Property

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

The provisions of AB 454 constitute neither an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City’s ability to expend revenues. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2023 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2023 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2023 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2023 Bonds. There can be no assurance that other considerations will not materialize in the future.

Limited Obligations

The 2023 Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee. Revenues consist primarily of Base Rental payments. If for any of the reasons described below, or for any other reason, the Authority does not receive sufficient Base Rental payments to pay debt service on the 2023 Bonds, the Authority will not be obligated to utilize any other of its funds, other than amounts on deposit in certain funds and accounts established under the Indenture, to pay debt service on the 2023 Bonds.

The Base Rental payments are not secured by any pledge of or lien on taxes or other revenue of the City, but are payable from all funds lawfully available to the City. Under the Indenture, the Authority may issue Additional Bonds secured by and payable from Revenues on a parity with the 2023 Bonds in the future if certain conditions are satisfied. See "SECURITY FOR THE 2023 BONDS – Additional Bonds." In addition, the City has the capacity to enter into other obligations that may constitute additional obligations against its revenues. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental payments; in that case, the failure to pay Base Rental payments in full would constitute a default under the Property Lease (see "– Additional Obligations of the City" below). The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues; in that case, the failure to pay Base Rental payments in full would constitute a default under the Property Lease. The City must adopt a balanced Budget each year, and has covenanted in the Property Lease to budget for, appropriate and make the Base Rental payments in each year that it has possession and use of the Leased Property.

Abatement

Under California law, the obligation of the City to make Base Rental payments is contingent upon the availability of the Leased Property for use and occupancy by the City. The Base Rental payments are subject to abatement in an amount determined by the City such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. The Base Rental payments will be abated proportionately during any period in which by reason of material damage or destruction, there is substantial interference with the use and occupancy of any portion of the Leased Property by the City, and such abatement will continue until substantial completion of the work of repair or replacement of the portion of the Leased Property damaged or destroyed. Any abatement of Base Rental payments could affect the Authority's ability to pay debt service on the 2023 Bonds. However, there will be no abatement of Base Rental payments under the Property Lease to the extent that the proceeds of property insurance, rental

interruption insurance or condemnation proceeds are available to pay Base Rental payments that would otherwise be abated.

In the event Base Rental payments are abated, no assurances can be given that the proceeds of property insurance (which is not required to be available to cover earthquake damage) or rental interruption insurance will be sufficient to pay the debt service on the 2023 Bonds during the period of such abatement. See “SECURITY FOR THE 2023 BONDS – Abatement” and “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Notwithstanding the provisions of the Property Lease specifying the extent of abatement in the event of the City’s failure to have full use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of the remaining principal and interest with respect to the 2023 Bonds.

Limitation on Remedies

The enforcement of any remedies provided for in the Property Lease and in the Indenture could prove to be both expensive and time-consuming. In addition, in the Property Lease the Authority waives the right to re-enter or re-let the Leased Property. **Accordingly, re-entry or re-letting of the Leased Property is not an available remedy under the Property Lease and the only remedy against the City with respect to the Leased Property would be to recover the Base Rental payments and other monetary charges as they become due.** In addition, the Trustee may not terminate the City’s right to possession of the Leased Property, regardless of whether the City has abandoned it. Because of this, in the event of a bankruptcy by the City, the Trustee will have limited ability to compel the payment of Base Rental payments with respect to the Leased Property. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a description of the remedies contained in the Property Lease and the Indenture.

In addition to the limitations on remedies contained in the Property Lease and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors’ rights generally. The various legal opinions to be delivered concurrently with the issuance of the 2023 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors’ rights, including equitable principles. See “– Bankruptcy Risks” below.

Limitation on Trustee’s Obligations under the Indenture

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee’s willingness and ability to pursue any of the remedies provided in the Indenture or Property Lease may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Indenture.

Release of Property; Additional Bonds

The Authority and the City may amend the Property Lease to substitute or release a portion of the Leased Property upon compliance with all of the conditions set forth in the Property Lease. After a substitution or release, the portion of the Leased Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Property Lease.

Although the Property Lease requires, among other things, that the annual fair rental value of the property which remains subject to the Property Lease following such release is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of such release, it does not require that the Leased Property have an annual fair rental value equal to the annual fair rental value of the Leased Property prior to the substitution or release of any portion thereof. Thus, a portion of the Leased Property could be replaced with less valuable real property, or could be released altogether. Such a substitution or release could have an adverse impact on the security for the 2023 Bonds, particularly if an event requiring abatement of the Base Rental payments were to occur subsequent to such substitution or release. See “THE LEASED PROPERTY – Substitution of Leased Property” and “– Release of Lease Property.”

Moreover, the Authority and the City are permitted to amend the terms of the Property Lease, without the Trustee’s consent, for certain purposes that include obligating the City to pay additional amounts of Base Rental in connection with the issuance of Additional Bonds in accordance with the Indenture. See “SECURITY FOR THE 2023 BONDS – Additional Bonds.”

As previously described, on the date the 2023 Bonds are issued, the Hesperia Branch Library will not be part of the Leased Property subject to the leasehold interest under the Property Lease. However, the City currently intends to substitute the Hesperia Branch Library for City Hall, if and when, it receives a written subordination from the County subordinating the County’s interests under the County Library Lease Agreement to the Property Lease and the Site Lease, and subject to the satisfaction of certain other conditions precedent in the Property Lease. See “THE LEASED PROPERTY – Description and Location” and “– Substitution of Leased Property.”

Insurance on the Leased Property

Under the Property Lease, the City is required to maintain through the term of the Property Lease policies of insurance covering loss or damage to the Leased Property at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) an amount equal to the then principal amount of the Outstanding Bonds. If the Leased Property is damaged or destroyed, there can be no assurance that the insurance proceeds will be sufficient to repair or restore the Leased Property, or to redeem or defease all of the then-Outstanding 2023 Bonds. In addition, neither the Authority nor the City can provide any assurance as to whether the provider of an insurance policy will pay under such policy. See the caption “SECURITY FOR THE 2023 BONDS – Insurance” for a description of the insurance coverages that are required by the Property Lease. See “APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – FINANCIAL INFORMATION RELATING TO THE CITY’S GENERAL FUND – Risk Management” for a description of the City’s current insurance coverages. Certain risks, such as earthquakes, are not required to be covered under the Property Lease and the City is not required to maintain such coverage during the term of the Property Lease.

Condemnation of the Leased Property

If all or a portion of the Leased Property were condemned, there can be no assurance that any such award or payment will be sufficient at the time to prepay or defease all of the then-Outstanding 2023 Bonds. If the award in a condemnation of the entire Leased Property is less than the amounts remaining on such Outstanding 2023 Bonds, then the Owners will be paid less than the amounts remaining on such Outstanding 2023 Bonds. See “– Abatement” above.

Value of Leased Property

The security under the Property Lease extends only to the Authority’s leasehold interest in the Leased Property granted under the Site Lease and is subject to the restrictions of the Site Lease. The Leased Property has not been appraised in connection with the issuance of the 2023 Bonds.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments for the term of the Property Lease. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “APPENDIX B – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

Early Prepayment Risk

Early payment of the Base Rental payments and early redemption of the 2023 Bonds may occur in whole or in part, without premium, from insurance or condemnation proceeds, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the City exercises its right to prepay the Base Rental payments in whole or in part pursuant to the provisions of the Property Lease and the Indenture.

Bankruptcy Risks

The rights of the owners of the 2023 Bonds and the enforceability of the Authority’s obligation to make payments on the 2023 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future, and may also be subject to the exercise of judicial discretion under certain circumstances.

Under existing law, the City is eligible to file for bankruptcy. Should the City file for bankruptcy, there could be adverse effects on the holders of the 2023 Bonds. In a bankruptcy of the City, the Authority or the Trustee as its assignee and the owners of the 2023 Bonds may be prohibited from taking any action against the City, any official of the City, or any property of the City (including the Leased Property) to enforce the terms of the Property Lease, unless the consent of the bankruptcy court is first obtained. The bankruptcy court is not required to give its consent. This prohibition on action may even prohibit the Trustee from using funds in its possession to make payments on the 2023 Bonds. As a result, Owners may experience temporary delays or reductions in the payment of the 2023 Bonds.

In a bankruptcy case, a plan of adjustment for the City could be confirmed that would allow for enforcement of the Property Lease, but the priority, interest rate, payment terms,

collateral, maturity dates, payment sources, covenants and other terms or provisions of the Property Lease and the 2023 Bonds may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Authority or the Trustee as its assignee and the owners of the 2023 Bonds, and without their consent. Additionally, the resulting plan could adjust some or all of the City's financial obligations, which include the City's lease payment obligations under the Property Lease to and the City's obligation to fund certain retirement benefits.

The adjustment plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the 2023 Bonds. The City can provide no assurance about the outcome of the bankruptcy cases of other California municipalities of the nature of any adjustment plan it if were to file for bankruptcy.

In addition, if the Property Lease is determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose not to perform under the Property Lease and the claim of the owners of the 2023 Bonds could be substantially limited. An allowable claim could be substantially less than the amount of the 2023 Bonds outstanding, resulting in the owners of the 2023 Bonds suffering a substantial loss.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the 2023 Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the owners of the 2023 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, as previously described, in the event of a bankruptcy by the City, the Trustee will have limited ability to compel the payment of Base Rental payments with respect to the Leased Property. See "– Limitation on Remedies."

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY LIMITATION ON TAXES AND APPROPRIATIONS – Limitations on Revenues – Expenditures and Appropriations."

Limitations on Taxes and Fees

Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees,

charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

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

Additional Obligations of the City

The City has existing obligations payable from its General Fund. The City is permitted to enter into other obligations which constitute additional charges against its revenues, including additional rental payable from a lease of the Leased Property, without the consent of Owners of the 2023 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental payments to the Owners of the 2023 Bonds may decline. See "SECURITY FOR THE 2023 BONDS – Additional Bonds" and "APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – FINANCIAL INFORMATION RELATING TO THE CITY'S GENERAL FUND – Outstanding Debt of the General Fund."

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

Property Taxes

Levy and Collection. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay Base Rental payments when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article

XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

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

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

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

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

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

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

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

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization (“WHO”) announced the official name for the outbreak of the disease known as COVID-19 (“COVID-19”), an upper respiratory tract illness. COVID-19 has since spread across the globe.

To date, the City's General Fund revenues have not been adversely affected by the COVID-19 pandemic. In addition, as of the date of this Official Statement, the City does not anticipate that the COVID-19 pandemic will materially adversely affect its ability to make Base Rental payments under the Property Lease in the foreseeable future. However, because the COVID-19 pandemic is ongoing, there can be no assurance that absences of employees or City leadership due to COVID-19 will not adversely impact City operations. Furthermore, the ultimate impact of COVID-19 on the City's operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known.

There could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances. See "APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For Fiscal Year 2021-22, sales tax revenues were the largest source of General Fund revenue of the City (representing approximately 31% of the total General Fund revenues for such Fiscal Year. See "APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – FINANCIAL INFORMATION RELATING TO THE CITY'S GENERAL FUND – Sales and Use Taxes." Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. To date, the City's sales tax revenues have not been significantly impacted by the COVID-19 pandemic.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Limitations on Revenues – Article XIIC and Article XIID of the California Constitution."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed. See "APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – FINANCIAL INFORMATION RELATING TO THE CITY'S GENERAL FUND – Sales and Use Taxes."

Increasing Retirement Related Costs

The City is required to make contributions to the California Public Employees' Retirement System ("CalPERS") for employees and retirees of the City and retirees of the Hesperia Fire Protection District. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of investment losses in CalPERS' portfolio. There can be no assurances that actual

increases in required contributions will not be higher than the amounts which are currently projected. See “APPENDIX A – CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – FINANCIAL INFORMATION RELATING TO THE CITY’S GENERAL FUND – Employee Retirement System.”

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property 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 “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances area also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect assessed values of property in the City and the operations and finances of the City.

Natural Hazards

The value of the Leased Property, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the City could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay their property taxes. See “– Abatement” above.

Seismic. Like most regions in the State, the City is in an area of significant seismic activity. There are numerous earthquake faults near the City, including the San Andreas, Garlock, North Frontal, Cleghorn, Cucamonga, Helendale and San Jacinto earthquake faults. All of these have the potential to generate moderate to large earthquakes that will cause ground shaking within the City. The North Frontal fault, given its location relative to the City, has the potential to cause the most severe shaking in the City. Loss estimation modeling indicates that a maximum magnitude 7.2 earthquake on this fault would be a worst-case scenario for the City. In addition to ground shaking, earthquakes may generate surface fault rupture, ground failure in the form of liquefaction or slope failure, and secondary effects such as catastrophic dam failures, fires, and hazardous materials releases.

If there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City’s ability to pay the Base Rental payments. The Property Lease does not require that the City maintain earthquake insurance with respect to the Leased Property. See “SECURITY FOR THE 2023 BONDS – Insurance.” Also see “THE LEASED PROPERTY” for information about the structural design of the Leased Property.

Flood. Like most of southern California, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The

extent of possible flooding in the Mojave River, Antelope Wash, Oro Grande Wash and Summit Valley areas has been analyzed through flood insurance studies. Inundation due to a 100-year flood (a flood that has a one percent probability of being equaled or exceeded in any given year) can occur in these areas of the City. However, the entire Hesperia area has not been studied and the flood zones are incomplete. None of the Leased Property is located in the 100-year floodplain.

There are three dams and numerous water storage tanks in or near the City the failure of which in an earthquake or other calamity could cause inundation of portions of the City. The three dams are the Mojave Forks Dam, Cedar Springs Dam and Lake Arrowhead Dam.

Wildfires. In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. The Leased Property is not in an area classified as a Very High Fire Hazard Severity Zone by California Department of Forestry and Fire Protection, also known as CalFire.

Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in City and in the ability or willingness of property owners to pay property taxes.

Drought. As with much of the State, the City experiences recurring drought as a result of its climate conditions. Droughts impact public health and safety related to both water supply and wildfire risk. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 24, 2023, the Governor eased the emergency drought restrictions imposed as a result of the Governor's 2021 declaration. There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

Cyber Security

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

The City is also reliant on other entities and service providers in connection with the administration of the 2023 Bonds, including without limitation the California Department of Tax and Fee Administration for the collection and distribution of sales taxes, the County for the levy and collection of property taxes, and the Trustee.

On November 28, 2021 the City detected a cybersecurity incident that impacted its network. Upon becoming aware of the incident, the City notified law enforcement and conducted an internal investigation to assess the nature and scope of the compromise. The investigation concluded on January 7, 2022, and confirmed that certain data had been accessed and acquired by an unauthorized third-party. The investigation further concluded that such data may have contained personal information of certain persons. As of the date of this Official Statement, the City has not experienced a material financial impact as a result of such incident.

In an effort to reduce the likelihood of additional cyber incidents in the future, the City has implemented additional security features to its network, conducted employee trainings and hired third-party consultants to monitor the network and notify the City of any suspicious activity. However, no assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the 2023 Bonds. Nor can any assurance be given that the other entities the City relies on will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Litigation

The City is and may become a party to litigation that has the potential to have an impact on the City's General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Base Rental payments under the Property Lease when due.

Changes in Law; Voter Initiatives

The State Legislature may in the future enact legislation that will amend or create laws resulting in a reduction of moneys securing or available to pay the 2023 Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution. Subject to overriding federal constitutional principles, such initiatives or legislation could have the effect of reducing revenues of the City available to make Base Rental payments and therefore the Authority's ability make debt service payments on the 2023 Bonds when due.

The Taxpayer Protection and Government Accountability Act (the "**Taxpayer Protection Act**") is an initiative measure that has gathered sufficient signatures and may appear on a statewide ballot in the future. The ballot measure proposes amendments to the California Constitution that impose significant restrictions on state and local governments with respect to their abilities to raise revenues. The proposal includes expanding the legal definition of "taxes" to include some charges that state and local governments currently treat as fees and other charges, and requires that local special taxes be approved by two-thirds of the electorate. In a recent analysis, the California Legislative Analyst's Office predicted the measure would result in "[l]ower annual state and local revenues, potentially substantially lower, depending on the future actions of the Legislature, local governing bodies, voters, and the courts." If the Taxpayer

Protection Act is approved by the electorate, there can be no assurance that the City's revenues will not be significantly affected.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2023 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2023 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Property Lease and the Indenture. Should such an event of taxability occur, the 2023 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the Insured 2023 Bonds when all or some becomes due, the Trustee on behalf of any owner of the Insured 2023 Bonds will have a claim under the Insurance Policy for such payments. [INSURER] may direct and must consent to any remedies with respect to the Insured 2023 Bonds and [INSURER]'s consent may be required in connection with amendments to any applicable documents relating to the 2023 Bonds. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The long-term ratings on the Insured 2023 Bonds are dependent in part on the financial strength of [INSURER] and its claims paying ability. [INSURER]'s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of [INSURER] and the ratings on the Insured 2023 Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured 2023 Bonds or the marketability (liquidity) for the Insured 2023 Bonds. See the caption "RATINGS" herein.

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

None of the City, the Authority or the Underwriter has made independent investigation into the claims paying ability of [INSURER] and no assurance or representation regarding the financial strength or projected financial strength of [INSURER] is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the payments on the Insured 2023 Bonds and the claims paying ability of [INSURER], particularly over the life of the investment. See "BOND INSURANCE" herein for further information regarding [INSURER] and the Insurance Policy, which includes further instructions for obtaining current financial information concerning [INSURER].

Secondary Market for 2023 Bonds

There can be no guarantee that there will be a secondary market for the 2023 Bonds or, if a secondary market exists, that any 2023 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market

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

TAX MATTERS

Federal Tax Status

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2023 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2023 Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”) that must be satisfied subsequent to the issuance of the 2023 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2023 Bonds.

Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public at which a 2023 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2023 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2023 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2023 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2023 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2023 Bonds who purchase the 2023 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2023 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2023 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2023 Bonds is sold to the public.

Under the Code, bond premium is amortized on an annual basis over the term of the 2023 Bond (said term being the shorter of the 2023 Bond’s maturity date or its call date). The

amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2023 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2023 Bond is amortized each year over the term to maturity of the 2023 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2023 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2023 Bonds.

California Tax Status

In the further opinion of Bond Counsel, interest on the 2023 Bonds is exempt from California personal income taxes.

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2023 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2023 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2023 Bonds, or as to the consequences of owning or receiving interest on the 2023 Bonds, as of any future date. Prospective purchasers of the 2023 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2023 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2023 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2023 Bonds, the ownership, sale or disposition of the 2023 Bonds, or the amount, accrual or receipt of interest on the 2023 Bonds.

The proposed form of opinion of Bond Counsel with respect to the 2023 Bonds to be delivered on the date of issuance of the 2023 Bonds is set forth in "APPENDIX E – FORM OF OPINION OF BOND COUNSEL."

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity of the 2023 Bonds, the form of which is set forth in "APPENDIX E – FORM OF OPINION OF BOND COUNSEL." Jones Hall, A

Professional Law Corporation, takes no responsibility for the accuracy or completeness of the data provided by the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Bond Counsel will receive compensation from the Authority and the City contingent upon the sale and delivery of the 2023 Bonds.

Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by Aleshire & Wynder LLP, as City Attorney. In addition, certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel. The fees payable to Jones Hall and counsel to the Underwriter are contingent upon the sale and delivery of the 2023 Bonds.

Furthermore, from time to time, Jones Hall, A Professional Law Corporation, serves as counsel to the Underwriter with respect to transactions other than the issuance of the 2023 Bonds.

ABSENCE OF MATERIAL LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Property Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City.

Neither the City nor the Authority is in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Property Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Property Lease.

There are a number of lawsuits and claims pending against the City for which the City is either self-insured or insured in varying degrees by commercial insurance, or which in the aggregate, if determined adversely to the City, could have a material adverse impact on the City's finances in the future. However, the City does not expect any such suits or claims to have a material adverse effect on the City's ability to make payments under the Property Lease. Such lawsuits include a case filed by the County in San Bernardino County Superior Court against the City seeking indemnification for damages relating to a housing discrimination case filed in federal court by the United States against the City, the San Bernardino Sheriff's Department and the County relating to the City's prior Crime-Free ordinance. The housing discrimination case was settled by agreement in December 2022. A settlement conference is scheduled in the County's indemnification action against the City for June 13, 2023. The County made an initial demand for indemnification against the City in the amount of \$900,000.

FINANCIAL STATEMENTS

CliftonLarsonAllen, LLP, Irvine, California (the “**Auditor**”), audited the financial statements of the City for the Fiscal Year ended June 30, 2022. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. See “APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

RATINGS

S&P Global Ratings (“**S&P**”) has assigned a rating of “___” to the 2023 Bonds. S&P has also assigned a rating of “___” to the Insured 2023 Bonds based upon the delivery of the Insurance Policy by [INSURER] at the time the Insured 2023 Bonds are issued. See the caption “BOND INSURANCE” herein.

A rating is not a recommendation to buy, sell or hold securities. Future events could have an adverse impact on the rating of the 2023 Bonds, and there is no assurance that any credit rating that is given to the 2023 Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the 2023 Bonds will not change during the period that the 2023 Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the rating on the 2023 Bonds may have an adverse effect on the market price of the 2023 Bonds. Such rating reflects only the current view of S&P (which could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the 2023 Bonds with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System. See the caption “CONTINUING DISCLOSURE” and Appendix D. Notwithstanding such covenant, information relating to rating changes on the 2023 Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2023 Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the 2023 Bonds after the initial issuance of the 2023 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2023 Bonds to provide certain financial information and operating data relating to the City (the “**Annual Report**”), by not later than the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30), commencing March 31, 2024 with the report for the fiscal year ending June 30, 2023, and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through Electronic Municipal Access System (“**EMMA**”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The City and certain related entities previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City complied with such undertakings in all material respect, except that the City failed to include the annual information required to be filed by the City with the California Debt and Investment Advisory Commission for the City of Hesperia Community Facilities District No. 2005-1 (Belgate Development Restructuring) Special Tax Refunding Bonds, Series 2014 in the annual reports for such bonds for Fiscal Years 2017-18 through 2019-20. [The City has filed supplemental annual reports on EMMA to correct such failures.]

In order to ensure compliance with its disclosure undertakings for its outstanding bonds and the 2013 Bonds, the City has established processes that it believes will be sufficient to ensure compliance in the future with respect to its each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the 2023 Bonds.

UNDERWRITING

The 2023 Bonds are being purchased pursuant a bond purchase agreement by and among the Authority, the City, and the Underwriter. The Underwriter has agreed to purchase the 2023 Bonds at a purchase price of \$_____ (which is equal to the par amount of the 2023 Bonds, plus original issue premium of \$_____, and less an underwriter’s discount of \$_____).

The Underwriter may offer the 2023 Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the 2023 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2023 Bonds. Those professionals include Jones Hall, A Professional Law Corporation, the Underwriter, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter’s Counsel, and the Municipal Advisor.

MUNICIPAL ADVISOR

The City has retained the Municipal Advisor in connection with the offering of the 2023 Bonds. All financial and other information presented in this Official Statement has been provided by the City and others from their records. Unless otherwise footnoted, the Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor has assisted the City with the structure, timing and terms for the sale of the 2023 Bonds. The Municipal Advisor provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fee of the Municipal Advisor is contingent upon the successful closing of the 2023 Bonds.

EXECUTION

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

HESPERIA JOINT PUBLIC FINANCE AUTHORITY

By: _____
Executive Director

CITY OF HESPERIA

By: _____
City Manager

APPENDIX A

CITY OF HESPERIA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

The 2023 Bonds are payable solely from moneys of the City of Hesperia (the “City”) as described in this Official Statement. The taxing power of the City, the County of San Bernardino (the “County”), the State of California (the “State”) or any political subdivision thereof is not pledged to the payment of the 2023 Bonds.

DEMOGRAPHIC INFORMATION

Location

The City is situated in the County. The City encompasses approximately 75 square miles, and is located 35 miles north of the City of San Bernardino and 90 miles northeast of the City of Los Angeles. The City is bisected by California State Highway 395 and Interstate 15. The City is bordered to the north by the City of Victorville and on the east by the Town of Apple Valley and to the south by the San Bernardino mountains.

Population

The following table shows population estimates for the City and the County as of January 1 for the five most-recently completed calendar years.

CITY OF HESPERIA AND COUNTY OF SAN BERNARDINO POPULATION As of January 1 of 2019 through 2023

Year	City of Hesperia	Percent Change	San Bernardino County	Percent Change
2019	95,085	--%	2,165,876	--%
2020	99,877	5.0	2,181,654	0.7
2021	99,949	0.1	2,179,007	(0.1)
2022	99,855	(0.1)	2,180,777	0.1
2023	100,041	0.2	2,182,056	0.1

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

Personal Income

Effective buying income (“EBI”) is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of Owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis.

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2019 through 2023.

**CITY, COUNTY, STATE AND UNITED STATES
PERSONAL INCOME
For Calendar Years 2019 through 2023**

Year	Area	Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
2019	City of Hesperia	\$1,643,893	\$46,464
	San Bernardino County	42,984,313	52,631
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Hesperia	\$1,783,352	\$50,422
	San Bernardino County	46,025,841	56,502
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Hesperia	\$1,861,008	\$53,854
	San Bernardino County	48,859,973	59,285
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Hesperia	\$2,007,122	\$58,778
	San Bernardino County	54,797,008	66,785
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Hesperia	\$2,096,711	\$58,670
	San Bernardino County	57,619,256	67,680
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326

Source: Claritas, LLC.

Employment

The Riverside San Bernardino Ontario Metropolitan Statistical Area (the “MSA”) is comprised of San Bernardino and Riverside Counties. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 4.5 percent in March 2023, unchanged from a revised 4.5 percent in February 2023, and above the year-ago estimate of 4.2 percent. This compares with an unadjusted unemployment rate of 4.8 percent for California and 3.6 percent for the nation during the same period. The unemployment rate was 4.6 percent in Riverside County, and 4.5 percent in San Bernardino County.

The following table presents the annual average distribution of persons in various wage and salary employment categories for the MSA for calendar years 2018 through 2022 (the most recent year for which annual data is available).

RIVERSIDE SAN BERNARDINO ONTARIO MSA CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)

	2018	2019	2020	2021	2022
<u>Civilian Labor Force</u> ⁽¹⁾	2,045,000	2,074,500	2,088,600	2,118,200	2,045,000
Employment	1,956,800	1,989,700	1,880,500	1,961,800	1,956,800
Unemployment	88,200	84,800	208,100	156,400	88,200
Unemployment Rate	4.3%	4.1%	10.0%	7.4%	4.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	14,500	15,400	14,100	13,900	14,500
Mining and Logging	1,200	1,200	1,300	1,400	1,200
Construction	105,200	107,200	104,900	109,200	105,200
Manufacturing	99,800	100,600	95,100	94,800	99,800
Wholesale Trade	66,100	67,700	65,600	67,000	66,100
Retail Trade	181,200	180,700	168,800	177,600	181,200
Trans., Warehousing, Utilities	132,100	146,600	172,500	198,600	132,100
Information	11,400	11,500	9,400	9,600	11,400
Finance and Insurance	25,300	24,800	24,600	24,400	25,300
Real Estate and Rental and Leasing	19,300	20,200	19,500	20,500	19,300
Professional/Business Services	152,000	158,700	155,400	167,300	152,000
Educational and Health Services	239,500	250,300	248,700	253,300	239,500
Leisure and Hospitality	170,600	175,900	141,300	158,900	170,600
Other Services	45,800	46,200	40,200	43,000	45,800
Federal Government	20,700	21,100	22,100	21,100	20,700
State Government	30,600	31,100	31,300	31,500	30,600
Local Government	205,900	209,000	194,600	191,000	205,900
Total, All Industries ⁽³⁾	1,521,100	1,568,100	1,509,300	1,583,000	1,521,100

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The table below shows the largest employers in the City as of June 30, 2022.

**CITY OF HESPERIA
LARGEST EMPLOYERS
(As of June 30, 2022)**

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total City-wide Employment</u>
Hesperia Unified School District	2,910	7.70%
County of San Bernardino	547	1.45
Wal-Mart Supercenter	425	1.12
Slater Brothers Markets (3 locations)	331	0.88
Super Target	275	0.73
Arizona Pipeline Company	226	0.60
City of Hesperia	166	0.44
In-N-Out	161	0.43
Robar Enterprises	135	0.36
Hesperia Recreation & Park District	130	0.34

Source: City of Hesperia Fiscal Year 2021-22 Annual Comprehensive Financial Report.

The 25 largest employers in the County as of May 1, 2023, are shown (in alphabetical order) below.

**COUNTY OF SAN BERNARDINO
LARGEST EMPLOYERS
(As of May 1, 2023)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Amazon Fulfillment Ctr	Redlands	Mail Order Fulfillment Service
Amazon Fulfillment Ctr	San Bernardino	Mail Order Fulfillment Service
Arrowhead Regional Medical Ctr	Colton	Hospitals
Bear Mountain	Big Bear Lake	Skiing Centers & Resorts
Big Bear Mountain Resorts	Big Bear Lake	Resorts
Burlington Distribution Ctr	San Bernardino	Distribution Centers (whls)
California State Univ Sn	San Bernardino	Schools-Universities & Colleges Academic
Dignity Health Cmnty Hosp-Sn	San Bernardino	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Inland Empire Health Plan	Rancho Cucamonga	Health Plans
Loma Linda Univ Health Board	Loma Linda	Univ/Clg-Governing Body/Regent/Trustee
Loma Linda University Med Ctr	Loma Linda	Hospitals
Mountain High Ski Resort	Wrightwood	Skiing Centers & Resorts
Ontario International Airport	Ontario	Airports
Ontario-Montclair School Dist	Ontario	School Districts
Patton State Hospital	Patton	Hospitals
Redlands Community Hospital	Redlands	Hospitals
San Antonio Regional Hospital	Upland	Hospitals
San Bernardino County Sch Supt	San Bernardino	Schools & Educational Services NEC
San Bernardino County Sheriff	San Bernardino	County Government-General Offices
St Bernardine Medical Ctr	San Bernardino	Hospitals
St Mary's Medical Ctr	Apple Valley	Hospitals
Transportation Department	San Bernardino	State Government-Regulation & Administration-
YRC Freight	Bloomington	Trucking-Motor Freight

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2023 2nd edition.

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five fiscal years for which information is available.

CITY OF HESPERIA BUILDING PERMIT ACTIVITY For Calendar Years 2018 Through 2022 (Valuation in Thousands of Dollars)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Permit Valuation</u>					
New Single-family	\$91,350.1	\$43,234.1	\$33,881.9	\$50,092.3	\$69,344.5
New Multi-family	13,910.1	21,356.1	31,393.7	20,752.3	209.3
Res. Alterations/Additions	<u>4,253.3</u>	<u>3,944.3</u>	<u>2,499.3</u>	<u>2,728.4</u>	<u>4,862.1</u>
Total Residential	109,513.5	68,534.5	67,774.5	73,573.0	74,415.9
New Commercial					
New Industrial	3,857.3	10,975.6	2,821.1	2,368.6	74,207.0
New Other	1,925.0	0.0	3,299.6	0.0	0.0
Com. Alterations/Additions	4,808.9	5,624.5	8,817.9	9,005.6	15,413.3
Total Nonresidential	<u>9,709.6</u>	<u>13,498.6</u>	<u>4,467.3</u>	<u>4,842.6</u>	<u>7,956.6</u>
	20,300.8	30,098.7	19,405.9	16,216.8	97,576.9
<u>New Dwelling Units</u>					
Single Family	219	206	165	255	326
Multiple Family	<u>124</u>	<u>225</u>	<u>278</u>	<u>226</u>	<u>2</u>
TOTAL	343	431	443	481	328

Source: Construction Industry Research Board, Building Permit Summary.

See the letter of transmittal accompanying the City's financial statements for the fiscal year ended June 30, 2022, for a discussion of building permit activity for family homes within the City for fiscal years 2012-13 through 2022-23 in "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022."

CITY GOVERNMENT AND ADMINISTRATION

Municipal Government

The City was incorporated on July 1, 1988, under the laws of the State and enjoys all the rights and privileges afforded to a general law city. The City is governed by a five-member City Council under the Council-Manager form of government. Policy-making and legislative authority are vested in the governing council, consisting of the mayor and four other members. All Council Members are elected to a four-year term and the City does not have term limits. Regular elections are conducted in November of even numbered years and, beginning with the general municipal election held in November 2018, the City implemented a by-district system of elections, whereby each Council Member represents one district or area within the City. Most recently, in 2022, the general municipal election for Districts 2, 3, and 4 was cancelled due to insufficient nominees. In accordance with the State of California Elections Code, on August 24, 2022, the City Council conducted a special meeting to appoint members to the open seats in Districts 2, 3, and 4.

The Mayor is appointed annually by and among the members of the City Council. The City Council is responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and resolutions of the governing council and for overseeing the day-to-day operations of the government.

The current members of the City Council and their respective term expiration dates are as follows:

<u>Name and Office</u>	<u>Term Expires</u>
Rebekah Swanson, Council Member, District 1	January 2024
Allison Lee, Council Member, District 2	January 2026
Cameron Gregg, Council Member, District 3	January 2026
Brigit Bennington, Mayor, District 4	January 2026
Larry Bird, Mayor Pro Tem, District 5	January 2024

Key Personnel

Brief biographies of the City Manager, Assistant City Manager and the Director of Administrative Services follow below.

Nils Bentsen, City Manager. Nils Bentsen is the City Manager of the City, having been appointed by the City Council in 2015. Mr. Bentsen is committed to pursuing organizational efficiency while placing a special emphasis on customer service. To accomplish this, Mr. Bentsen reorganized City divisions and departments to better meet the needs of the organization and its citizenry and customers. Prior to his appointment by the City Council, Mr. Bentsen served with the San Bernardino County Sheriff's Department for over 25 years, retiring as Captain. His life-long commitment to public safety is driven by his passion for public service. Mr. Bentsen has announced that he will retire as City Manager effective June 18, 2023.

Rachel Molina, Assistant City Manager. Rachel Molina is the Assistant City Manager of the City overseeing Development Services Department, and the Economic Development and Community Relation Divisions. Ms. Molina began her career at the City as a Senior Office Assistant in 2007 and was promoted up through the organization serving in many capacities including, Public Information Officer, Assistant to the City Manager, and Deputy City Manager. Ms. Molina holds a master's degree in Public Administration from California Baptist University and a bachelor's degree in Organizational Leadership from Chapman University. Ms. Molina is also a proud graduate of Hesperia High School. The City Council has appointed Ms. Molina as City Manager effective June 19, 2023.

Casey Brooksher, Director of Administrative Services. Casey Brooksher is the Administrative Services Director of the City and oversees the areas of Finance, Information Technology, and Human Resources. Mr. Brooksher was appointed to serve as the Director of Finance of the City in February 2018 and assumed the Administrative Services Director position in July 2021. Mr. Brooksher first started with the City as an intern during August 2003 and has held various positions within the Finance Division. Mr. Brooksher holds a master's degree in Business Administration, as well as a bachelor's degree in Business Administration from California State University, San Bernardino, California.

Services and Facilities

The City, including its component districts, employs approximately 181 full-time employees (not including contract police services). Services provided include the construction and maintenance of streets and other infrastructure; community services, including building and safety, code compliance, and animal control; as well as water, wastewater, and recycled water services. In addition to general government activities, the City Council also serves as the Board of Directors for the Hesperia Water District, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Public Financing Authority, Hesperia Public Facilities Corporation, the Hesperia Joint Public Finance Authority, and the Hesperia Fire Protection District (the “**Fire District**”). Therefore, these activities have been included as an integral part of the City’s financial statements where appropriate. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

In 2018, the boundaries of the Fire District were annexed into the San Bernardino County Fire Protection District. As a result of the annexation, the Fire District’s functions were transferred to the San Bernardino County Fire Protection District, which assumed all of the rights duties, responsibilities, liabilities and other matters of the Fire District, except the retirement liabilities associated with the former employees of the Fire District which were assumed by the City, and approximately 1.5% of the property tax revenues generated within the former boundaries of the Fire District are remitted to the City. A portion of such property tax revenues are remitted to the City pursuant to a revenue sharing agreement entered into by the City, the Fire District and the San Bernardino County Fire Protection District in connection with the annexation. See “FINANCIAL INFORMATION RELATING TO THE CITY’S GENERAL FUND – Property Taxes – *Pass-Through Revenue Sharing Agreement*.”

The City contracts with the San Bernardino County Sheriff’s Department for its police services. The law enforcement and public safety services provided through the contract include, patrol operations, traffic enforcement, detective services, problem-oriented policing and community outreach programs. Fire protection for the City is provided by the San Bernardino County Fire Department. The County Fire Department is a full service department, providing to the community fire suppression, fire prevention and planning, disaster preparedness, hazardous materials management and emergency medical services.

Public Health Emergency – COVID-19

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. The COVID-19 outbreak is ongoing. However, to date, the City’s General Fund revenues have not been materially adversely affected by the COVID-19 pandemic. In addition, as of the date of this Official Statement, the City does not anticipate that the COVID-19 pandemic will materially adversely affect its ability to make Base Rental payments under the Property Lease in the foreseeable future.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the “**ARP Act**”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The City received approximately \$24.4 million in funding under the ARP Act. The City intends to utilize all such funding to finance the construction of wastewater pipes and other improvements to the wastewater system of the Hesperia Water District (the “**Water District**”). The pipes and other improvements are intended to permit the Water District to connect to a planned wastewater treatment plant intended to accommodate projected population growth in the City and local

community. See “BOND OWNERS’ RISKS – Public Health Emergencies” in the forepart of this Official Statement.

FINANCIAL INFORMATION RELATING TO THE CITY’S GENERAL FUND

Accounting Policies and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (“**GAAP**”) and the standards established by the Governmental Accounting Standards Board (“**GASB**”). The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City’s general fund and other governmental fund types use the modified accrual basis of accounting. All of the City’s other funds, including proprietary fund types and fiduciary fund types, use the accrual basis of accounting. Combined financial statements of the City and its component units are produced following the close of each fiscal year of the City ended June 30 (each, a “**Fiscal Year**”). The basis of accounting for all funds is more fully explained in the “Notes to the Basic Financial Statements” contained in “APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022.”

The City Council employs an independent certified public accountant who audits at least annually the financial statements of the City in accordance with GAAP, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent auditor to the City Council. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. See “APPENDIX C – Annual Comprehensive Financial Report of the City for the Year Ended June 30, 2022 – Note 1” for a description of the significant accounting policies of the City. See the caption “– Financial Statements” for a discussion of the City’s audited financial statements for Fiscal Year 2021-22.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund because there are legal restrictions on their use.

The General Fund is the largest citywide fund and is a major governmental fund. It underwrites most citywide operations either directly as the “net city cost” of General Fund budgets, or indirectly through contributions to other funds. The City maintains 37 individual governmental funds. Other major governmental funds include the American Rescue Plan Act Special Revenue Fund which is used to account for funds received from ARP Act due to the COVID-19 pandemic, City Projects Capital Projects Fund is used to account for funds

designated for various capital projects, including the acquisition and construction of major capital facilities, throughout the City, and Debt Service Funds which are used to account for the accumulation of resources and the payment of bond principal and interest from governmental resources.

It is expected that debt service on the 2023 Bonds will be paid from amounts in, or transferred from, the General Fund. Information on the remaining governmental funds of the City as of June 30, 2022, is set forth in Appendix C.

Fiscal Policies

Reserve Policy. The City Council has adopted a cash reserve policy for the General Fund that requires that a minimum of two months of the annual expenditures be held in cash to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the level of anticipated revenues or unanticipated expenses. Cash reserves are calculated as the ratio of cash and cash equivalents to the total individual annual expenditures. Under the reserve policy, it is the responsibility of the City Council to maintain a sufficient level of reserve funds to provide for the orderly provision of services to the citizens of the City. The City Council has the authority to decide the circumstances under which the reserves can be used. The City Manager may, from time to time, make recommendations as to the level of reserve funds necessary for prudent fiscal management. Reserve levels are required to be reviewed at least annually during the budget process to ensure that they are consistent with the conditions faced by the City. All uses of reserves require a resolution of the City Council or will be incorporated in the annual adopted budget. The City's reserve policy provides that, if the rare situation arises where a portion of the City's reserves are to be utilized to fund operations, the equivalent amount will be returned as reserves in the next available budget.

As of June 30, 2022, the reserve balance in the General Fund was approximately \$22.1 million, or 8.8 months of the General Fund expenditures for Fiscal Year 2022-2023. The City anticipates using approximately \$4 million of such balance, together with other funds on hand, to establish two tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code by June 30, 2023. See “– *Unfunded Liability Policy*” below.

Revenue Policy. The City Council has adopted a policy that recurring expenditures will be funded by recurring revenue. It provides that recurring expenditure increases that exceed recurring revenue growth should not be approved. Any new or expanded programs should be required to identify new funding sources and/or offsetting reductions in expenditures.

Capital Improvement Policy. The City Council has adopted a capital improvement policy pursuant to which the City will identify the estimated costs and potential funding sources for each capital project having a long life expectancy and costing \$5,000 or more prior to its submittal to the City Council for approval. Prior to a capital project being included in the annual budget, a determination must be made that the project is an appropriate use of the funds and that there is sufficient funding available.

Budgeting Policy – Police Services. To ensure adequate funding for law enforcement services, the City Council has adopted a policy that the annual Police Department budget will equal or exceed 53% of average General Fund audited operating expenditures in the three most recent audited fiscal years. The General Fund operating budget is comprised of all expenditures less transfers out, debt service, and capital outlay. Should the Police Department

budget exceed 53% of the General Fund operating budget and the City is unable to balance the budget without the use of reserves, the City Manager is authorized by the City Council to negotiate with the County of San Bernardino Sheriff's Department to identify cost savings to maintain the City Council approved percentage. In addition, should the annual Police Department budget be less than 53% of the General Fund operating budget, the City Manager is authorized to add additional level of services, be that personnel, programs, or equipment. The City's operating budget for Fiscal Years 2022-23 and 2023-24 complies with said policy.

Unfunded Liability Policy. The City anticipates establishing the following by June 30, 2023: (1) a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code (the "**City Miscellaneous Plan 115 Trust**") held by Alta Trust Company, as trustee, for the purpose of funding the City's retirement obligations to the California Public Employees' Retirement System ("**CalPERS**") with respect to the City's Miscellaneous Employee Pension Plan; (2) a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code (the "**Fire District Safety Plan 115 Trust**") held by Alta Trust Company, as trustee, for the purpose of funding the City's retirement liabilities associated with the former employees of the Fire District under the safety plan maintained by the Fire District (which liabilities were assumed by the City in connection with the annexation of the boundaries of the Fire District into the San Bernardino County Fire Protection District in 2018); and (3) a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code (the "**OPEB 115 Trust**") held by Alta Trust Company, as trustee, for the purpose of funding the City's postemployment benefit obligations ("**OPEB**") under a single-employer defined benefit health-care plan (the "**OPEB Plan**").

The City Council has adopted an unfunded liability policy pursuant to which the City will annually contribute a minimum of 5% of the amount determined by CalPERS' actuaries that is required to finance any unfunded accrued liability (the "**UAL**"). Under the policy, the City will review the annual CalPERS actuarial valuations and include a minimum of 5% of said amount in its annual budget for transfer to each of the City Miscellaneous Plan 115 Trust and Fire District Safety Plan 115 Trust. In addition, under the unfunded liability policy, each fiscal year, the City will deposit into the OPEB 115 Trust a minimum of 15% of the total required City contributions to the OPEB plan for the previous fiscal year.

See "– Employee Retirement System" and "– Other Post-Employment Retirement Benefits" for additional information regarding the City Miscellaneous Plan 115 Trust and Fire District Safety Plan 115 Trust, and OPEB 115 Trust, respectively.

Budgetary Process and Administration

General Fund revenue is for the normal operations of and services provided by the City that are not specifically accounted for in other funds. The annual budget serves as the foundation for the City's financial planning and control. Each year the budget development guidelines, for use in preparing the next year's budget, are reviewed and updated. These guidelines are structured to reflect the City Council's goals and objectives and to provide the framework in which the City's budget is prepared. Annually, the proposed budget is submitted to the City Council and a public hearing is conducted to obtain citizen comments. Prior to the beginning of the new fiscal year, the City Council adopts the annual budget at a public meeting.

A first quarter and mid-year budget review is conducted for the City Council to determine the status of projected revenues, expenditures, and other financial situations, along with

consideration of needed budget amendments. A fourth quarter appropriation review is conducted and budget amendments are presented to the City Council as needed.

The City's budget policy is that all appropriations lapse at fiscal year-end. Outstanding encumbrance balances at fiscal year-end require re-approval by the City Council. The City Council may amend the budget at any time during the fiscal year. The City Manager may authorize budget transfers between line items and programs within a fund, as long as the total budget for each fund has not exceeded the amount approved by the City Council. The level of budgetary control is set at the fund level to ensure compliance with the budget as approved by the City Council; therefore, any budgetary changes at the fund level require City Council approval.

Budgets for Fiscal Years 2022-23 and 2023-24

Adopted Fiscal Year 2022-23 Budget. The City Council adopted the City's operating budget for Fiscal Year 2022-23 (the "**Fiscal Year 2022-23 Budget**") on June 22, 2022. The Fiscal Year 2022-23 Budget reflects a balanced General Fund budget. The Fiscal Year 2022-23 Budget includes 101.22 positions budgeted to be funded by the General Fund, an increase of 13.6% from the City's adopted operating budget for Fiscal Year 2021-22 (the "**Fiscal Year 2021-22 Budget**").

The Fiscal Year 2022-23 Budget projects General Fund revenues to increase by \$5.1 million to \$44.3 million compared to the Fiscal Year 2021-22 Budget of \$39.2 million. In the Fiscal Year 2022-23 Budget, approximately \$40 million (or 90%) of the City's budgeted General Fund revenues for Fiscal Year 2022-23 are projected to be derived from sales and use taxes, franchise taxes, transient occupancy taxes, property taxes, special assessments, property transfer taxes, commercial cannabis taxes, intergovernmental revenues and charges for services. As of the date of this Official Statement, the City estimates that such revenues will total approximately \$43.8 million (compared to \$40 million set forth in the Fiscal Year 2022-23 Budget). See Table 1 for the Fiscal Year 2022-23 Budget. See also Tables 4a and 4b for a summary of the major sources of General Fund revenues of the City for the last five Fiscal Years and the amounts the City estimates it will receive in Fiscal Year 2022-23 from such sources as of the date of this Official Statement.

The Fiscal Year 2022-23 Budget projected an increase in General Fund expenditures of \$5.5 million to \$41.7 million compared to the Fiscal Year 2021-22 Budget of \$36.2 million. The increase in General Fund expenditures projected in the Fiscal Year 2022-23 Budget is primarily due to an increase in budgeted General Fund expenditures for salaries and benefits (which increased by approximately \$2.1 million or 20% compared to the Fiscal Year 2021-22 Budget), contractual expenditures (which increased by approximately \$1.4 million or 33% compared to the Fiscal Year 2021-22 Budget), and police expenses (which increased by approximately \$1.4 million or 7% compared to the Fiscal Year 2021-22 Budget). As of the date of this Official Statement, the City estimates that its General Fund expenditures for Fiscal Year 2022-23 will total approximately \$41.8 million, in line with the budgeted expenditures for such fiscal year.

Proposed Fiscal Year 2023-24 Budget. The City Council is anticipated to adopt the City's operating budget for Fiscal Year 2023-24 on June 20, 2023. The City's operating budget for Fiscal Year 2023-24 as currently anticipated to be adopted by the City on such date is hereinafter referred to as the "**Fiscal Year 2023-24 Proposed Budget**" and is anticipated to reflect a balanced General Fund budget. The City's operating budget for Fiscal Year 2023-24 as adopted by the City Council on June 20, 2023, may differ from the Fiscal Year 2023-24

Proposed Budget described in this Official Statement. The Fiscal Year 2023-24 Proposed Budget includes 102.60 positions budgeted to be funded by the General Fund, an increase of 1.36% from the Fiscal Year 2022-23 Budget.

The Fiscal Year 2023-24 Proposed Budget projects General Fund revenues to increase by approximately \$2.2 million to \$47.5 million compared to the Fiscal Year 2022-23 Budget of \$44.3 million. In the Fiscal Year 2023-24 Proposed Budget, approximately \$43.2 million (or 91%) of the City's budgeted General Fund revenues for Fiscal Year 2023-24 are projected to be derived from sales and use taxes, franchise taxes, transient occupancy taxes, property taxes, special assessments, property transfer taxes, commercial cannabis taxes, intergovernmental revenues and charges for services. See Table 1 for the Fiscal Year 2023-24 Proposed Budget. See also Table 4b for a summary of the major sources of General Fund revenues of the City that are included in the Fiscal Year 2023-24 Proposed Budget.

The Fiscal Year 2023-24 Proposed Budget projects an increase in General Fund expenditures of \$3.4 million to \$45.1 million compared to the Fiscal Year 2021-22 Budget of \$41.7 million. The increase in General Fund expenditures projected in the Fiscal Year 2022-23 Proposed Budget is due primarily to a net increase in the City manager and management services departments (resulting in a net increase of \$1.4 million), police (resulting in an increase of \$1.3 million) and development services (resulting in an increase of \$1 million), offset by a reduction in expenditures for equipment and vehicles (resulting in a decrease of \$298,000).

Comparison of Budget to Actual Performance

Set forth in Table 1a are the General Fund budgets for Fiscal Years 2020-21 through 2022-23 (as originally adopted and not reflecting any mid-Fiscal Year budget adjustments) and the Fiscal Year 2023-24 Proposed Budget, as well as the audited General Fund results for Fiscal Years 2020-21 through 2021-22 and estimated unaudited General Fund results for Fiscal Year 2022-23.

Table 1b shows actual General Fund expenditures by type for Fiscal Years 2019-20 and 2020-21 and budgeted General Fund expenditures by type for Fiscal Years 2021-22 and 2022-23.

Table 1a
CITY OF HESPERIA
Summary of General Fund Budgets and Actual Results
For Fiscal Years 2020-21 through 2023-24

	Adopted Budget 2020-21	Audited 2020-21	Adopted Budget 2021-22	Audited 2021-22	Adopted Budget 2022-23	Estimated 2022-23 Actuals ⁽¹⁾	Proposed Budget 2023-24 ⁽²⁾
Revenues:							
Taxes	\$16,187,858	\$21,464,989	\$19,349,341	\$23,814,083	\$22,642,204	\$23,820,412	\$23,580,859
Licenses and permits	225,084	262,816	289,140	289,932	242,660	247,410	237,650
Fines and forfeits	862,200	1,146,202	911,800	1,488,889	908,600	1,297,724	1,025,040
Use of money and property	94,688	72,862	54,555	(152,077)	19,600	311,819	338,600
Intergovernmental	12,271,611	12,588,659	12,885,437	13,165,905	13,831,969	14,573,437	15,629,905
Charges for services	2,268,983	4,592,541	3,127,193	5,979,828	4,168,441	5,732,252	3,985,627
Grants	44,856	2,479,850	62,102	102,336	81,369	104,502	131,086
Other revenue	2,534,226	2,562,197	2,562,862	2,554,671	2,401,064	2,456,075	2,538,024
Total Revenues	\$34,489,506	\$45,170,116	\$39,242,430	\$47,243,567	\$44,295,907	\$48,543,631	\$47,466,791
Expenditures:							
Current:							
General Government							
City council	\$698,407	1,366,912	\$796,307	1,102,159	798,121	792,086	819,204
City manager	3,848,857	3,314,042	3,151,071	3,059,619	3,705,173	3,657,308	1,686,530 ⁽³⁾
Management services	4,953,056	4,271,621	5,221,969	6,012,945	6,856,131	6,736,326	10,241,069 ⁽³⁾
Public safety- police	17,716,736	18,080,456	19,125,786	18,682,407	20,588,911	20,601,680	21,949,108
Development services	6,291,176	6,507,481	7,631,163	8,080,695	9,224,512	9,559,300	10,243,023
Debt Service:							
Interest	--	--	--	622	--	--	--
Principal	--	--	--	84,719	--	--	--
Capital outlay:							
Land Improvements	--	--	--	--	200,000	--	--
Buildings and improvements	--	--	--	71,592	30,000	22,705	145,000
Equipment and vehicles	177,756	177,290	271,542	423,740	345,590	469,569	47,730
Leases	--	--	--	178,588	--	--	--
Total Expenditures	\$33,685,988	\$33,717,802	\$36,197,838	\$37,697,086	\$41,748,438	\$41,838,974	\$45,131,664
Revenues over expenditures	\$803,518	\$11,452,314	\$3,044,592	\$9,546,481	\$2,547,469	\$6,704,657	\$2,335,127
Other Financing Sources (Uses):							
Transfers In	\$252,000	\$252,000	\$200,000	\$200,000	\$200,000	\$200,000	\$--
Transfers Out	(7,154,068)	(7,116,453)	(3,462,224)	(2,592,224)	(2,572,890)	(2,572,890)	(2,385,133)
Sale of capital assets	--	--	--	--	--	--	--
Insurance proceeds	--	--	--	30,636	--	--	--
Issuance of lease	--	--	--	178,588	--	--	--
Total Other Sources (Uses)	\$(6,902,068)	\$(6,864,453)	\$(3,262,224)	\$(2,183,000)	\$(2,372,890)	\$(2,372,890)	\$(2,385,133)
Net change in fund balances	(6,098,550)	4,587,861	(217,632)	7,363,481	174,579	4,331,767	(50,006)
Fund balances, July 1		\$15,892,307		\$22,083,076 ⁽⁴⁾		\$29,446,557	
Fund balances, June 30		\$20,480,168⁽⁴⁾		\$29,446,557		\$33,778,324	

(1) Represents unaudited estimated results; subject to change.

(2) Represents Fiscal Year 2023-24 Proposed Budget as anticipated to be adopted by the City Council on June 20, 2023; subject to change.

(3) Commencing in Fiscal Year 2023-24, the City's Information Technology Division will be under the supervision of the Director of Administrative Services instead of the City Manager. As a result, expenditures for such division will be recognized as part of management services, instead of City manager expenditures resulting in corresponding changes in budgeted expenditures for such Fiscal Year.

(4) In Fiscal Year 2021-22, the City restated the fund balance of the General Fund at July 1, 2021 record the deposit of self-insurance in the fund financial statements instead of an adjustment for the government-wide financial statements.

Source: City of Hesperia.

Table 1b
CITY OF HESPERIA
General Fund Expenditures By Type
Fiscal Years 2019-20 through 2021-22

	Audited 2019-20	Audited 2020-21	Adopted Budget 2021-22	Revised Adopted Budget 2021-22	Adopted Budget 2022-23	% of Adopted Budget 2022-23	% Change From Adopted Budget 2021-22
Salaries and Benefits							
Salaries	\$6,134,423	\$5,788,303	\$6,773,777	\$7,272,620	\$ 8,030,305	19%	19%
Benefits	3,073,140	3,178,984	3,569,267	3,640,763	4,425,725	11%	24%
Total Salaries and Benefits	\$9,207,563	\$8,967,287	\$10,343,044	\$10,913,383	\$12,456,030	30%	20%
Materials & Operations	1,203,759	1,209,463	1,769,999	1,556,861	2,068,897	5%	17%
Contractual	3,330,144	4,495,205	4,262,242	4,678,587	5,670,892	14%	33%
Police Contractual	16,856,131	17,513,021	18,775,634	18,775,634	20,176,408	48%	7%
Other Operating	1,340,579	1,384,591	775,377	915,971	1,025,496	2%	32%
Capital Outlay	37,987	154,034	271,542	446,760	350,715	1%	29%
Total General Fund Expenditures	\$31,976,163	\$33,723,602	\$36,197,838	\$37,287,196	\$41,748,438	100%	15%

Source: City of Hesperia.

Financial Statements

A copy of the most recent audited financial statements of the City (the “**Financial Statements**”) for the Fiscal Year ended June 30, 2022, audited by CliftonLarsonAllen, LLP, Irvine, California (the “**Auditor**”), is included as Appendix C to this Official Statement. The Auditor’s letter dated December 12, 2022 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of each Fiscal Year.

The City’s accounting and budgeting records for general governmental operations are maintained on a modified accrual basis. The City’s governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized as soon as they are both measurable and available. Revenues considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting; however, debt service payments (principal and interest), unpaid vacation, compensatory time, and claims and judgments are recorded only when payment is due.

The following table shows the City’s audited General Fund balance sheets at June 30 of the years 2018 through 2022.

Table 2
CITY OF HESPERIA
General Fund Balance Sheets
June 30 of the years 2018 through 2022

	At June 30				
	2018	2019	2020	2021	2022
Assets:					
Cash and cash equivalents	\$4,173,461	\$7,668,879	\$7,350,053	\$15,281,489	\$16,940,718
Restricted investments	--	--	--	--	4,000,000
Accounts receivable	1,473,790	1,866,822	2,039,717	2,384,914	2,532,469
Allowance for accounts receivable	--	--	--	--	(187,359)
Prepaid items	141,775	--	--	--	--
Accrued interest	11,659	25,600	22,141	10,254	32,709
Due from other governmental agencies	1,562,376	1,949,048	4,618,476	2,868,871	3,004,420
Deposits for self-insurance	--	--	--	--	542,901
Leases receivable	--	--	--	--	57,138
Inventory	13,318	15,966	14,709	17,553	18,080
Due from other funds ⁽¹⁾	1,032,705	1,125,696	1,199,234	1,140,018	3,415,592
Advance to other funds ⁽²⁾	2,000,324	2,650,324	3,146,324	3,703,324	4,173,324
Total Assets	\$10,409,408	\$15,302,335	\$18,390,654	\$25,406,423	\$34,529,992
Liabilities:					
Accounts payable and other current liabilities	\$1,152,874	\$1,268,218	\$1,357,989	\$1,735,625	\$1,777,523
Deposits	6,000	6,000	6,000	1,653,653	1,735,289
Due to other governments	192,155	--	--	107,460	4,370
Due to other funds	98,124	28,252	23,540	6,722	135,801
Total Liabilities	\$1,449,153	\$1,302,470	\$1,387,529	\$3,503,460	\$3,652,983
Total Deferred Inflows of Resources	\$732,898	\$919,478	\$1,110,818	\$1,422,795	\$1,430,452
Fund Balance:					
Nonspendable					
Deposits to self-insurance	\$ --	\$ --	\$ --	\$ --	\$542,901
Prepaid items	141,775	--	--	--	--
Inventory	13,318	15,966	14,709	17,553	18,080
Advances to other funds	2,000,324	2,650,324	3,146,324	3,703,324	4,173,324
Assigned					
Self-insurance	150,000	150,000	150,000	-	--
Unassigned ⁽³⁾	5,921,940	10,264,097	12,581,274	16,759,291	24,712,252
Total fund balances	\$8,227,357	\$13,080,387	\$15,892,307	\$20,480,168	\$29,446,557
Total Liabilities and Fund Balances	\$10,409,408	\$15,302,335	\$18,390,654	\$25,406,423	\$34,529,992

(1) The balance at June 30, 2022 consists primarily of receivables from the California Department of Tax and Fee Administration for sales and use taxes totaling approximately \$2.7 million.

(2) Represent interfund loans from the General Fund to other funds to cover negative cash balances in such other funds.

(3) Unassigned fund balance at June 30, 2022, includes approximately \$22.1 million set aside pursuant to the City's cash reserve policy for the General Fund, of which approximately \$4 million is anticipated to be used to establish the City Miscellaneous Plan 115 Trust and Fire District Safety Plan 115 Trust. See "– Fiscal Policies – Reserve Policy" above.

Source: City of Hesperia audited financial statements for Fiscal Years ended June 30, 2018 through June 30, 2022.

The following table shows the operational results of the General Fund for Fiscal Years 2017-18 through 2021-22 and estimated unaudited results for Fiscal Year 2022-23.

Table 3
CITY OF HESPERIA
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2017-18 through 2022-23 (Estimated)

	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Estimated Unaudited 2022-23⁽¹⁾
Revenues:						
Taxes	\$15,304,690	\$17,751,449	\$17,721,574	\$21,464,989	\$23,814,083	\$23,820,412
Licenses and permits	232,351	255,400	284,948	262,816	289,932	247,410
Fines and forfeits	909,468	915,427	1,366,432	1,146,202	1,488,889	1,297,724
Use of money and property	55,620	128,133	184,491	72,862	(152,077)	311,819
Intergovernmental	11,271,037	11,168,527	11,883,595	12,588,659	13,165,905	14,573,437
Charges for services	2,718,676	2,759,290	3,026,004	4,592,541	5,979,828	5,732,252
Grants	19,931	18,419	22,760	2,479,850	102,336	104,502
Other revenue ⁽²⁾	2,488,513	2,675,013	2,908,466	2,562,197	2,554,671	2,456,075
Total Revenues	\$33,000,286	\$35,671,658	\$37,398,270	\$45,170,116	\$47,243,567	\$48,543,631
Expenditures						
Current:						
General Government						
City council	\$850,228	\$748,294	\$942,381	\$1,366,912	\$1,102,159	\$792,086
City manager	2,447,474	2,471,756	2,627,151	3,314,042	3,059,619	3,657,308
Management services	5,003,353	4,174,275	4,364,749	4,271,621	6,012,945	6,636,726
Public safety- police	15,903,077	16,508,781	17,319,612	18,080,456	18,682,407	20,601,680
Development services	6,220,369	6,375,474	6,660,916	6,507,481	8,080,695	9,658,900
Debt Service:						
Interest	--	--	--	--	622	--
Principal	--	--	--	--	84,719	--
Capital outlay:						
Buildings and improvements	108,323	--	--	--	71,592	22,705
Equipment and vehicles	76,024	31,505	67,656	177,290	423,740	469,569
Leases	--	--	--	--	178,588	--
Total Expenditures	\$30,608,848	\$30,310,065	\$31,982,465	\$33,717,802	\$37,697,086	\$41,838,974
Revenues over expenditures	\$2,391,438	\$5,361,593	\$5,415,805	\$11,452,314	\$9,546,481	\$6,704,657
Other Financing Sources (Uses)						
Transfers in	\$240,000	\$140,000	\$644,400	\$252,000	\$200,000	\$200,000
Transfers out	(2,585,893)	(2,220,068)	(3,372,385) ⁽³⁾	(7,116,453) ⁽⁴⁾	(2,592,224)	(2,572,890)
Sale of capital assets	--	7,988	124,100	--	--	--
Insurance proceeds	--	1,563,517	--	--	30,636	--
Proceeds from sale of land	210,707	--	--	--	--	--
Issuance of lease	--	--	--	--	178,588	--
Total other financing sources	(2,135,186)	(508,563)	(2,603,885)	(6,864,453)	(2,183,000)	(2,372,890)
Net change in fund balances	\$256,252	\$4,853,030	\$2,811,920	\$4,587,861	\$7,363,481	\$4,331,767
Fund balances, July 1⁽⁵⁾	\$7,971,105	\$8,227,357	\$13,080,387	\$15,892,307	\$22,083,076	\$29,446,557
Fund balances, June 30	\$8,227,357	\$13,080,387	\$15,892,307	\$20,480,168	\$29,446,557	\$33,778,324

(1) Represent unaudited estimated results; subject to change.

Footnotes to Table 3 Continued:

- (2) The City leases certain water rights for their fair rental value to the Water District to serve its retail service territory (which coincides with the City's boundaries). See "– Outstanding Debt of the General Fund – 2012 Lease Revenue Bonds." Other revenue shown above consists predominantly of such lease payments, which in Fiscal Year 2021-22 totaled approximately \$1.8 million.
- (3) In Fiscal Year 2019-20, the City began making contributions to CalPERS in connection with retirement liabilities associated with former employees of the Fire District, which liabilities were assumed by the City in connection with the annexation of the Fire District. The increase in transfers out in Fiscal Year 2019-20 is due to a transfer out of \$1.1 million to make required contributions to CalPERS with respect to such liabilities. See "– Property Taxes – Pass-Through Revenue Sharing Agreement" and "– Employee Retirement System."
- (4) The increase in transfers out in Fiscal Year 2020-21 was due primarily to set asides totaling approximately \$3.5 million for the payment of debt service on the 2012 Bonds and the 2013 Bonds (as defined herein) in future years. See "– Outstanding Debt of the General Fund."
- (5) In Fiscal Year 2021-22, the City restated the fund balance of the General Fund at July 1, 2021 to record the deposit of self-insurance in the fund financial statements instead of an adjustment for the government-wide financial statements.

Source: City of Hesperia audited financial statements for Fiscal Years ended June 30, 2018 through June 30, 2022; City of Hesperia.

Major General Fund Revenues By Source

The following table provides a summary of major sources of General Fund revenues of the City for Fiscal Years 2017-18 through 2021-22.

Table 4a
CITY OF HESPERIA
Major General Fund Revenues By Source
Fiscal Years 2017-18 through 2021-22
(Dollars in Thousands)

	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	% of Total⁽¹⁾
Taxes						
Sales and Use Taxes	\$9,284	\$10,305	\$10,162	\$12,837	\$14,560	30.8%
Franchises	3,360	3,501	3,566	3,655	3,935	8.3
Transient Occupancy Tax	1,295	1,400	1,389	1,799	2,013	4.3
Property Taxes ⁽²⁾	786	1,939	1,735	1,779	1,877	4.0
Special Assessments	278	288	297	306	315	0.7
Property Transfer Tax	302	281	284	387	568	1.2
Commercial Cannabis Tax	--	38	290	703	544	1.1
Total Taxes	\$15,305	\$17,751	\$17,722	\$21,465	\$23,814	50.4
Intergovernmental	\$11,271	\$11,169	\$11,884	12,589	\$13,165	27.9
Charges for services	2,719	2,759	3,026	4,593	5,978	12.7
Total Major Revenues	\$29,295	\$31,679	\$32,632	\$38,647	\$42,957	91.1%

(1) Reflects percentage of total Fiscal Year 2021-22 General Fund revenues of \$47.2 million.

(2) In 2018, the boundaries of the Fire District were annexed into the San Bernardino County Fire Protection District. As a result of the annexation, commencing Fiscal Year 2018-19, the City receives approximately 1.5% of the property tax revenues that were previously allocated to the Fire District. A portion of such property tax revenues are remitted to the City pursuant to a revenue sharing agreement entered into by the City, the Fire District and the San Bernardino County Fire Protection District in connection with the annexation. See "– Property Taxes – Pass-Through Revenue Sharing Agreement."

Source: City of Hesperia.

The following table shows the City's estimated revenues from the major sources of General Fund for Fiscal Years 2022-23 and 2022-23 and the Fiscal Year 2023-24 Proposed Budget (with a comparison against the Fiscal Year 2022-23 Budget (as originally adopted and not reflecting any mid-Fiscal Year budget adjustments) and the Fiscal Year 2023-23 Proposed Budget).

Table 4b
CITY OF HESPERIA
Major General Fund Revenues By Source
Budgeted Fiscal Year 2022-23 and 2023-24 and Estimated Fiscal Year 2022-23
(Dollars in Thousands)

	Adopted Budget 2022-23	Estimated Unaudited 2022-23⁽¹⁾	Proposed Budget 2023-24⁽²⁾
Taxes			
Sales and Use Taxes	\$13,900	\$14,608	\$14,440
Franchises	4,090	4,298	4,308
Transient Occupancy Tax	1,500	1,800	1,700
Property Taxes	1,946	2,063	2,103
Special Assessments	325	361	379
Property Transfer Tax	400	332	300
Commercial Cannabis Tax	481	358	350
Total Taxes	\$22,642	\$23,820	\$23,580
Intergovernmental	13,832	\$14,573	15,630
Charges for services	4,168	5,732	3,986
Total Major Revenues	\$40,642	\$44,125	\$43,196

(1) Represent unaudited estimated actuals; subject to change.

(2) Represents Fiscal Year 2023-24 Proposed Budget as anticipated to be adopted by the City Council on June 20, 2023; subject to change.

Source: City of Hesperia.

Certain General Fund taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Limitations on Revenues – Article XIII C and Article XIII D of the California Constitution" in the forepart of this Official Statement.

Sales and Use Taxes

General. A sales and use tax is imposed on retail sales or consumption of personal property in the City. As shown in Table 4a, sales and use tax revenues represented the largest or the second largest source of revenues for the City's General Fund in each of Fiscal Years 2017-18 through 2021-22, comprising approximately 31% of the City's total General Fund revenues for Fiscal Year 2021-22. In Fiscal Year 2021-22, the City's sales tax revenues totaled approximately \$14.6 million, an increase of approximately 13% compared to sales tax revenues of approximately \$12.8 million in Fiscal Year 2020-21. For Fiscal Year 2022-23, the City's sales tax revenues are projected at approximately \$14.6 million.

Sales Tax Rates. The City's sales tax revenue represents the City's share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. The sales

tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law, set forth in California Revenue and Taxation Code Section 7200 et seq. The local sales tax rate in the City is 7.75%, of which the City's General Fund is allocated 1.00%.

The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

Table 5
CITY OF HESPERIA
Sales Tax Rates

	<u>Rate</u>
State - General Fund	3.9375%
State - Local Revenue Fund	1.5625
Public Safety Fund (Proposition 172)	0.5000
County	0.2500
City	1.0000
San Bernardino County Transportation Authority	0.5000
Total	<u>7.7500%</u>

Source: California Department of Tax and Fee Administration.

At the November 1993 election, Proposition 172 was approved by voters in the State, allowing for the permanent extension of the half-cent sales tax that was originally imposed on July 15, 1991, which was scheduled to sunset on June 30, 1993. (On July 1, 1993, a six-month extension of the tax was granted by the State in order to provide a source of one-time funding for cities and counties to partially offset 1993-1994 ongoing property tax reductions.) The passage of the Proposition 172 legislation, effective January 1, 1994, required that the proceeds from the half-cent tax be diverted from the State to counties and cities on an ongoing basis for funding public safety programs.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis. Sales tax revenue collected by the State is directly deposited monthly to the City. For a summary of historical taxable transactions in the City, see "— Historical Taxable Transactions."

Certain transactions are exempt from the State sales and use tax. These include sales of the following products:

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

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the March 2018 publication of the California Department of Tax and Fee Administration (the “CDTFA”) entitled “Sales and Use Taxes: Exemptions and Exclusions,” which can be found on the CDTFA’s website at <http://www.cdtfa.ca.gov>. *The reference to this Internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the “**Wayfair Decision**”), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have physical nexus in a state in order for the seller to be liable for the collection of that state’s sales tax. Physical nexus is defined as having either property or payroll in the state, including a resident employee working from home or inventory stored in that state. The State has issued guidance in response to the Wayfair Decision. Under such guidance, beginning April 1, 2019, retailers located outside of the State are required to register with the CDTFA, collect the California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state. The new collection requirements apply to retailers if during the preceding or current calendar year certain sales thresholds are met. The new collection requirements apply to taxable sales of tangible personal property to California consumers on and after April 1, 2019, and are not retroactive. Additionally, the State’s passage of Assembly Bill 147, signed by the Governor on April 25, 2019, provides the implementation rules for the Wayfair Decision in California.

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

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter. Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA’s quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method. Using the prior year’s quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, to establish the estimated base amount.

The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire, or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances, and the current advance are provided with each quarterly clean-up payment.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2017 through 2021 is shown in the following table.

Table 6
CITY OF HESPERIA
TAXABLE TRANSACTIONS
For Calendar Years 2017 Through 2021
(Dollars in thousands)

	2017	2018	2019	2020	2021
Retail and Food Services:					
Motor Vehicle and Parts Dealers	\$61,427	\$61,340	\$64,316	\$74,348	\$95,997
Home Furnishing and Appliance Stores	16,631	18,246	18,545	19,903	23,032
Bldg. Mat'ls., Garden Equip., Supplies	37,754	39,389	32,878	33,284	33,568
Food and Beverage Stores	51,701	51,438	53,423	61,011	64,073
Gasoline Stations	205,577	248,914	235,044	201,082	310,467
Clothing and Accessories Stores	26,466	29,992	31,647	31,362	52,474
General Merchandise Stores	107,491	105,418	110,133	133,929	148,721
Food Services and Drinking Places	118,367	124,208	137,378	137,652	175,399
Other Retail Group	48,177	48,967	54,561	68,834	82,230
Total Retail and Food Services	673,591	727,971	737,925	761,407	985,962
All other outlets	126,090	137,368	152,262	148,870	174,374
Total all outlets	\$799,681	\$865,339	\$890,186	\$910,277	\$1,160,336

Source: California Department of Tax and Fee Administration.

Total taxable sales reported during the first three quarters of calendar year 2022 in the City were reported to be \$950.5 million, a 10.87% increase from the total taxable sales of \$857.4 million reported during the first three quarters of calendar year 2021.

Intergovernmental Revenues

As shown in Table 4a, intergovernmental revenues represented the largest or second largest source of revenues for the City's General Fund in each of Fiscal Years 2017-18 through 2021-22, comprising approximately 28% of the City's total General Fund revenues for Fiscal Year 2021-22. In Fiscal Year 2021-22, the City's intergovernmental revenues totaled approximately \$13.2 million, an increase of approximately 5% compared to intergovernmental tax revenues of approximately \$12.6 million in Fiscal Year 2020-21. For Fiscal Year 2022-23, the City's intergovernmental revenues are projected at approximately \$14.6 million.

Historically, the majority of the City's intergovernmental revenues have consisted of the City's share of the Vehicle License Fee (the "VLF") that is imposed by the State. The VLF is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the State Budget for Fiscal Year 2004-05, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee with property taxes in-lieu of the VLF. The State Budget for Fiscal Year 2004-05 permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and removed the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. 100% of the VLF revenues and property taxes in-lieu of the VLF the City receives from the State can be used for City general purposes.

In Fiscal Year 2022-23, the City's VLF revenues and property taxes in-lieu of the VLF totaled approximately \$10.2 million with the remaining \$3 million of intergovernmental revenues consisting primarily of contributions from other City funds for general and administrative expenses. The following table shows the City's total VLF revenues and property taxes in-lieu of the VLF for Fiscal Years 2017-18 through 2021-22, and projected total VLF revenues and property taxes in-lieu of the VLF for Fiscal Year 2022-23.

Table 7
CITY OF HESPERIA
VLF Revenues and In-Lieu Property Tax Revenues
Fiscal Years 2017-18 through 2021-22

Fiscal Year	Total
2017-18	\$ 7,913,637
2018-19	8,360,412
2019-20	9,019,413
2020-21	9,594,289
2021-22	10,220,844
2022-23 ⁽¹⁾	11,279,915

(1) Represent unaudited estimated actuals; subject to change.
Source: City of Hesperia.

Charges for Services

The City provides various services which generate revenue for the General Fund. Some services provided by the City include business licensing, building construction and planning reviews and inspections, recording of documents, health inspections, and engineering encroachment inspections.

As shown in Table 4a, charges for services were the third largest revenue source for the City's General Fund in each of Fiscal Years 2017-18 through 2021-22, comprising approximately 13% of the City's total General Fund revenues for Fiscal Year 2021-22. In Fiscal Year 2021-22, charges for services totaled approximately \$6 million, an increase of approximately 30% compared to charges for services of approximately \$4.6 million in Fiscal Year 2020-21. For Fiscal Year 2022-23, the City's charges for services are projected at approximately \$5.8 million.

Franchise Taxes

The City imposes fees on refuse hauling; gas and electric utilities; and cable television companies operating in the City for the use, and wear and tear of the City right-of-way. The fees range from 2% to 10% of their gross receipts.

As shown in Table 4a, franchise tax revenues represented the fourth largest source of revenues for the City's General Fund in each of Fiscal Years 2017-18 through 2021-22, comprising approximately 8% of the City's total General Fund revenues for Fiscal Year 2021-22. In Fiscal Year 2021-22, the City's franchise tax revenues totaled approximately \$3.9 million, an increase of approximately 8% compared to franchise tax revenues of approximately \$3.7 million in Fiscal Year 2020-21. For Fiscal Year 2022-23, the City's franchise tax revenues are projected at approximately \$4.3 million, with approximately \$4 million derived from franchise fees relating cable television (projected to total approximately \$675,000), refuse hauling (projected to total \$1.8 million) and utilities (projected to total approximately \$1.5 million).

Transient Occupancy Taxes

The City's municipal code authorizes the application of a 10% tax to the cost of hotel rooms within the City. This is intended to offset the cost of governmental services (streets and public safety) that the visitors use while temporarily staying in the City. Growth is driven by a combination of occupancy, rates, and lodging supply.

As shown in Table 4a, transient occupancy tax revenues represented the fifth largest source of revenues for the City's General Fund in each of Fiscal Years 2017-18 through 2021-22, comprising approximately 4% of the City's total General Fund revenues for Fiscal Year 2021-22. In Fiscal Year 2021-22, the City's transient occupancy tax revenues totaled approximately \$2 million, an increase of approximately 12% compared to transient occupancy tax revenues of approximately \$1.8 million in Fiscal Year 2020-21. For Fiscal Year 2022-23, the City's transient occupancy tax revenues are projected at approximately \$1.8 million.

Property Taxes

General. Property taxes represent the City's sixth largest source of General Fund revenues for Fiscal Year 2021-22. This section describes property tax levy and collection procedures in the County and provides certain information regarding the City's historical assessed values and major property taxpayers. Property taxes have been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 35 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever was less. In addition, if unemployment and reduced economic activity generally is a sustained consequence of the COVID-19 pandemic through multiple fiscal years, a combination of property tax payment delinquencies and property tax assessment appeals could depress property tax revenue growth over time.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient,

in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

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

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid.

The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“**ERAF**”), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A” and “– Proposition 22” in the forepart of this Official Statement. There can be no assurance that the State will not undertake future ERAF shifts.

Assessed Valuation. All property is assessed using its full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” in the forepart of this Official Statement. Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, and 2% inflation) will be allocated on the basis of situs among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuation History. The following table shows the City's assessed valuation for Fiscal Years 2013-14 through 2022-23.

Table 8
CITY OF HESPERIA
Assessed Valuations of All Taxable Property

Fiscal Year	Secured	Unsecured	Less: Exemptions	Total
2013-14	\$4,323,310,389	\$153,406,415	\$80,382,872	\$4,396,333,932
2014-15	4,568,876,732	153,173,691	78,496,915	4,643,553,508
2015-16	4,927,736,958	163,458,347	77,065,237	5,014,130,068
2016-17	5,180,716,557	149,700,012	81,294,703	5,249,121,866
2017-18	5,534,189,488	144,454,034	80,114,454	5,598,529,068
2018-19	5,868,554,993	141,232,000	78,228,784	5,931,558,209
2019-20	6,316,580,296	147,332,716	77,352,516	6,386,560,496
2020-21	6,687,029,419	195,487,371	76,124,850	6,806,391,940
2021-22	7,107,306,637	199,301,311	75,184,120	7,231,423,828
2022-23	7,898,838,177	178,265,562	71,025,529	8,006,821,210

Source: San Bernardino County Auditor-Controller; City of Hesperia.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

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

Largest Taxpayers. The top twenty property taxpayers, based on secured assessed values of taxable property in the City, as shown on the 2022-23 tax roll, are set forth in the following table.

Table 9
CITY OF HESPERIA
Largest 2022-23 Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	Total⁽¹⁾
1.	Exeter 8300 Caliente Land LLC	Industrial	\$72,910,000	0.92%
2.	West Main Villas LLC	Apartments	42,268,718	0.54
3.	Carl E. Ross Living Trust	Undeveloped	39,778,902	0.50
4.	Kaiser Foundation Health Plan Inc.	Medical Offices	38,862,997	0.49
5.	Exeter Hesperia Parcel 3 Land LLC	Undeveloped	33,500,570	0.42
6.	WLPX Hesperia LLC	Commercial	32,579,824	0.41
7.	Rim Properties	Apartments	32,236,615	0.41
8.	Amargosa LLC	Industrial	30,871,646	0.39
9.	Hesperia Apartments LLC	Apartments	30,562,272	0.39
10.	Best Way Disposal Co. Inc.	Industrial	28,897,736	0.37
11.	Olivetree Apartments LP	Apartments	28,056,411	0.36
12.	Wal-Mart Stores Inc.	Commercial	26,069,678	0.33
13.	Target Corporation	Commercial	25,044,718	0.32
14.	Randolph S. and Sandra P. Davis	Apartments	21,742,416	0.28
15.	Sparky's Storage 18 CA LP	Industrial	16,336,757	0.21
16.	Hesperia Marketplace Cap Partners	Commercial	15,577,589	0.20
17.	Villas 154 LP	Apartments	14,652,177	0.19
18.	Associated Global Partners LLC	Undeveloped	14,212,139	0.18
19.	MPNR Properties LLC	Commercial	13,849,760	0.18
20.	Crossings at Hesperia LP	Apartments	13,634,316	0.17
			\$571,645,241	7.24%

(1) 2022-23 Local Secured Assessed Valuation: \$7,898,838,177.
Source: California Municipal Statistics, Inc.

No Teeter Plan for the City. Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the “**Teeter Plan**”) whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections. The County adopted this method of distributing taxes; *however, the City has elected not to participate in the Teeter Plan.* Consequently, property tax collections allocated to the City, as set forth in this Official Statement, reflect actual collections.

Pass-Through Revenue Sharing Agreement. In 2018, the boundaries of the Fire District were annexed into the San Bernardino County Fire Protection District. As a result of the annexation, the Fire District’s functions were transferred to the San Bernardino County Fire Protection District, which assumed all of the rights duties, responsibilities, liabilities and other matters of the Fire District, except the retirement liabilities to CalPERS associated with the

former employees of the Fire District which liabilities were assumed by the City. . The Fire District has no active employees. See “– Employee Retirement System” for a discussion regarding the City’s contributions to CalPERS, including contributions that are required to be made by the City to CalPERS with respect to former employees of the Fire District.

As a result of the annexation, commencing in Fiscal Year 2018-19, the City receives approximately 1.5% of the property tax revenues generated within the former boundaries of the Fire District. The portion of such property tax revenues that represent tax increment generated within the former boundaries of the Fire District are remitted to the City pursuant to a pass-through revenue sharing agreement (the “**Pass-Through Revenue Sharing Agreement**”) entered into by the City, the Fire District and the San Bernardino County Fire Protection District in connection with the annexation. Prior to the annexation, the Fire District and the former City of Hesperia Community Redevelopment Agency (the “**Former Agency**”) entered into two negotiated pass-through agreements (the “**Negotiated Pass-Through Agreements**”) pursuant to which property tax revenues representing tax increment were required to be remitted by the Former Agency to the Fire District. Because the Negotiated Pass-Through Agreements did not include language allowing for a transfer of tax increment revenues to the San Bernardino County Fire Protection District and the City, as required as part of the annexation, the City, the Fire District and the San Bernardino County Fire Protection District subsequently entered into the Pass-Through Revenue Sharing Agreement to provide for such transfer.

The Pass-Through Revenue Sharing Agreement terminates when the Negotiated Pass-Through Agreements expire. The City currently anticipates that the Negotiated Pass-Through Agreements will expire on or about 2037, the estimated year on which all enforceable obligations of the Former Agency and its successor agency are projected to be paid and retired. On and after the expiration of the Pass-Through Revenue Sharing Agreement, the City will receive the entire 1.5% of the property tax revenues generated within the former boundaries of the Fire District directly from the County. See “– *Redevelopment Dissolution Act*” below.

Property Tax Levies and Collections. The following table shows secured property tax levies and tax collections for Fiscal Years 2017-18 through 2021-22.

Table 10
CITY OF HESPERIA
Secured Property Tax Levies and Collections
Fiscal Years 2017-18 through 2021-22⁽¹⁾

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections as June 30, 2022	
		Amount	Percent of Levy		Amount	Percent of Levy
2018 ⁽²⁾	\$4,429,662	\$4,183,822	94%	\$18,121	\$4,201,943	95%
2019	500,280	486,238	97	16,076	500,280	100
2020	919,877	896,493	--	15,763	912,256	99
2021	938,839	933,597	99	--	933,597	99
2022	961,018	956,899	100	--	956,899	100

(1) The amounts presented include tax increment generated within former redevelopment project areas, including amounts deposited into the trust fund maintained by the County Auditor-Controller for the Successor Agency to the Hesperia Community Redevelopment Agency that were passed through to other agencies.

(2) Beginning with Fiscal Year 2018-19, the taxes levied and collected shown exclude the Fire District.

Source: City of Hesperia, and the County of San Bernardino Auditor Controller’s Office.

Redevelopment Dissolution Act. The State's Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area is formed. In effect, local taxing agencies, such as the City, realize tax revenues only in the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. Although Assembly Bill No. 26 ("**AB X1 26**"), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies, continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012, and as such statutory provisions have and may further be amended from time to time (as amended, the "**Dissolution Act**"). Pursuant to the Dissolution Act, the Former Agency was dissolved and succeeded by the Successor Agency to the Hesperia Community Redevelopment Agency.

Under the Dissolution Act, taxing entities, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value on each June 1 and January 2, commencing June 1, 2012, after payment of (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the Former Agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

Outstanding Debt of the General Fund

Outstanding Debt. The City makes scheduled periodic payments pursuant to certain other outstanding long-term agreements. Below are descriptions of certain of the City's outstanding long-term agreements in connection with which General Fund appropriations are made annually. This excludes information regarding certain equipment leases and obligations payable by the City or its related entities from special revenues. See "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 – Note 6."

2012 Lease Revenue Bonds. In 2012, the Authority issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) (the "**2012 Bonds**"), in the original principal amount of \$26,735,000. The net proceeds of the 2012 Bonds were used by the City to finance a portion of the purchase price of permanent rights to 5,971 acre-feet of water annually (the "**Water Rights**") from a private landowner. The City leases the Water Rights for their fair rental value to the Water District to serve its retail service territory (which coincides with the City's boundaries). The Water District's rental payments to the City are intended to approximate the avoided cost of leasing the water from the current owner or acquiring replacement water on the open market. As of the date of this Official Statement, the 2012 Bonds are outstanding in the aggregate principal amount of \$20,620,000.

2013 Lease Revenue Bonds. In 2013, the Authority issued its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) (the “**2013 Bonds**”), in the original principal amount of \$12,445,000. The net proceeds of the 2013 Bonds were used to prepay certain lease obligations of the City and related certificates of participation delivered in 2005. As of the date of this Official Statement, the 2013 Bonds are outstanding in the aggregate principal amount of \$8,945,000, and are anticipated to be refunded in full with the net proceeds of the 2023 Bonds. See “REFUNDING PLAN” in the forepart of this Official Statement.

No Anticipated Future Debt. Other than the 2023 Bonds, the City does not currently anticipate incurring any long-term obligations payable from its General Fund in the next five years.

Direct and Overlapping Bonded Debt

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land. The statement of direct and overlapping debt (the “**Debt Report**”) set forth on the following page was prepared by California Municipal Statistics, Inc. as of April 1, 2023. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Table 11
Direct and Overlapping Bonded Debt

2022-23 Assessed Valuation: \$8,075,905,550

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/23</u>
Victor Valley Joint Community College District	20.23%	\$30,477,348
California Statewide Community Development Authority Assessment	100.00	9,373,000
City of Hesperia Community Facilities District No. 2005-1	100.00	14,245,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$54,095,348
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	2.78%	\$4,471,908
San Bernardino County Pension Obligation Bonds	2.78	1,750,288
San Bernardino County Flood Control District General Fund Obligations	2.78	1,141,607
Hesperia Unified School District General Fund Obligations	84.607	99,083,258
Snowline Joint Unified School District General Fund Obligations	4.278	2,547,763
City of Hesperia Lease Revenue Bonds	100.00	30,230,000⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$139,224,824
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	3.340 - 100.%	\$99,183,454
COMBINED TOTAL DEBT		\$292,503,626⁽²⁾
<u>Ratios to 2022-23 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	0.67%	
Total Direct Debt (\$30,230,000)	0.37%	
Combined Total Debt	3.62%	
<u>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$5,160,692,028):</u>		
Total Overlapping Tax Increment Debt	1.92%	

(1) Excludes 2023 Bonds to be sold, and refunding of 2013 Bonds.

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

Employee Retirement System

This section contains certain information relating to CalPERS. The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Description of Plans. The City participates in CalPERS, a defined benefit public employee retirement system, under which CalPERS acts as a common investment and administrative agent for local and state governmental agencies within the State. All qualified permanent and probationary employees of the City are eligible to participate in the City's Miscellaneous Employee Pension Plan (the "**City Miscellaneous Plan**"), cost-sharing multiple employer defined benefit pension plans administered by the CalPERS. The City Miscellaneous Plan consists of two-tiers: (1) a tier for employees hired before January 1, 2013 (the "**Classic Tier**"); and (2) a tier for employees hired on or after January 1, 2013 (the "**PEPRA Tier**"). The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the California Public Employees Retirement Law (the "**Retirement Law**").

The Fire District maintains a miscellaneous plan (the "**Fire District Miscellaneous Plan**") and a safety plan (the "**Fire District Safety Plan**"). As previously described, in connection with the annexation of the boundaries of the Fire District into the San Bernardino County Fire Protection District, the Fire District's functions were transferred to the San Bernardino County Fire Protection District. As part of the annexation, the San Bernardino County Fire Protection District assumed all of the rights, duties, responsibilities, liabilities and other matters of the Fire District, except the retirement liabilities to CalPERS associated with the former employees of the Fire District. Such retirement liabilities were assumed by the City in consideration of the property revenues generated within the former boundaries of the Fire District to be remitted to the City. See "**Property Taxes – Pass-Through Revenue Sharing Agreement.**" Accordingly, this section also includes certain information regarding the Fire District Miscellaneous Plan and the Fire District Safety Plan. The Fire District has no active employees.

The City Miscellaneous Plan, the Fire District Miscellaneous Plan and the Fire District Safety Plan are hereinafter referred to collectively as the "**Plans.**"

The Water District maintains retirement plans for its employees and retirees. Certain information regarding such plans and associated liabilities are included in the financial statements of the City because the Water District is a component district of the City. see "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 – Note 8" for additional information regarding such plans.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 2.7% at 55 formula, eligibility for service retirement is age 55 with at least five years of services. California Public Employees' Pension Reform Act ("PEPRA") miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service.

All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire District members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments are applied as specified by the Retirement Law.

The benefits provided under the Plans are summarized in the following tables.

Miscellaneous Plans

<u>Hire Date</u>	City Miscellaneous Plan Prior to January 1, 2013	Fire District Miscellaneous Plan Prior to January 1, 2013	City and Fire District Miscellaneous Plans On or after Jan. 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 – 55+	52 – 63+	52 - 67+
Monthly benefits, as a % of eligible	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required Employer Contribution Rates:			
Normal Cost Rate ⁽¹⁾	14.020%	0.000%	7.590%

(1) Employees hired prior to January 1, 2013 are required by contract to contribute 1% of the City's employer normal cost contributions.
Source: City of Hesperia Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Fire District Safety Plan

Benefit formula	2.0% @ 50
Benefit vesting schedule	5 years' service
Benefit payments	Monthly for life
Retirement age	50-55+
Monthly benefits, as a % of eligible	2.0% to 2.7%
Required Employer Contribution Rates:	
Normal Cost Rate	--
Payment of Unfunded Liability	\$983,846

Source: City of Hesperia Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

California Public Employees' Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered "Classic" employees. California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which was signed by the State Governor on September 12, 2012, established a new

pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA miscellaneous employees receive benefits based on a 2.0% at age 62 formula. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit, as are contribution holidays, and purchases of additional non-qualified service credit.

PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index. Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

**CalPERS Pension Compensation Limits for
Calendar Year 2023 (Classic and PEPRA members)**

	<i>Classic</i>	<i>PEPRA</i>
Maximum Pensionable Income	\$330,000	\$175,250 ⁽¹⁾

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$146,042.

Source: CalPERS Payroll Circular Letter dated January 3, 2023.

Contributions. Section 20814(c) of the Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any UAL.

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. During the fiscal year, the City contributed a total of \$3,222,939 to the City Miscellaneous Plan and Fire District Miscellaneous Plan and \$983,846 to the Fire District Safety Plan.

Beginning in Fiscal Year 2017-18, CalPERS collects employer contributions for the Plans as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the UAL. The dollar amounts are billed on an annual basis.

The actuarially determined normal cost rates and UAL contribution amounts for the Plans for the Fiscal Years ended June 30, 2022, through June 30, 2024, are as shown in the following table.

	Fiscal Year 2021-22		Fiscal Year 2022-23		Fiscal Year 2023-24	
	Employer Normal Cost Rate ⁽¹⁾	Employer Amortization of UAL	Employer Normal Cost Rate ⁽¹⁾	Employer Amortization of UAL	Employer Normal Cost Rate ⁽¹⁾	Employer Amortization of UAL
City Miscellaneous Plan						
Classic Tier	14.02%	\$1,516,908	14.03%	\$1,710,427	15.95%	\$1,657,465
PEPRA Tier	7.59	20,989	7.47	25,258	7.68	0
Fire District Miscellaneous Plan	0.00	24,722	0.00	26,505	0.00	20,479
Fire District Safety Plan	0.00	1,017,698	0.00	1,104,310	0.00	917,179

(1) Employees hired prior to January 1, 2013 are required by contract to contribute 1% of the City's employer normal cost contributions. Percentages shown are inclusive of employee contributions.
Source: CalPERS Actuarial Reports dated July 2020, July 2021, and July 2022.

The City's estimated total contribution amounts (including the required normal cost (if any) and UAL contributions) for the Plans in Fiscal Years 2021-22, 2022-23 and 2023-24 are shown in the following table.

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
	Total Employer Contribution ⁽¹⁾	Total Employer Contribution ⁽¹⁾	Total Employer Contribution ⁽¹⁾
City Miscellaneous Plan			
Classic Tier	\$2,258,347	\$2,401,733	\$2,288,589
PEPRA Tier	246,102	289,828	290,422
Fire District Miscellaneous Plan	24,722	26,505	20,479
Fire District Safety Plan	1,017,698	1,104,310	917,179

(1) Employees hired prior to January 1, 2013 are required by contract to contribute 1% of the City's employer normal cost contributions. Contributions shown are inclusive of employee contributions.
Source: CalPERS Actuarial Reports dated July, 2020, July 2021, and July 2022.

Pension Section 115 Trust. As previously described, the City anticipates establishing the City Miscellaneous Plan 115 Trust, a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code, with Alta Trust Company, as trustee, to fund the City's retirement obligations to the CalPERS with respect to the City Miscellaneous Plan, and the Fire District Safety Plan 115 Trust, a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code, with Alta Trust Company, as trustee, to fund the City's retirement obligations to the CalPERS with respect to the Fire District Safety Plan. When established, the City anticipates making initial deposits of \$3.6 million and \$1.2 million into the City Miscellaneous Plan 115 Trust and the Fire District Safety Plan 115 Trust, respectively.

Projected Employer Contributions. The following table shows the City's actuarially-determined required employer contribution for Fiscal Year 2023-24 and projected employer contributions (before cost sharing) for Fiscal Years 2024-25 through 2028-29 for the Plans by normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount).

The projections assume a 6.80% annual rate of return for Fiscal Year 2021-22 but do not include any reductions in the normal cost that will occur over time as new employees are hired into PEPRa or other lower cost benefit tiers.

Required Contribution		Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22 and Beyond)				
City Miscellaneous Plan (Classic Tier)						
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	15.95%	16.0%	16.0%	16.0%	16.0%	16.0%
UAL Payment	\$1,657,465	\$1,642,000	\$1,181,000	\$1,109,000	\$1,011,000	\$1,053,000
City Miscellaneous Plan (PEPRA Tier)						
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	7.68%	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Payment	\$0	\$0	\$0	\$0	\$0	\$0
Fire District Miscellaneous Plan						
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UAL Payment	\$20,479	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Fire District Safety Plan						
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UAL Payment	\$917,000	\$917,000	\$917,000	\$917,000	\$917,000	\$917,000

Source: CalPERS Actuarial Reports dated July 2022.

Funded Status. The following table sets forth the schedule of funding for the Plans for the valuation dates of June 30, 2019, 2020, and 2021.

Valuation Date Ended June 30	Accrued Liability	Market Value of Assets	UAL	Funded Ratio	Annual Covered Payroll
City Miscellaneous Plan (Classic Tier)					
2019	\$62,367,208	\$45,424,992	\$16,942,216	72.8%	\$4,875,081
2020	65,091,834	46,842,306	18,249,528	72.0	4,542,208
2021	69,308,361	56,963,556	12,344,805	82.2	3,642,289
City Miscellaneous Plan (PEPRA Tier)					
2019	\$1,624,956	\$1,484,483	\$140,473	91.4%	\$2,734,090
2020	2,204,787	1,995,200	209,587	90.5	3,264,935
2021	2,921,457	3,401,713	(120,256)	104.1	3,480,878
Fire District Miscellaneous Plan					
2019	\$31,661,390	\$22,231,763	\$9,429,627	70.2%	\$0
2020	32,052,705	22,255,783	9,796,922	69.4	0
2021	32,681,193	25,695,089	6,986,104	78.6	0
Fire District Safety Plan					
2019	\$596,113	\$396,468	\$199,645	66.5%	\$0
2020	570,006	368,396	201,610	64.6	0
2021	573,270	424,638	148,632	74.1	0

Source: CalPERS Actuarial Reports dated July 2022.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2021 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2023-

24. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

Net Pension Liability. As of June 30, 2022, the City reported a net pension liability of \$9.7 million for the City Miscellaneous Plan, \$136,931 for the Fire District Miscellaneous Plan and \$5.8 million for the Fire District Safety Plan. Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00. On November 15, 2021, the CalPERS Board of Administration voted to lower its discount rate from 7.00% to 6.80% for the June 30, 2021 actuarial report.

Investment Performance. CalPERS earnings reports for Fiscal Years 2011-12 through 2021-22 report investment gains (and losses) of approximately 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3% and (6.1%), respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

Other Post-Employment Retirement Benefits

The City provides OPEB through the OPEB Plan, a single-employer defined benefit health-care plan. The OPEB Plan, which is administered by the City, provides certain health-care benefits. Specifically, the City provides health insurance for its retired employees according to the personnel rules and regulations. The authority to do so is included annually in the Memorandum of Understanding between the City and each of its employee groups and ultimately passed by Council action. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue a separate report.

As of the June 30, 2021, measurement date, the following current and former employees of the City were covered by the benefit terms of the OPEB Plan:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>154</u>
Total	267

Source: City of Hesperia Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

As previously described, the City anticipates establishing the OPEB 115 Trust, a tax qualified irrevocable trust organized under Section 115 of the Internal Revenue Code with Alta Trust Company, as trustee, to prefund OPEB by June 30, 2023, with an initial deposit of approximately \$600,000.

Benefit Payments. Benefit payment requirements are established by City policy and may be amended by the City Council. For the year ended June 30, 2022, the City made \$79,891 in contributions in the form of premium payments, \$86,091 in implicit subsidy benefit payments and administrative expense of \$821 for a total benefits paid of \$166,803.

Total OPEB Liability. The City's OPEB liability of \$6,982,356 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures.

See "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 – Note 9" for additional information regarding the OPEB Plan, including a description of the actuarial methods and assumptions used to measure the City's OPEB liability as of the June 30, 2021 measurement date.

Employee Relations and Collective Bargaining

The City had approximately 166 full-time and part-time equivalent employees at the beginning of Fiscal Year 2021-22. The City has no fire or police personnel. The City contracts with the San Bernardino County Sheriff's Department for its police services. Fire protection for the City is provided by the San Bernardino County Fire Department.

City employees are represented by one labor union association, the San Bernardino Public Employees Association. Currently approximately 51% all City employees, including part-time employees, are covered by the union's collective bargaining agreement. A table summarizing certain information about the bargaining unit is provided below. In the previous five years, there have not been any work stoppages by City employees.

Table 12
CITY OF HESPERIA
City Employee Bargaining Units

Bargaining Unit	Contract Expiration Date	Number of Budgeted Employees
Teamsters Local 1942 – City of Hesperia	January 31, 2024	84

Source: City of Hesperia.

Risk Management

General. The City is a member of the Public Entity Risk Management Authority ("PERMA"), a joint powers authority of 32 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the board.

Each member is billed annually, and Workers' Compensation premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. The City receives audited financial statements of PERMA each year that have been audited by other auditors.

There have been no significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Workers' Compensation and Employers' Liability. The City is self-insured for the first \$250,000 of each workers' compensation and employers liability claim, and PERMA will assume each claim's liability between \$250,000 and \$500,000. Excess liability insurance coverage is obtained from the Local Agency Workers' Compensation Excess Joint Powers Authority ("**LAWCX**") by PERMA on behalf of the City. LAWCX will assume each claims liability between \$500,000 and \$5,000,000 for employer's liability and Statutory for each workers' compensation claim.

General Liability. The City is self-insured for general liability including errors and omissions and auto liability up to the first \$50,000 for each occurrence, and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by PERMA. Excess liability insurance coverage is obtained from CSAC Excess Insurance Authority ("**CSAC-EIA**") by PERMA on behalf of the City. CSAC-EIA will assume each claim liability between \$1,000,000 and \$50,000,000.

Employment Practices. The City is self-insured for employment practices up to the first \$50,000 for each occurrence, and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by Employment Risk Management Authority. Excess insurance coverage is obtained from CSAC Excess Insurance Authority ("**CSAC-EIA**") by PERMA on behalf of the City.

Property. The City is self-insured for the first \$5,000 for each occurrence (with the exception of \$100,000 flood), and the difference between the City's self-insurance retention and the lesser of \$100,000,000 (\$2,500,000 Flood) or the insurable value is covered by Alliant Property Insurance Programs.

Auto Physical Damage. The City is self-insured for the first \$2,500 for each occurrence for all vehicles and the difference between the City's \$2,500 self-insurance retention and the lesser of \$100,000 or the insurable value is covered by Hanover Insurance Co.

Special Events. The City is insured up to \$500,000 for each occurrence covered by Alliant Insurance Services.

Other. The City is self-insured for employee dishonesty, forgery and alteration, theft, disappearance, destruction, robbery & safe burglary, money orders and counterfeit paper currency up to the first \$2,500 for each occurrence, and the difference between the City's self-insurance retention and \$1,000,000 is covered by Alliant Insurance Services, Inc..

See "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 – Note 11" for additional information regarding the

City's insurance, including self-insurance limits and changes in the balances of claims liabilities for the years ended June 30, 2022 and June 30, 2021.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds that are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted on November 15, 2022 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of March 31, 2023, had a market value of approximately \$136 million, and is described in the following table. As of March 31, 2023, the average life of the City's investment portfolio was 0.75 years.

Table 13
CITY OF HESPERIA
Investment Portfolio as of March 31, 2023

Type	Market Value	Cost Basis	% of Portfolio⁽¹⁾
Local Agency Investment Fund	\$136,402,740	\$138,267,929	100%

(1) Calculated using cost basis.
Source: City of Hesperia.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$(PAR)
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Hesperia (the “City”), for and on behalf of itself and the Hesperia Joint Public Finance Authority (the “Authority”), in connection with the issuance by the Authority of the bonds captioned above (the “2023 Bonds”). The 2023 Bonds are being issued pursuant to an Indenture, dated as of July 1, 2023 (the “Indenture”), between U.S. Bank Trust Company, National Association, as trustee, and the Authority.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2023 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

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

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

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

“*Official Statement*” means the final official statement dated _____, 2023, executed by the City and the Authority in connection with the issuance of the 2023 Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original purchaser of the 2023 Bonds required to comply with the Rule in connection with offering of the 2023 Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2024, with the report for fiscal year 2022-23, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the

preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement, as follows:

- (i) Principal amount of Bonds outstanding.
 - (ii) General fund budget summaries for the then-current fiscal year and the preceding fiscal year in substantially the form of Table 1 in Appendix A of the Official Statement.
 - (iii) General fund balance sheet in substantially the form of Table 2 in Appendix A of the Official Statement.
 - (iv) Statement of General fund revenues, expenditures and changes in fund balance in substantially the form of Table 3 in Appendix A of the Official Statement.
 - (v) Major general fund revenues by source in substantially the form of Table 4a in Appendix A of the Official Statement.
 - (vi) Assessed valuation of property in the City in substantially the form of Table 8 in Appendix A of the Official Statement, and the current property tax levy and collections in substantially the form of Table 10 in Appendix A of the Official Statement.
 - (vii) Updated descriptions of outstanding general fund debt and lease obligations.
- (c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public through the MSRB. The City shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2023 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2023 Bonds, or other material events affecting the tax status of the 2023 Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2023 Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain

the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the 2023 Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

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

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2023 Bonds. If such termination occurs prior to the final maturity of the 2023 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2023 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2023 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2023 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2023 Bonds.

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

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

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

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

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2023 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2023 Bonds.

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2023 Bonds, and shall create no rights in any other person or entity.

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

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Date: _____, 2023

CITY OF HESPERIA

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:
Urban Futures, Inc.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Hesperia Joint Public Finance Authority
9700 Seventh Avenue
Hesperia, CA 92345

OPINION: \$_____ Hesperia Joint Public Finance Authority 2023 Refunding Lease
Revenue Bonds

Members of the Board of Directors of the Authority:

We have acted as bond counsel to the Hesperia Joint Public Finance Authority (the "Authority") in connection with the issuance by the Authority of the captioned bonds dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, opinions and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law"), the Indenture, dated as of _____ 1, 2023 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted _____, 2023. Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including rental payments made by the City of Hesperia (the "City") under a Property Lease dated as of _____ 1, 2023 (the "Lease Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Lease Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the City Attorney, and others, without undertaking to verify the same by independent investigation.

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

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and the Lease Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing municipal corporation and general law city with the power to enter into the Lease Agreement and perform the agreements on its part contained therein.

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

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

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

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

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, opinions, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2023 Bonds, payment of principal, interest and other payments on the 2023 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2023 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the 2023 Bonds (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2023 Bonds (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2023 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2023 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2023 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2023 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

Attachment 4

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

Leasehold Less Than 35 Years

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

SITE AND FACILITIES LEASE

by and between

**CITY OF HESPERIA,
as Lessor**

and the

**HESPERIA JOINT PUBLIC FINANCE AUTHORITY,
as Lessee**

Dated as of [Month of Closing Date] 1, 2023

Relating to

**\$(Principal Amount)
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds**

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SITE AND FACILITY LEASE

THIS SITE AND FACILITIES LEASE (the "Site Lease"), dated as of [Month of Closing Date] 1, 2023, by and between the CITY OF HESPERIA, a municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessor (the "City"), and the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint powers agency duly organized and existing under the laws of the State of California (the "Authority"), as lessee; and

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose, among other things, of financing and refinancing public capital projects for the City;

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Authority to issue its 2013 Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Authority as lessor and the City as lessee; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Authority to defease and redeem the 2013 Bonds; and

WHEREAS, in order to accomplish the proposed prepayment and refinancing transaction, the City wishes to lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and together with the Site, the "Leased Property"), which Site is described in Exhibit A and incorporated herein by reference; and

WHEREAS, in order to obtain the necessary funds to lease the Leased Property from the City pursuant to this Site Lease and, thereby provide to the City funds to prepay the lease payments under the 2013 Lease Agreement, the Authority will issue its Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds (the "2023 Bonds"), pursuant to an Indenture, dated as of [Month of Closing Date] 1, 2023 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee, which Indenture is

evidenced by a Memorandum of Indenture recorded concurrently herewith and the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, the City will lease back the Leased Property from the Authority pursuant to a Property Lease dated as of [Month of Closing Date] 1, 2023, by and between the Authority, as lessor, and the City, as lessee (the "Property Lease"), which Property Lease is evidenced by a Memorandum of Property Lease which is being recorded concurrently herewith, and will pay to the Authority base rental payments and additional rental pursuant to the Property Lease sufficient to pay principal of and premium and interest, if any, on the 2023 Bonds and certain related expenses, all as provided in the Property Lease and the Indenture;

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Site Lease;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. All terms specifically defined in the Indenture and in the Property Lease shall have the same respective meanings when used herein.

Section 1.02. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Site Lease are to be designated Articles, Sections, and other subdivisions of this Site Lease as originally executed. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. References to Agreement. The words “hereof”, “herein”, “hereunder”, and words of similar import refer to this Site Lease as a whole.

Section 1.04. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.01, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Authority and the Trustee as follows:

(a) Due Organization and Existence. The City is a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State.

(b) Authorization. The laws of the State authorize the City to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the City has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the City, or upon the Leased Property, except Permitted Encumbrances.

(d) Title to Leased Property. The City has fee simple title to the Leased Property, subject only to Permitted Encumbrances.

Section 2.02. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants to the City and the Trustee as follows:

(a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly formed, operating and existing under the laws of the State; has power to enter into the Site Lease; is possessed of full power to sublease real and personal property; and has duly authorized the execution and delivery of this Site Lease.

(b) Authorization. The laws of the State authorize the Authority to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the Authority has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Leased Property, except Permitted Encumbrances.

ARTICLE III

AGREEMENT TO LEASE; TERM OF SITE LEASE; SITE LEASE PAYMENT

Section 3.01. Lease. The City hereby leases the Leased Property to the Authority, and the Authority hereby leases the Leased Property from the City, upon the terms and conditions set forth in this Site Lease, subject in each case to the Permitted Encumbrances, as defined in the Property Lease.

Section 3.02. Term. The term hereof shall commence on the date of recordation hereof, and shall end on November 1, _____, or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than November 1, _____). If on November 1, _____, or on such later date determined pursuant to the preceding sentence, the Indenture shall not be discharged by its terms, then the term of the Site Lease shall be extended until the Indenture shall be discharged by its terms, except that the term of the Property Lease shall in no event be extended beyond November 1, _____ or the date that is ten (10) years after such later date determined pursuant to the preceding sentence. If prior to November 1, _____ or such later date the Indenture shall be discharged by its terms, then the term of the Site Lease shall automatically terminate ten (10) days at the same time as the Indenture is discharged.

Section 3.03. Site Lease Payment. The Authority hereby agrees to pay to the City, as rental for Leased Property during the Term, the amount of \$_____, which amount is the remaining proceeds of the 2023 Bonds (after providing for the payment of certain amounts, as provided in Section 3.02 of the Indenture), and which amount shall be due and payable and shall, pursuant to Section 3.02 of the Indenture, be deposited in the Refunding Fund on the date of delivery of the 2023 Bonds.

Section 3.04. Title. The City hereby covenants that it has insurable fee title in the Leased Property, and during the Term, the City shall hold title to the Leased Property, subject to the Permitted Encumbrances.

Section 3.05. No Merger. It is the express intention of the parties hereto that this Site Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Property Lease and the obligations of the parties thereunder, and that during the term of the Property Lease no merger of title or interest occur or be deemed to occur as a result of the position of the City as fee owner of the Leased Property, as lessee under the Property Lease and as lessor under this Site Lease, or the position of the Authority as lessee under this Site Lease and Lessor under the Property Lease.

Section 3.06. Substitution, Addition or Release of Leased Property. The Leased Property may be substituted, added to or removed in part in implementation of the provisions of Section 12.01, Section 12.02 or Section 12.03, as applicable, of the Property Lease, and in such event, Exhibit A hereto shall be revised accordingly.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, this Site Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary.

Section 4.02. Application of Net Proceeds. The net proceeds of any insurance award resulting from any damage to or destruction of the Leased Property by fire or other casualty, and the net proceeds of any eminent domain award resulting from any event described in Section 4.01 hereof, shall be applied as set forth in the Property Lease and the Indenture. All such net proceeds shall be paid to the City or the Trustee as their interests may appear under the Property Lease, and the Authority hereby waives any and all right, title and interest which it may have in and to any such net proceeds by virtue of its estate in the Leased Property under this Site Lease.

ARTICLE V
MISCELLANEOUS

Section 5.01. Liens. The Authority shall not, directly or indirectly, create, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Authority and the City as herein provided and Permitted Encumbrances.

Section 5.02. Assignment and Subleasing by the Authority. For the purpose of providing funds to enable the Authority to aid the City in refinancing certain lease payment obligations of the City, the Authority has leased the Leased Property to the City pursuant to the Property Lease. The Authority shall not have the right to further sublease or to assign any of its interests under this Site Lease in and to the Leased Property or any portion thereof other than as set forth in the Indenture.

Section 5.03. Amendment. Without the prior written consent of the Trustee, the Authority and the City will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Site Lease, except as is required in connection with the amendment of the Property Lease.

Section 5.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the City or the Authority: 9700 Seventh Ave.
Hesperia, CA 92345
Attn: City Manager

If to the Trustee: U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust
Email: ismael.diaz@usbank.com

The Authority, the Trustee and the City, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 5.05. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 5.06. Severability. In the event any provision of this Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 5.07. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the

Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Site Lease.

Section 5.08. Execution in Counterparts. This Site Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.09. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State.

Section 5.10. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Site Lease.

* * * * *

IN WITNESS WHEREOF, the Authority has caused this Site Lease to be executed in its name by its duly authorized officer; and the City has caused this Site Lease to be executed in its name by its duly authorized officer, all as of the date first above written.

CITY OF HESPERIA, *as Lessor*

Attest

By: _____
City Clerk

By: _____
City Manager

HESPERIA JOINT PUBLIC FINANCE
AUTHORITY, *as Lessee*

Attest

By: _____
Secretary

By: _____
Executive Director

[attach Notary acknowledgment]

EXHIBIT A

DESCRIPTION OF THE SITE

The land described herein is situated in the State of California, County of San Bernardino, City of Hesperia, and is described as follows:

Civic Plaza Park

Parcel 4 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

Hesperia City Hall

Parcel 5 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the Office of the County Recorder of said County.

Attachment 5

PROPERTY LEASE

By and Between the

**HESPERIA JOINT PUBLIC FINANCE AUTHORITY,
as Lessor**

and the

**CITY OF HESPERIA,
as Lessee**

Dated as of [Month of Closing Date] 1, 2023

Relating to

**[\$[Principal Amount]
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds**

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Exhibit A - Description of the Site

Exhibit B - Base Rental Payment Schedule

PROPERTY LEASE

THIS PROPERTY LEASE (this "Property Lease"), made and entered into as of [Month of Closing Date] 1, 2023, by and between the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint powers agency, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the CITY OF HESPERIA, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the "City").

RECITALS

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Authority to issue its 2013 Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Authority as lessor and the City as lessee; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Authority to defease and redeem the 2013 Bonds; and

WHEREAS, in order to accomplish the proposed prepayment and refinancing transaction, the City wishes to lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and together with the Site, the "Leased Property"), which Site is described in Exhibit A hereto and incorporated herein by reference, pursuant to the Site and Facilities Lease dated as of [Month of Closing Date] 1, 2023 (the "Site Lease"), which is being recorded concurrently herewith, between the City, as lessor, and the Authority, as lessee; and

WHEREAS, the Leased Property initially is comprised of the Hesperia City Hall and Civic Plaza Park, but the City intends to substitute the Hesperia Branch Library for the Hesperia City Hall upon receipt of a written subordination from the County of San Bernardino (the "County") of a written subordination of its interests under the County Library Lease Agreement (as defined herein) to this Property Lease and the Site Lease; and

WHEREAS, in order to obtain the necessary funds to lease the Leased Property from the City pursuant to the Site Lease and, thereby provide to the City funds to prepay the lease payments under the 2013 Lease Agreement, the Authority will issue its Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds (the "2023 Bonds"), pursuant to an Indenture, dated as of [Month of Closing Date] 1, 2023 (the "Indenture"), by and between the

Authority and U.S. Bank Trust Company, National Association, as trustee, which Indenture is evidenced by a Memorandum of Indenture recorded concurrently herewith and the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, pursuant to this Property Lease, the Authority will lease the Leased Property back to the City; and

WHEREAS, the Authority will use Base Rental (as defined in this Property Lease) payments received from the City to pay debt service on the 2023 Bonds and, if applicable, Additional Bonds; and

WHEREAS, the City has found and determined that the issuance of the 2023 Bonds and the execution of this Property Lease will result in significant public benefits to the City within the contemplation of Section 6586 of the California Government Code; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Property Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Property Lease;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall have the meanings herein specified for all purposes of this Property Lease, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

“Addition” shall have the meaning assigned to such term in Section 12.03 hereof.

“Additional Bonds” means Additional Bonds issued in accordance with Sections 2.14 and 2.15 of the Indenture.

“Additional Rental” means all amounts payable to the Authority from the City as Additional Rental pursuant to Section 3.02 hereof.

“Agreement” shall mean the Joint Exercise of Powers Agreement, dated as of October 2, 2012, by and between the City and the Hesperia Water District, together with any amendments thereof and supplements thereto.

“Base Rental” means all amounts payable to the Authority by the City as Base Rental pursuant to Section 3.01 hereof.

“Base Rental Payment Date” means any date on which Base Rental is scheduled to be paid hereunder, being April 15 and October 15 of each year, commencing on October 15, 2023 (subject to the provisions of Section 3.06 hereof).

“Base Rental Payment Schedule” means the schedule of Base Rental payments payable to the Authority from the City pursuant to Section 3.01 hereof, as set forth in Exhibit B.

“Bonds” means the 2023 Bonds and any Additional Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks located in the city in which the Corporate Trust Office s located are authorized or required by law to close.

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

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“County” means the County of San Bernardino.

“County Library Lease Agreement” means an unrecorded Lease Agreement by and between the City and the County related to the Hesperia Branch Library, the term of which commenced on October 1, 2006.

“Facilities” means the improvements located on the Site.

“Indenture” means the Indenture dated as of [Month of Closing Date] 1, 2023, by and between the Authority and the Trustee authorizing the issuance of the 2023 Bonds, as it may from time to time be amended or supplemented by any supplemental trust agreement adopted or entered into pursuant to the provisions thereof.

“Interest Payment Date” means May 1 and November 1 of each year, commencing on November 1, 2023.

“Lease Year” means the period from the date of the issuance and delivery of the 2023 Bonds to November 1, 2023, and, thereafter, the period from each November 2 to and including November 1 of the next succeeding calendar year during the term of this Property Lease.

“Leased Property” means the Site and the Facilities.

“Opinion of Bond Counsel” means a written opinion of an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Owner” means the registered owner of any of the Bonds.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Site Lease and the Property Lease; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of initial delivery of the Bonds and which the City certifies in writing will not materially impair the use of the Leased Property by the City; (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Leased Property and to which the Authority and the City consent in writing and which do not materially impair the use or the value of the Leased Property; (vi) the Joint Use Agreement Between the City of Hesperia and the Hesperia Recreation and Park District to Hesperia Civic Plaza Park, dated June 21, 2011, between the Hesperia Recreation and Park District and the City; and (vii) the exceptions listed in title insurance policies issued by Stewart Title Company with respect to the Leased Property on the date of issuance of the 2023 Bonds.

“Principal Payment Date” means each November 1 on which the principal of the Bonds is scheduled to be paid, commencing November 1, 2023.

“Property Lease” means this lease, as it may be amended in accordance with the terms hereof.

“Risk Manager” means such person or firm of favorable reputation, qualified and experienced in the field of insurance and risk management consultation with respect to structures of the same nature as the Facilities, as may from time to time be designated by the City, and who may be employed by the City.

“Site” means the real properties described in Exhibit A attached hereto and made a part hereof, and, as appropriate, any site relating to Substitute Leased Property.

“Site Lease” means the Site and Facilities Lease dated as of [Month of Closing Date] 1, 2023, between the City, as lessor, and the Authority, as lessee, as it may be amended in accordance with the terms thereof.

“Substitute Leased Property” means any and all real property and the improvements thereon in the City and all additions and extensions or improvements thereto that are hereafter described as Substitute Leased Property by an amendment to this Property Lease as provided herein, including any property constituting Leased Property prior to such amendment that will remain subject to this Property Lease after the Substitution.

“Substitution” means the release of the Leased Property or any portion thereof from the leasehold hereof and the lease of a Substitute Leased Property hereunder as provided in Article XII.

“Trustee” means U.S. Bank Trust Company, National Association, as trustee under the Indenture.

“2013 Bonds” has the meaning given that term in the recitals

“2013 Indenture” has the meaning given that term in the recitals.

“2013 Lease Agreement” has the meaning given that term in the recitals.

“2013 Trustee” means U.S. Bank Trust Company, National Association, as successor trustee under the 2013 Indenture.

“2023 Bonds” means the Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds.

ARTICLE II

LEASE OF LEASED PROPERTY; TERM

Section 2.01. Lease of Leased Property. The Authority hereby leases to the City, and the City hereby leases from the Authority, the Leased Property on the terms and conditions set forth in this Property Lease. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes, subject to and consistent with all agreements and leases with respect thereto theretofore entered into it, so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and therein and in the Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property. The Authority and the City are entering into this Property Lease in order to prepay the 2013 Lease Payments and to defease and redeem the 2013 Bonds.

Section 2.02. Term. The term hereof shall commence on the date of recordation hereof, and shall end on November 1, _____ or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than November 1, _____). If on November 1, _____, or on such later date determined pursuant to the preceding sentence, the Indenture shall not be discharged by its terms, then the term of the Property Lease shall be extended until the Indenture shall be discharged by its terms, except that the term of the Property Lease shall in no event be extended beyond the date that is ten (10) years after such later date determined pursuant to the preceding sentence. If prior to November 1, _____, or such later date the Indenture shall be discharged by its terms, then the term of the Property Lease shall automatically terminate at the same time as the Indenture is discharged.

Section 2.03. No Merger. It is the express intention of the Authority and the City that this Property Lease and the obligations of the parties hereunder are separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Property Lease no merger of title or interest may occur or be deemed to occur as a result of the respective positions of the Authority and the City thereunder and hereunder.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Base Rental. The City shall pay to the Authority as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of Sections 2.02, 3.03, 3.06 and 8.01 of this Property Lease) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in Exhibit B. Base Rental shall be payable on each Base Rental Payment Date during the term of this Property Lease. Base Rental shall be for the use and occupancy of the Leased Property for the Lease Year in which such April 15 and October 15 occurs, provided that the Base Rental paid on any April 15 or October 15 shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of this Property Lease is extended pursuant to Section 2.02 hereof, the payments of Base Rental will continue to and including such time as this Property Lease terminates in accordance with Section 2.02 hereof.

The City shall provide written notice to the Trustee at least ten (10) Business Days prior to any Base Rental Payment Date upon which the City expects to be unable to pay all or any portion of the Base Rental payment due on such Base Rental Payment Date, informing the Trustee of such expectation.

The City shall receive a credit for any Base Rental payment if and to the extent a credit is due to the City pursuant to the last sentence of Section 3.04 hereof. Any amount held in the Revenue Fund, the Interest Fund and the Principal Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental payments in part but not in whole under this Article III and other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) shall be credited towards the Base Rental payment then required to be paid hereunder; and no Base Rental payment need be deposited with the Trustee on any Base Rental Payment Date if the amounts then held in the Revenue Fund, the Interest Fund and the Principal Fund are at least equal to the Base Rental payment then required to be deposited with the Trustee.

Section 3.02. Additional Rental. The City shall also pay to the Authority (but only after payment of Base Rental), as Additional Rental hereunder such amounts as shall be required by the Authority for the payment of the following:

(a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received hereunder for the retirement of the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges). In addition, the amounts described in the final sentence of Section 14.05 shall constitute Additional Rental.

(b) To the extent permitted by law, all reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply

with the terms of the Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

(c) Insurance premiums for all insurance required pursuant to Article VI of this Property Lease and not obtained by the City.

(d) Amounts, if any, required to be rebated by the Authority to the United States of America pursuant to Section 6.20 of the Indenture.

Such Additional Rental shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Section 3.03. Fair Rental Value. Such payments of the foregoing Base Rental and Additional Rental during the term of this Property Lease shall constitute the total rental for the City's use and occupancy of the Leased Property for the Lease Year in which such payments are scheduled to be made, and the parties hereto have agreed and determined that such total rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the costs of financing and leasing of the Leased Property by the Authority, the uses and purposes which may be served by the Leased Property, and the benefits which will accrue to the Authority, the City and the general public therefrom.

Notwithstanding any other provision of this Property Lease, in the event that rental payments due hereunder shall be abated partially for any period of time, the rental payments due for such period of time shall not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time.

Section 3.04. Payment Provisions. Each installment of Base Rental and Additional Rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Except as otherwise provided herein or in the Indenture, any installment of Base Rental or Additional Rental accruing hereunder which shall not be paid when due shall, from and after such due date until paid, bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law. Notwithstanding any dispute between the Authority and the City, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due hereunder or, at the City's option, refunded at the time of such determination.

Section 3.05. Appropriations Covenant. The City covenants to take such action as may be necessary to include all Base Rental payments and Additional Rental due hereunder in its annual budgets and to make necessary annual appropriations for all such rental payments. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Property Lease agreed to be carried out and performed by the City.

Section 3.06. Rental Abatement.

During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due hereunder shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease shall continue in full force and effect. Subject to Section 3.03 hereof, in the case of abatement relating to the Leased Property, the amount of abatement shall be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City shall calculate such abatement and shall provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date on which there is substantial interference with the use and occupancy by the City of the Leased Property and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of this Property Lease shall be extended by the period during which the rental is abated hereunder, except that the term shall in no event be extended beyond the term set forth in Section 2.02 hereof. Notwithstanding the foregoing, the City will still be obligated to apply amounts legally available to the City for payments due hereunder, including without limitation, amounts available pursuant to Section 5.02 of the Indenture (including all subsections thereof), amounts available from any capitalized interest account, any debt service reserve fund maintained under the Indenture and the Surplus Revenue Fund (as defined in the Indenture), and amounts available under Sections 6.13 and 6.17 of the Indenture.

Section 3.07. Application of Rental Payments. All rental payments received shall be applied first to the Base Rental payments due hereunder, and then to the Additional Rental payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 3.08. Prepayment of Rental Payments.

(a) The City may prepay, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Bonds being redeemed in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amount of Bonds maturing in each year after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Such prepayment shall be apportioned among Base Rental payments such that Bonds will be redeemed on a proportionate basis among maturities.

(b) The City may prepay, from any source of available funds, all or any portion of the principal components of the Base Rental payments due on or after October 15, _____, in whole or in part on any date on or after October 15, _____, from such Base Rental payments as are selected by the Authority as set forth in a Request of the Authority, in each case at a prepayment price equal to the sum of the 2023 Bonds being redeemed plus accrued interest thereon to the date of prepayment, without premium.

(c) Before making any prepayment pursuant to this section, the City shall, within five (5) Business Days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made, which date shall be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given.

(d) In connection with any prepayment of Base Rental payments, the City and the Authority shall amend the schedules of remaining Base Rental payments attached to this Property Lease as Exhibit B.

Section 3.09. Governmental Relief. The Authority and the City hereby covenant that they will each use their best efforts to appropriate funds and apply for any grants, loans or other relief available from the State or federal government in order to obtain amounts necessary to rebuild any portion of the Leased Property destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage.

Section 3.10. No Obligation to Pay Rent for Future Years. Notwithstanding any other provision of this Property Lease, the City shall in no event be obligated to pay rental due hereunder in any Lease Year for any succeeding Lease Year.

ARTICLE IV

TITLE TO THE LEASED PROPERTY; PREPAYMENT OF THE 2013 LEASE PAYMENTS AND THE 2013 BONDS

Section 4.01. Title to the Leased Property. During the term of the Property Lease, the Authority shall hold a leasehold interest in the Leased Property pursuant to the Site Lease. Title to all moveable property that is placed in or about the Leased Property by the City during the term of the Property Lease shall remain in the City during the term of the Property Lease.

The Authority's interest in and title to the Leased Property shall be transferred, conveyed and assigned to and become vested in the City and the Property Lease shall terminate with respect thereto at the end of the term hereof, upon payment in full of all rental payments due hereunder pertaining to the Leased Property, and the Authority will execute and deliver such conveyances, registration documents and other instruments as may be necessary to effect such vesting of record.

Section 4.02. Refinancing of the 2013 Lease Payments; Redemption of the 2013 Bonds. The City agrees to prepay the 2013 Lease Payments and to cause defeasance and redemption of the 2013 Bonds from moneys deposited into the Escrow Fund established and held by the 2013 Trustee under the Escrow Agreement.

ARTICLE V

MAINTENANCE OF THE LEASED PROPERTY; ALTERATIONS AND ADDITIONS

Section 5.01. Maintenance and Utilities. Throughout the term of this Property Lease, as part of the consideration for rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, sewer and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the rental payments herein provided, the Authority agrees to provide only the use, possession and quiet enjoyment of the Leased Property.

Section 5.02. Changes to the Leased Property. The City shall have the right during the term of this Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. The City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

ARTICLE VI

INSURANCE

Section 6.01. General Liability and Automobile Liability Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, general liability insurance naming the Authority, its members, officers, agents and employees, the Trustee and the City and its officers, agents and employees as insured parties. Said policy or policies shall insure said parties against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Section 6.02. Property Insurance.

(a) Throughout the term of this Property Lease, the City shall maintain or cause to be maintained fire and lightning (i.e., property) insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost of such structures or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, and shall include earthquake coverage if available at reasonable cost from reputable insurers in the judgment of the City.

(b) The City shall provide, or cause to be provided by the Authority, the title insurance required by Section 6.13(b) of the Indenture.

(c) Each policy of insurance described in this Section 6.02 shall contain a replacement cost endorsement providing for no deduction for depreciation.

Section 6.03. Rental Income Interruption Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, rental income interruption insurance in an amount not less than the maximum total Base Rental payable by the City pursuant to this Property Lease during any consecutive twenty-four (24) month period, plus the Additional Rental expected to be payable pursuant to this Property Lease for such period, to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by Section 6.02 of this Property Lease.

Section 6.04. Insurance Proceeds; Forms of Policies. So long as any of the Bonds remain outstanding, all policies of insurance required by Sections 6.02 and 6.03 hereof shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association, and all amounts so paid to the Trustee shall be applied as provided in the Indenture. Following payment in full of all rental payable hereunder, or provision therefor made, all such proceeds of insurance shall be paid to the Authority and to the City as their respective interests may appear.

Section 6.05. Additional Provisions Relating to Insurance. The City shall pay when due the premiums for all insurance policies required by this Property Lease, and not later than August 1 of each year. All insurance required under this Property Lease shall be primary to any other insurance available to the Authority and the Trustee, and shall apply separately to each insured against whom claim is made or suit is brought and, to the extent possible, shall provide that the Trustee shall be given thirty (30) days' prior written notice of each expiration, any intended cancellation thereof or reduction in amount or material change of the coverage provided thereby, provided that such separate coverage shall not increase the limit of liability under any such insurance. All insurance required to be maintained pursuant to this Property Lease may be maintained either separately or as a part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of participation by the City in a joint powers agency or other program providing pooled issuance. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

Section 6.06. Alternative Risk Management Programs; Additional Insurance. Notwithstanding anything in this Article VI to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the terms of this Article VI, including a program of self-insurance (except self-insurance against loss of rental income as required by Section 6.03 hereof), in whole or in part. Any such alternative risk management program must be approved as reasonable and appropriate by a Risk Manager. The approval of the Risk Manager shall be in the form of a report on the nature of the program and the adequacy of its funding which shall be prepared and filed annually with the Trustee not later than August 1 of each year during any period when such program is in effect, commencing on or prior to the date such program is implemented. If such annual approving report is not timely filed with the Trustee, the Trustee shall promptly notify the City in writing and the City shall immediately obtain insurance as required by this Property Lease. In addition, the City Manager of the City may, if it is in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Article, upon the recommendation of a Risk Manager, or in connection with obtaining or maintaining any rating on the Bonds.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Defaults and Remedies.

(a) The City shall be deemed to be in default hereunder (i) if it shall (A) fail to pay any rental payable hereunder when the same becomes due and payable, time being expressly agreed to be of the essence in this Property Lease, or (B) fail to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the City; or (ii) upon the happening of any of the events specified in subsection (b) of this Section. The Authority may exercise any and all remedies available pursuant to law (other than those specifically waived herein) or granted pursuant to this Property Lease upon the occurrence of any default. The City shall not be in default in the observance or performance of any covenant, condition or agreement in this Property Lease on its part to be observed or performed, other than as referred to in clauses (i)(A), or (ii) of the preceding sentence, unless the City shall have failed, for a period of thirty (30) days or such additional time as is reasonably required, to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement.

Upon any such default, the Authority shall have the right to collect each installment of rent as it becomes due and enforce any other terms or provision hereof to be kept or performed by the City; notwithstanding the foregoing, the Authority hereby waives the right to re-enter or re-let the Leased Property.

(b) If (1) the City's interest in this Property Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority as hereinafter provided for; or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors; or (3) the City shall abandon or vacate any portion or portions of the Leased Property, then the City shall be deemed to be in default hereunder with respect to that portion or portions of the Leased Property to which the default relates.

(c) The Authority shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation.

(d) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in this Section 7.01, the Authority and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Property Lease or by law except as specifically waived herein. The provisions of the Property Lease and the duties of the City and of elected officials, officers or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee shall have the right to bring the following actions:

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

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

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

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

Section 7.02. Waiver.

(a) Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Property Lease.

(b) The Authority specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of rent in the event of a default by the City hereunder.

ARTICLE VIII

EMINENT DOMAIN

Section 8.01. Eminent Domain. If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than the entirety of the Leased Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Property Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount to be agreed upon by the City and the Authority, but, subject to Section 3.03 hereof, in no event shall the rental be less than the amount required for the retirement of the Bonds and the payment of the interest thereon as such Bonds and interest become due. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied as provided in the Indenture. Any such award made after all of the rentals have been fully paid, or previously made, shall be paid to the Authority and to the City as their respective interests may appear.

ARTICLE IX

COVENANTS

Section 9.01. Right of Entry. The Authority and its assignees shall have the right to enter the Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's rights or obligations under this Property Lease, and (c) for all other lawful purposes.

Section 9.02. Liens. In the event the City shall at any time during the term of this Property Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by a mechanic's, materialman's or other lien against the Leased Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Section 9.03. Quiet Enjoyment. The parties hereto mutually covenant that the City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Property Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 9.04. Authority Not Liable. The Authority and its members, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Leased Property. The City shall indemnify and hold the Authority and its members, officers, agents and employees, and the Trustee and its officers, agents and employees harmless from, and defend each of them against, any and all claims, liens and judgments arising from the construction or operation of the Leased Property, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Leased Property, but excepting claims, liens and judgments arising from the active negligence of the person or entity seeking indemnity. The provisions of this section shall survive the termination of this Property Lease.

Section 9.05. Prohibition Against Encumbrance or Sale. The Authority and the City will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, or upon any real or personal property essential to the operation of the Leased Property, except Permitted Encumbrances. The Authority and the City will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property.

Section 9.06. Assignment. Neither this Property Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned, sublet or transferred by the City by voluntary act or by operation by law or otherwise, except with the prior written consent of the Authority, which shall not be unreasonably withheld. The execution of this Property Lease shall constitute conclusive evidence of approval of the Indenture by the Authority. Whenever the Indenture by its

terms imposes a duty or obligation upon the City, such duty or obligation shall be binding upon the City to the same extent as if the City were an express party to the Indenture, and the City shall carry out and perform all of its obligations under the Indenture as fully as if the City were a party to the Indenture.

Section 9.07. Tax Covenants.

(a) Private Activity Bond Limitation. The City will assure that the proceeds of the 2023 Bonds are not so used as to cause the 2023 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the 2023 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023 Bonds.

(d) No Arbitrage. The City will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2023 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023 Bonds would have caused the 2023 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City will take all actions necessary to assure the exclusion of interest on the 2023 Bonds from the gross income of the Owners of the 2023 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2023 Bonds.

(f) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the 2023 Bonds for at least three years after the 2023 Bonds mature or are redeemed (whichever is earlier); however, if the 2023 Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the 2023 Bonds.

(g) Compliance with Tax Certificate. The City will comply with the provisions of the Tax Certificate (as defined in the Indenture) with respect to the 2023 Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the 2023 Bonds.

Section 9.08. Nondiscrimination. The City and the Authority herein covenant by and for themselves and assigns, and all persons claiming under or through them, and this Property Lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of age, race, color, creed, religion, sex, marital status, sexual orientation, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation

with reference to the selection, location, number, use, or occupancy, of tenants, lessees, subleases, subtenants, or vendees in the premises herein leased.

Section 9.09. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate or agreement (the "Continuing Disclosure Agreement") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Property Lease, failure by the City to comply with the Continuing Disclosure Agreement shall not constitute a default hereunder or under the Indenture; provided, however, that any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any Owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the City of its obligations under this Section 9.09, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 9.09 shall have the meanings given in the Continuing Disclosure Agreement.

ARTICLE X

DISCLAIMER OF WARRANTIES; USE OF THE LEASED PROPERTY

Section 10.01. Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN AND THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Property Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided hereby.

Section 10.02. Use of the Leased Property. The City will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall obtain all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Trustee, adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE XI

ASSIGNMENT AND INDEMNIFICATION

Section 11.01. Assignment by Authority. The parties understand that the Property Lease and the rights of the Authority hereunder will be assigned to the Trustee pursuant to the Indenture (evidenced by a Memorandum of Indenture, recorded concurrently herewith), and, accordingly the City agrees to make all rental payments due hereunder directly to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by the Authority or the Trustee or any Owner to protect their interests in the Leased Property during the term hereof.

Section 11.02. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its members, officers and employees, and the Trustee and its officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (other than the negligence or willful misconduct of the Authority, or its members, officers and employees, or of the Trustee or its officers and employees), and reasonable expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Property Lease, any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person, including without limitation any claim alleging latent and other defects, whether or not discoverable by the Authority or the City; any claim for patent, trademark or copyright infringement; any claim arising out of strict liability in tort; the presence on, under or about, or release from the Leased Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law and the violation of, or non-compliance with, any such laws by the City; or the exercise of the rights or duties of the Trustee under the Indenture. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Leased Property. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

ARTICLE XII

SUBSTITUTION, RELEASE AND ADDITION OF LEASED PROPERTY

Section 12.01. Substitution of Leased Property.

(a) Whenever the City determines that the annual fair rental value of Substitute Leased Property is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid hereunder and that the Substitute Leased Property is available for beneficial use and occupancy by the City, the City may amend Exhibit A to this Property Lease to establish the Substitute Leased Property as the Leased Property hereunder upon compliance with all of the conditions set forth in subsection (b), and after a Substitution, all or a portion of the Leased Property originally leased hereunder shall be released from the leasehold hereunder, as appropriate. The Authority and the City shall also make any amendments needed to be made to this Property Lease, and shall enter into any necessary site or ground leases in connection with such Substitution. Such amendments may be made without the consent of Bondowners.

(b) No Substitution shall take place hereunder until the City delivers to the Authority and the Trustee the following:

(1) A certificate of the City stating that: (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of Substitution; (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

(2) An Opinion of Bond Counsel to the effect that the amendment described in paragraph (3) below has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(3) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(4) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with a certificate of the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Substitute Leased Property by the City.

(5) The City shall provide written notice to each rating agency then rating the Bonds of the proposed Substitution.

(c) Upon receiving a written subordination from the County of its rights under the County Library Lease Agreement in a form acceptable to the City Manager in their sole discretion, the City may substitute the Hesperia Branch Library as the Substitute Leased Property for the City Hall. In connection with such substitution, the City shall not be required to comply with paragraphs (2) and (5) of Section 12.01(b).

Section 12.02. Release of Leased Property. The City shall have, and is hereby granted, the option at any time and from time to time during the term of this Property Lease to release from this Property Lease any portion of the Leased Property; provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(a) No event of default has occurred and is continuing under this Property Lease.

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to this Property Lease which deletes the legal description of such Leased Property.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder a copy of an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel to the effect that the amendment described in paragraph (c) above has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the release of Leased Property will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax..

(e) The City shall file with the Authority and the Trustee a certificate stating that (1) the annual fair rental value of the remaining Leased Property, taking into consideration the release of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such release and (2) the useful life of the remaining Leased Property is at least as long as the remaining term of this Property Lease.

(f) The City shall provide written notice to each rating agency then rating the Bonds of the proposed release.

Section 12.03. Addition of Leased Property. The City may, at any time it deems it necessary or advisable, amend this Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased hereunder. No such addition shall take place hereunder until the City delivers to the Authority and the Trustee the opinion set forth in Section 12.01(b)(2), provided that in such instance the opinion shall relate to the addition of Leased Property and not the substitution of Leased Property.

If the addition to the Leased Property (the "Addition") is being done in connection with the issuance of Additional Bonds, the following requirements shall apply:

(a) A certificate of the City (with respect to clauses (i) and (ii) below) stating that: (i) the annual fair rental value of the Leased Property (including the Addition) is no

less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such Addition; (ii) the remaining useful life of such Leased Property (including the Addition) is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Addition, have beneficial use and occupancy of all of the Leased Property.

(b) An Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the City's leasehold interest in the Addition to the Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

(e) The City shall provide written notice to each rating agency then rating the Bonds of the proposed addition.

Section 12.04. Amendment of Site Lease. The Authority and the City shall amend the Site Lease as necessary in order to accomplish any Substitution, Addition, or any release of Leased Property pursuant to this Article XII.

ARTICLE XIII

DISCHARGE OF OBLIGATIONS

Section 13.01. Discharge of Obligations. Notwithstanding any other provision of this Property Lease, the City may on any date secure the payment of the Base Rental payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

(a) sufficient to pay such Base Rental payments, including the principal and interest components thereof, in accordance with the Base Rental payments schedule set forth in Appendix B, or

(b) invested in whole or in part in non-callable Defeasance Obligations in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Base Rental payments when due, as the City instructs at the time of said deposit.

If the City makes a deposit under this Section with respect to all unpaid Base Rental payments, all obligations of the City under this Property Lease, and all security provided by this Property Lease for said Base Rental payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Base Rental payments from such deposit, and title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said deposit constitutes a special fund for the payment of Base Rental payments in accordance with the provisions of this Property Lease.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Law Governing. This Property Lease shall be governed exclusively by the laws of the State of California as the same from time to time exist.

Section 14.02. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements or promises or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, the Authority or the Trustee, to the addresses set forth below, or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any notice or other document to the City or the Authority shall also be delivered to the Trustee .

If to the City or the Authority: 9700 Seventh Ave.
Hesperia, CA 92345
Attn: City Manager

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

Section 14.03. Validity and Severability. If for any reason this Property Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Property Lease is and shall be deemed to be a Property Lease under which the rental payments due in any fiscal year of the City are subject to annual appropriation and are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Leased Property, and all of the rental and other terms, provisions and conditions of this Property Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 14.04. Net Lease. This Property Lease shall be deemed and construed to be a "net lease" and the City hereby agrees that the rentals provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 14.05. Taxes. The parties understand and agree that the Leased Property constitutes public property free and exempt from all taxation; however, the Authority agrees to take whatever steps may be necessary, upon written request by the City, to contest any proposed valuation, the amount of any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. The City agrees to reimburse the Authority for any and all costs and expenses thus incurred by the Authority.

Section 14.06. Article and Section Headings. All article and section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Property Lease.

Section 14.07. Execution. This Property Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Property Lease. It is also agreed that separate counterparts of this Property Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

Section 14.08. Third Party Beneficiary. To the extent that this Property Lease confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Property Lease, and the Trustee are hereby explicitly recognized as being third-party beneficiaries hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 14.09. Amendment. The Authority and the City may at any time amend or modify any of the provisions of this Property Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Property Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Property Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with the provisions of Article XII;
- (v) to obligate the City to pay additional amounts of Base Rental in connection with the issuance of Additional Bonds in accordance with the Indenture; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Base Rental payment date or reducing any Base Rental payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

IN WITNESS WHEREOF, the Authority and the City have caused this Property Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

HESPERIA JOINT PUBLIC FINANCE
AUTHORITY, *as Lessor*

Attest

By: _____
Secretary

By: _____
Executive Director

CITY OF HESPERIA, *as Lessee*

Attest

By: _____
City Clerk

By: _____
City Manager

[attach Notary acknowledgment]

EXHIBIT A

DESCRIPTION OF THE SITE

The land described herein is situated in the State of California, County of San Bernardino, City of Hesperia, and is described as follows:

Civic Plaza Park

Parcel 4 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

Hesperia City Hall

Parcel 5 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the Office of the County Recorder of said County.

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

2023 Bonds

Base Rental Payment <u>Date*</u>	<u>Principal</u>	<u>Interest</u>	Total Base Rental <u>Payment</u>
---	-------------------------	------------------------	---

Base Rental Payment <u>Date*</u>	<u>Principal</u>	<u>Interest</u>	Total Base Rental <u>Payment</u>
Total	[\$(Principal Amount)]		

* The Base Rental Payment Dates are the April 15 and October 15 preceding the May 1 and November 1 dates shown above.

INDENTURE

By and Between the

HESPERIA JOINT PUBLIC FINANCE AUTHORITY

and

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

Authorizing the Issuance of

**[\$[Principal Amount]
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds**

Dated as of [Month of Closing] 1, 2023

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EXHIBIT A FORM OF BONDS

INDENTURE

THIS INDENTURE, dated as of [Month of Closing] 1, 2023, is by and between the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK TRUST COMPANY, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

RECITALS

WHEREAS, in order to finance acquisition and construction of a new Civic Plaza and related on-site improvements, the City of Hesperia (the "City") previously caused execution and delivery of its 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) (the "2005 Certificates") pursuant to a Trust Agreement, dated as of May 1, 2005, among the City, the Hesperia Public Financing Authority (the "Financing Authority") and a corporate trustee; the 2005 Certificates represented interests in lease payments made by the City to the Financing Authority pursuant to a Lease Agreement, dated as of May 1, 2005; and

WHEREAS, for the purpose of refinancing the 2005 Certificates, the City subsequently caused the Authority to issue its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the "2013 Bonds"), under an Indenture dated as of October 1, 2013; the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Authority as lessor and the City as lessee; and

WHEREAS, the 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Authority; and

WHEREAS, in order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Authority to defease and redeem the 2013 Bonds, and, for that purpose, the Authority proposes to issue the 2023 Refunding Lease Revenue Bonds (the "2023 Bonds") under this Indenture and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"); and

WHEREAS, in order to accomplish the refinancing plan, (i) the City and the Authority will enter into a Site and Facilities Lease (the "Site Lease"), under which the City will lease to the Authority certain real property and improvements of the City (the "Leased Property") and (ii) the City and the Authority will enter into a Property Lease (the "Property Lease"), under which the Authority will sublease the Leased Property to the City; and

NOW, THEREFORE, in order to secure the payment of the 2023 Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions herein and in the 2023 Bonds contained, and in consideration of the mutual covenants and agreements contained herein, the Authority and the Trustee hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall have, for purposes of this Indenture and of any certificate, opinion or other document herein mentioned, the meanings herein specified. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in Article I of the Property Lease.

“Additional Bonds” means Additional Bonds issued in accordance with Section 2.14 hereof.

“Agreement” means the Joint Exercise of Powers Agreement, dated as of October 2, 2012, by and between the City and the Hesperia Water District, together with any amendments thereof and supplements thereto.

“Annual Debt Service” means, for each twelve-month period ending on each Principal Payment Date, the sum of (1) the interest falling due on the Outstanding Bonds in such twelve-month period, assuming that the Outstanding Bonds are retired as scheduled; and (2) the principal amount of the Outstanding Bonds, if any, falling due by their terms in such twelve-month period.

“Authority” means the Hesperia Joint Public Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California and the Agreement.

“Base Rental” means all amounts payable to the Authority from the City as Base Rental pursuant to Section 3.01 of the Property Lease.

“Bondowner” or “Owner” mean the person in whose name such Bond shall be registered.

“Bonds” means the Outstanding 2023 Bonds and any Outstanding Additional Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the Corporate Trust Office is located are authorized or required by law to close.

“Certificate” or “Certificate of the Authority”, “Statement” or “Statement of the Authority”, “Request” or “Request of the Authority” and “Requisition” or “Requisition of the Authority” mean, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Designated Officer, or such other person as may be designated in writing to the Trustee and authorized to sign for the Authority. Any such instrument and supporting opinions or representations, if any, may be, but need not be, combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Any Certificate or Statement of the Authority may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants or engineers, unless the officer signing such certificate or statement knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or accountant or engineer, as the case may be, need

not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or engineers may certify to different facts.

“Certificate” or “Certificate of the City”, “Statement” or “Statement of the City”, “Request” or “Request of the City” and “Requisition” or “Requisition of the City” mean, respectively, a written certificate, statement, request or requisition signed in the name of the City by its Designated Officer, or such other person as may be designated in writing to the Trustee and authorized to sign for the City. Any such instrument and supporting opinions or representations, if any, may be, but need not be, combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Any Certificate or Statement of the City may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants or engineers, unless the officer signing such certificate or statement knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel or accountant or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or engineers may certify to different facts.

“City” means the City of Hesperia, a general law city and municipal corporation duly organized and existing under the laws of the State of California.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Corporate Trust Office” means the corporate trust office of the Trustee at which office at the date hereof is located in Los Angeles, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, and fees and charges for preparation, execution, transportation and safekeeping of the Bonds.

“Costs of Issuance Fund” means the funds created pursuant to Section 3.04 hereof.

“Defeasance Obligations” means:

- (a) Cash (fully insured by the Federal Deposit Insurance Corporation or collateralized by Government Obligations); and
- (b) Government Obligations.

"Depository" means any securities depository appointed to act as Depository under Section 2.10 hereof.

"Designated Officer" means (i) with respect to the Authority, the Chair, Executive Director, Secretary, Assistant Secretary or Treasurer of the Authority or any other person authorized by a Certificate of the Authority to perform an act or sign a document on behalf of the Authority for purposes of this Indenture and (ii) with respect to the City, its Mayor, City Manager, Administrative Services Director, City Clerk or Assistant City Clerk, or any other person authorized by a Certificate of the City to perform an act or sign a document on behalf of the City for purposes of this Indenture.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the City, the Authority and U.S. Bank Trust Company, National Association, as trustee for the 2013 Bonds.

"Facilities" means the improvements located on the Site.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Fiscal Year" or "fiscal year" means the period beginning July 1 of each year and ending on the next succeeding June 30.

"Fitch" means Fitch Ratings and its successors and assigns, except that if such corporation 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 Authority or the City.

"Government Obligations" means (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligation"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner

of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Independent Public Accountant” means any certified public accountant or public accountant or firm of such accountants retained and paid by the Authority or the City, and who, or each of whom:

- (1) is in fact independent, and not under domination of the Authority or the City;
- (2) does not have any substantial interest, direct or indirect, with the Authority or the City; and
- (3) is not connected with the Authority or the City as a board member of the Authority or as a member of the City Council of the City, or as an officer or employee of the Authority or the City, but who may be regularly retained to make annual or similar audits of any of the books of the Authority or the City.

“Indenture” means this Indenture as originally executed or as it may from time to time be supplemented or amended pursuant to the provisions hereof.

“Insurance and Eminent Domain Proceeds Fund” means the fund by that name created pursuant to Section 5.02(e) hereof.

“Interest Fund” means the fund by that name created pursuant to Section 5.02(a) hereof.

“Interest Payment Date” means each May 1 and November 1, commencing on November 1, 2023.

“Law” means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, unless otherwise specified in a Supplemental Indenture.

“Leased Property” means the Site and the Facilities.

“Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service and its successors and assigns, except that if such corporation 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 Authority or the City.

“Nominee” means the nominee of the Depository as determined from time to time in accordance with Section 2.10.

“Notices” means all notices, certificates or other documentation to be provided by any person to any other person under this Indenture, the Property Lease, the Site Lease or the Continuing Disclosure Agreement, including, without implied limitation, the annual reports and notices of material events to be provided by the City under the Continuing Disclosure Agreement

and notices to be provided by the Trustee to the City or the Authority regarding noncompliance with any provision of the Indenture or the Property Lease.

“Opinion of Bond Counsel” means a written opinion of an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds for the payment or redemption of which funds in the necessary amount shall have been deposited theretofore with the Trustee (whether upon or prior to the maturity or redemption date of such Bonds), provided, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or some other provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to Section 2.09.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as a securities depository.

“Permitted Encumbrances” has the meaning given that term in the Property Lease.

“Permitted Investments” means any of the following which at the time acquired or made are legal investments for the Authority, under applicable State of California laws, for the moneys held hereunder then proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment directions from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California), but only to the extent that the same are acquired at Fair Market Value:

(a) Defeasance Obligations;

(b) Federal Housing Administration debentures;

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

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations, and

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days, except for banker's acceptances which may not have maturities of more than 180 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's including those of the Trustee and its affiliates.

(e) Deposits the aggregate amount of which are insured by the Federal Deposit Insurance Corporation or collateralized by Government Obligations, in banks, which may include the Trustee and its affiliates, which have capital and surplus of at least \$15 million.

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

(g) Money market funds rated "Aam" by S&P, or better and if rated by Moody's rated "Aa2" or better including funds for which the Trustee and its affiliates provide investment advisory or other management services.

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (ii) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's;

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

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable

instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

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

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations,

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report, and

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

(j) Repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" by Moody's, or (ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (iii) any other entity rated at least "A-" by S&P and "A3" Moody's (each an "Eligible Provider");

(k) Investment agreements: with a domestic bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, or the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's; and

(l) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, provided, however, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture.

"Principal Fund" means the fund by that name created pursuant to Section 5.02(b) hereof.

"Principal Payment Date" means any November 1 on which the principal of the Bonds is scheduled to be paid.

"Property Lease" means the Property Lease, made and entered into as of [Month of Closing] 1, 2023, by and between the Authority, as lessor, and the City, as lessee, providing for

the lease of the Leased Property from the Authority to the City, as the same may be amended or supplemented.

"Rating Agency" means Moody's and/or S&P and/or Fitch so long as each of them, as applicable, maintain a rating on the Bonds.

"Record Date" means the 15th day of the calendar month immediately preceding the month in which an Interest Payment Date occurs regardless of whether or not such day is a Business Day.

"Refunding Fund" means the Refunding Fund created pursuant to Section 3.03 hereof.

"Revenue Fund" means the fund by that name created pursuant to Section 5.01 hereof.

"Revenues" means (i) the Base Rentals set forth in Exhibit B to the Property Lease which are received by the Trustee for the benefit of the Owners of the Bonds and (ii) other amounts received by the Trustee for the benefit of the Owners of the Bonds.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

"Securities Depositories" means The Depository Trust Company, at such addresses and/or to such other securities depositories as the Authority may designate in a Request of the Authority delivered to the Trustee.

"Serial Bonds" means (i) the 2023 Bonds maturing on November 1 in each of the years _____ through _____, and (ii) any Additional Bonds identified as Serial Bonds in a Supplemental Indenture.

"Sinking Account Payment" means the principal amount of Term Bonds required to be redeemed pursuant to Section 4.01(b)(ii) hereof on any Sinking Account Payment Date.

"Sinking Account Payment Date" means the dates on which Sinking Account Payments are payable on the Term Bonds.

"Site" means the parcels of real property described in Exhibit A attached to the Property Lease, as such description may be modified or amended as provided in the Property Lease and the Site Lease.

"Site Lease" means the Site and Facilities Lease dated as of [Month of Closing] 1, 2023 between the City, as lessor, and the Authority, as lessee.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Surplus Revenue Fund" means the fund by that name created pursuant to Section 5.02(d) hereof.

"Tax Certificate" means, with respect to the 2023 Bonds, collectively, the Certificate as to Arbitrage and the Certificate Regarding the Use of Proceeds, each dated as of the date of issuance and delivery of the 2023 Bonds, executed by the City and the Authority

"Term Bonds" means (i) the 2023 Bonds maturing on November 1, _____ and November 1, _____, and (ii) any Additional Bonds identified as such in a Supplemental Indenture.

"Trustee" means the trustee under this Indenture with the duties and powers herein prescribed, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in Section 8.01.

"2013 Bonds" has the meaning given that term in the Recitals.

"2023 Bonds" means the Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds.

ARTICLE II

THE 2023 BONDS

SECTION 2.01. Designation. The Bonds to be issued by the Authority under and subject to the terms of this Indenture and the Law shall be designated as the “Hesperia Joint Public Finance Authority Lease Revenue Bonds”.

The 2023 Bonds to be issued by the Authority under and subject to the terms of this Indenture and the Law shall be designated as the “Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds”, which shall be in the initial aggregate principal amount of \$[Principal Amount].

SECTION 2.02. Terms of 2023 Bonds; Form.

(a) Dated Date and Maturity Dates. Each 2023 Bond shall be dated its date of original delivery and shall be issued and delivered in fully registered form numbered as the Trustee shall determine. The 2023 Bonds shall be issued and delivered in the denominations of \$5,000 and any integral multiples thereof.

The 2023 Bonds shall mature on the dates, in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

Maturity Date
(November 1)

Principal
Amount

Interest
Rate

(T): Term Bond

(b) Calculation of Interest. Interest with respect to each 2023 Bond shall accrue from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date, or (ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date in which event interest with respect thereto shall be

payable from its dated date; provided, however, that if at the time of authentication of any 2023 Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment. Interest with respect to the 2023 Bonds shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to any 2023 Bond shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2023 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest shall be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners by first class mail not less than 10 days prior thereto.

(c) Principal Provisions. Principal and premium, if any, with respect to each 2023 Bond is payable upon surrender of such 2023 Bond at the Corporate Trust Office of the Trustee upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the 2023 Bonds shall be payable in lawful money of the United States of America.

(d) Form. The 2023 Bonds shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by this reference.

(e) Book-Entry. So long as the 2023 Bonds shall be in book-entry, principal of, premium, if any and interest on the 2023 Bonds shall be paid as provided in Section 2.10.

SECTION 2.03. Execution and Authentication of 2023 Bonds. The 2023 Bonds shall be executed on behalf of the Authority by the signature of its Chair, Executive Director or Treasurer, and attested on behalf of the Authority by the signature of its Secretary or Assistant Secretary. Any of the signatures of the Chair, Executive Director, Treasurer or Secretary may be by printed facsimile reproduction. If any officer whose signature appears on any 2023 Bond ceases to be such officer before delivery of the 2023 Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the 2023 Bonds to the purchaser. Also, any 2023 Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such 2023 Bond shall be the proper officers of the Authority although at the nominal date of such 2023 Bond any such person may not have been such officer of the Authority.

Only such of the 2023 Bonds as shall bear thereon a certificate of authentication and registration in the form herein before recited, manually signed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the 2023 Bonds have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.04. Transfer of Bonds. Any registered Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.06 by the person in whose name it is registered, in person or by his duly authorized attorney in

writing, upon surrender of such fully registered Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount, maturity date and interest rate. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of any Bond shall be required to be made during the period after the Record Date through and including the next succeeding Interest Payment Date or during the period designated for selection of Bonds for redemption, or of any Bond so selected for redemption.

SECTION 2.05. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of fully registered Bonds of other authorized denominations of the same maturity and interest rate. The Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required during the period after the Record Date through and including the next succeeding Interest Payment Date or during the period designated for selection of Bonds for redemption, or of any Bond so selected for redemption.

SECTION 2.06. Bond Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office during normal business hours, sufficient books for the registration and transfer of the Bonds, which shall at all reasonable times be open to inspection by the Authority upon prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

SECTION 2.07. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Indenture to be signed or executed by the Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of the Indenture (except as otherwise herein provided), if made in the following manner. The fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

The ownership of Bonds, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the bond registration books held by the Trustee.

Any request, consent or declaration of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority pursuant to such request, consent or declaration.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any action pursuant to this Indenture, Bonds which are disqualified as provided in Section 9.02 shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so disqualified shall be disregarded. Bonds so disqualified which have been pledged in good faith may be regarded as Outstanding for the purpose of this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person whose ownership of the Bonds would cause the Bonds to be disqualified pursuant to Section 9.02. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and shall be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive fully registered Bonds. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive fully registered Bonds of authorized denominations of the same maturity or maturities and interest rate or rates. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate, if necessary, and deliver a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, then the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate, if necessary, and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Authority may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this section and of the expenses which may be incurred by the Authority and the Trustee in the premises.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee at the direction of the Authority upon receipt of like proof, indemnity and payment of expenses.

Any such substitute Bond issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Authority and the Trustee shall not be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute Bond shall be treated as one and the same.

SECTION 2.10. Book-Entry; Limited Obligation of Authority. The Bonds may be issued in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. The ownership of such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than a Nominee as shown in the registration books kept by the Trustee, of any principal of, premium, if any, or interest on the Bonds. The Authority and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the owner and absolute Owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of prepayment and other matters with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes whatsoever.

The Trustee shall pay all principal, premium, if any, and interest with respect to the Bonds, only to or upon the order of the respective Owners, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Nominee, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

SECTION 2.11. Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute, seal, countersign and deliver to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not

in any way limit the provisions of Section 2.10 hereof or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to Persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. In the written acceptance of the Trustee, such Trustee shall agree to take all actions necessary for all representations of the Authority in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority shall take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry system.

SECTION 2.12. Transfers Outside Book-Entry System. The Authority may by written request, at any time or for any reason, remove the Depository and appoint a successor or successors thereto. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority determines that the Depository shall no longer so act, then the Authority will discontinue the book-entry system with the Depository. If the Authority fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names the Owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.04.

SECTION 2.13. Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed in writing by the Depository.

SECTION 2.14. Additional Bonds. In addition to the 2023 Bonds authorized to be issued pursuant to Section 2.01 of this Indenture, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds on a parity with the 2023 Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of this Section 2.14 and Section 2.15, and subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds shall have been authorized to finance or refinance acquisition and/or construction of additional capital assets for the City, and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City shall be in compliance with all covenants and undertakings set forth in this Indenture, the Property Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding hereunder shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture.

(d) Such Additional Bonds shall be equally and ratably secured by the Revenues with all other Bonds herein authorized. A series of Additional Bonds may be issued without a corresponding deposit into a debt service reserve fund.

(e) The Authority shall have entered into an amendment to the Property Lease, in and by which the City obligates itself in the manner provided in the Property Lease to make Base Rental payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Property Lease, and the City shall certify in writing, that such Base Rental payments, as amended, in any Lease Year shall not exceed the fair rental value of the Leased Property.

(f) If necessary to ensure that the Base Rental payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Lease Year, the Authority and the City shall have amended the Property Lease pursuant to Section 12.03 thereof to add additional property to the Leased Property.

(g) In the event that the Additional Bonds are being issued to finance the construction of a to-be-built project, such project is to be part of the Leased Property prior to its completion and the City has determined that the project must be completed for the Base Rental payments after the issuance of the Additional Bonds to not exceed the fair rental value of the Leased Property in any Lease Year, the Supplemental Indenture authorizing the issuance of such Additional Bonds shall require the deposit into a separate account (the "Capitalized Interest Account") an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated completion date of the project.

SECTION 2.15. Proceedings for the Issuance of Additional Bonds. Whenever the Authority shall have determined to issue Additional Bonds pursuant to Section 2.14, the Authority shall enter into a Supplemental Indenture determining that the issuance of such Additional Bonds is necessary for the purposes specified in Section 2.14, specifying the principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds and the funds to be established for the security and payment thereof. Before such Additional Bonds shall be issued and delivered, the Authority shall file the following documents with the Trustee:

(a) An executed copy of the Supplemental Indenture authorizing such Additional Bonds, together with a certified copy of the resolution of the Authority authorizing the issuance of such Additional Bonds and the execution of such Supplemental Indenture. The Authority may add a definition of "Project Costs" in the Supplemental Indenture to identify the authorized costs to be paid from proceeds of the Additional Bonds.

(b) An Opinion of Bond Counsel stating: (i) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the Authority; (ii) that the issuance of the Additional Bonds is authorized by the Law and this Indenture; (iii) that the Additional Bonds when duly executed and delivered, will be valid and binding obligations of the Authority, payable from Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds; (iv) that upon the delivery of the Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount at the time permitted by law or the then limits of indebtedness of the Authority, if any; (v) if the Additional Bonds are to be tax-exempt, that the interest on the Additional Bonds will be excluded from the gross income of the Owners thereof for federal income tax purposes; and (vi) that the issuance of such

Additional Bonds will not, of itself, cause interest on tax-exempt Bonds to become includable in gross income for federal income tax purposes.

(c) A Certificate of the Authority certifying that the requirements set forth in Section 2.14 have been either met or provided for, together with a copy of the amendment to the Property Lease required by Section 2.14, together with a certified copy of the resolutions of the Authority and the City authorizing the execution of such amendment to the Property Lease.

(d) The City shall send a written notice of the issuance of the bonds to each rating agency then rating the Bonds.

SECTION 2.16. Applicability to Additional Bonds. Unless otherwise specified in the Supplemental Indenture pursuant to which an issue of Additional Bonds are issued, the provisions of the Indenture that are not exclusively applicable to the 2023 Bonds shall apply to such issue of Additional Bonds.

ARTICLE III

ISSUANCE OF 2023 BONDS

SECTION 3.01. Issuance of 2023 Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Request of the Authority, deliver the 2023 Bonds in the aggregate principal amount of \$[Principal Amount].

SECTION 3.02. Application of Proceeds of Sale of 2023 Bonds – Allocation Among Funds. Upon receipt of the net proceeds from the sale of the 2023 Bonds from the original purchaser of the 2023 Bonds, being \$_____, representing the purchase price of the 2023 Bonds in the amount of \$12_____ (constituting the par amount of the 2023 Bonds, less a net original issue discount in the amount of \$_____, and less an underwriters' discount of \$_____), the Trustee shall deposit the remaining proceeds as follows:

(i) The Trustee shall deposit into the Costs of Issuance Fund the amount of \$_____.

(ii) The Trustee shall deposit the remainder of the proceeds, being an amount equal to \$_____, into the Refunding Fund.

The Trustee, in its discretion, may establish a temporary fund or account to facilitate or properly account for the foregoing deposits.

SECTION 3.03. Establishment and Application of Refunding Fund. There is hereby created the Refunding Fund, which fund shall be held by the Trustee. Upon the issuance and delivery of the 2023 Bonds, without further direction from the Authority or the City, the Trustee shall transfer amounts on deposit in the Refunding Fund to U.S. Bank Trust Company, National Association, as trustee for the 2013 Bonds, to be applied as provided in the Escrow Agreement and the Trustee shall close the Refunding Fund.

SECTION 3.04. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a Costs of Issuance Fund, and the moneys in said funds shall be disbursed and applied only as hereinafter authorized.

The Trustee shall deposit proceeds of the 2023 Bonds into the Costs of Issuance Fund in accordance with Section 3.02(i) hereof. All money in the Costs of Issuance Fund shall be withdrawn and applied by the Authority to pay Costs of Issuance with respect to the 2023 Bonds upon a Requisition of the Authority filed with the Trustee. Each such Requisition shall be sequentially numbered, shall state the person to whom payment shall be made, the amount to be paid, the purpose for which such obligation was incurred, and that such payment is a proper charge against said fund. All moneys remaining in the Costs of Issuance Fund on December 1, 2023 (or such earlier date as the Authority or the City may direct the Trustee in writing) shall be transferred by the Trustee to the Interest Fund, as directed in writing by the City or the Authority. Thereafter, the Costs of Issuance Fund shall be closed.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Redemption.

(a) Mandatory Redemption from Insurance or Condemnation Proceeds. The Trustee shall, on such date as is set forth in a Request of the Authority, redeem the Bonds, including the 2023 Bonds, as a whole, or in part by lot within any maturity if less than all of the Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, Sections 6.13 and 6.17 hereof, respectively, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

(b) Mandatory Redemption of 2023 Bonds from Sinking Account Payments. The Term Bonds maturing on November 1, _____ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, _____, and on each November 1 thereafter to and including November 1, _____, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the 2023 Bonds to be redeemed, plus accrued interest on the 2023 Bonds to be redeemed to the redemption date, without premium. The principal amount of the Term Bonds to be redeemed and the redemption dates are set forth in the following schedule:

Redemption Date (November 1)	Principal Amount
---------------------------------	---------------------

*Maturity

The Term Bonds maturing on November 1, _____ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, _____, and on each November 1 thereafter to and including November 1, _____, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the 2023 Bonds to be redeemed, plus accrued interest on the 2023 Bonds to be redeemed to the redemption date, without premium. The principal amount of the Term Bonds to be redeemed and the redemption dates are set forth in the following schedule:

Redemption Date (November 1)	Principal Amount
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*Maturity

Mandatory Sinking Account Payments shall be adjusted as directed by the Authority in the event of a partial redemption pursuant to Section 4.01(a) and Section 4.01(c).

(c) Optional Redemption. The 2023 Bonds maturing on or before November 1, _____, are not subject to optional redemption prior to maturity. The 2023 Bonds maturing on or after November 1, _____ are subject to optional redemption prior to maturity on or after November 1, _____, at the option of the Authority, as a whole or in part on any date, as set forth in a Request of Authority, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor other than those described in (a) above, at a redemption price equal to the principal amount of 2023 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

(d) Purchase In-Lieu of Redemption. In lieu of redemption of the 2023 Bonds pursuant to this Section, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Fund or the Principal Fund pursuant to Section 5.02 during the current Bond Year) may also be used and withdrawn by the Authority, upon the Request of the Authority delivered to the Trustee, at any time for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of Term Bonds so purchased by the Authority in any twelve-month period ending on November 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding November 1.

SECTION 4.02. Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of \$5,000 portions or any integral multiple thereof. Unless otherwise directed by the Authority, whenever less than all of the Outstanding Bonds of more than one series are called for redemption at any one time, the Trustee will select the Outstanding Bonds or portions thereof to be redeemed on a pro rata basis between the series.

Whenever less than all the Outstanding Bonds of the same issue maturing on any one date are called for redemption pursuant to Section 4.01(a) or (c) above at any one time, the Trustee shall select the Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, on a pro rata basis, unless otherwise directed by the Authority.

SECTION 4.03. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website and (iii) the Securities Depositories. The Authority shall provide written notice to the Trustee of any prepayment under the Property Lease as provided in the Property Lease and, upon the receipt of such notice or upon the receipt of a Request of the Authority to redeem Bonds as provided in Section 6.13 or Section 6.17, the Trustee shall prepare and mail notice of redemption as provided herein. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses and telephone number or numbers of the Trustee), the CUSIP number (if any) of the maturity or maturities, the interest rate and maturity date of each Bond to be redeemed, and, if less than all of any such maturity, the distinctive certificate 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. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount

thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Each notice relating to a redemption pursuant to Section 4.01(a) or Section 4.01(c) shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

The Trustee shall mail by certified mail with return receipt requested a second notice of redemption sixty (60) days after the scheduled redemption date to Owners who failed to surrender their Bonds on such redemption date.

Failure by the Trustee to give notice pursuant to this Section 4.03 to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website or any one or more of the Securities Depositories or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

The Authority shall have the right to provide a conditional redemption notice and to rescind any redemption notice pursuant to Section 4.01(a) or Section 4.01(c) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

SECTION 4.04. Partial Redemption. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity.

SECTION 4.05. Effect of Redemption. When notice of redemption has been duly given as aforesaid, and moneys for payment of the redemption price are deposited with the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Subject to Section 10.03 hereof, the Trustee shall, upon surrender for payment of any of said Bonds, pay such Bonds at the redemption price aforesaid.

All Bonds redeemed pursuant to the provisions of this Article IV shall be cancelled upon surrender thereof and destroyed, and no Bonds shall be issued in place thereof.

ARTICLE V

REVENUES

SECTION 5.01. Pledge of Revenues; Revenue Fund. The Authority hereby pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth herein, shall be prior in right to any other pledge, lien or security interest created by the Authority therein:

- (i) the Revenues,
- (ii) all moneys and investments (excluding amounts required to pay rebate) held from time to time by the Trustee under this Indenture, and
- (iii) earnings on amounts included in provisions (i) and (ii) of this Section, subject to any limitations under the Code,

which pledge, assignment, grant, lien and security interest are for the equal and proportionate benefit and security of Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds.

The Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by Section 5.02.

Except as otherwise provided in Section 8.04, all Revenues to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Revenues collected or received by the Authority shall be deemed to be held in trust and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof, and all such Revenues shall be forthwith deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund," which fund is hereby created. The Revenue Fund shall be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding. All moneys at any time deposited in the Revenue Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and shall be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

SECTION 5.02. Allocation of Revenues to Special Funds. Upon receipt thereof, the Trustee shall deposit all Revenues in the Revenue Fund. The Trustee shall thereupon deposit all moneys in the Revenue Fund in one or more of the funds set forth in this Section 5.02, each of which the Trustee shall establish, maintain and hold in trust, and the moneys in each of which shall be disbursed and applied only as hereinafter authorized. Such Revenues shall be so deposited in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

- (a) Interest Fund. The Trustee, on or before the Business Day next preceding each Interest Payment Date, shall deposit in the Interest Fund an amount which, together

with any balance then on deposit in said Fund, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding Interest Payment Date shall be carried forward and applied to the payment of interest on any subsequent Interest Payment Date. Moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity), subject, however, to the provisions of Section 5.03.

(b) Principal Fund. There is hereby created a Principal Fund to be held by the Trustee. The Trustee, on or before the Business Day next preceding each Principal Payment Date and on or before each Sinking Account Payment Date, after making the deposit required on such date by subsection (a) above, shall deposit in the Principal Fund an amount which, together with any balance then on deposit in said Fund, equals the principal of the Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the Bonds in accordance with the terms of this Indenture.

Any moneys in the Principal Fund not then required for the payment of such principal on such Principal Payment Date or Sinking Account Payment Date shall be carried forward and applied to the payment of principal on any subsequent Principal Payment Date or Sinking Account Payment Date. Moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable, subject, however, to the provisions of Section 5.03.

(c) Reserved.

(d) Surplus Revenue Fund. After making the deposits required by subsections (a) through (c) above, the Trustee, on or before the Business Day immediately preceding each Principal Payment Date, shall deposit any remaining Revenues in the Surplus Revenue Fund. The Trustee shall, immediately upon making each deposit in the Surplus Revenue Fund, determine if any moneys then in the Surplus Revenue Fund shall be required for the payment of principal of or interest on the Bonds on such Principal Payment Date or the next succeeding Interest Payment Date or for the replenishment of a debt service reserve fund (if any) so that amounts on deposit therein are not less than the required amount, and shall hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund, the Principal Fund or such debt service reserve fund as so needed. Except as hereinabove provided, moneys in the Surplus Revenue Fund are not pledged to the Bonds and shall be paid to, or at the direction of, the City within 60 Business Days after each Principal Payment Date.

(e) Insurance and Eminent Domain Proceeds Fund. The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee shall be deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in Section 6.13 and Section 6.17 hereof, as applicable.

SECTION 5.03. Reimbursement of Rental. All moneys in any of the funds established pursuant to Section 5.02 that are unavailable to be used to pay debt service on the Bonds as a

result of the abatement provisions of the Property Lease (if any), may be used at any time to reimburse the City for any rental paid by the City under the Property Lease for a period of time during which the payment of rental under the Property Lease is abated pursuant to Section 3.06 thereof and for which no other moneys are available. The Trustee shall disburse any such funds to the City upon receipt of a Requisition of the Authority directing the Trustee to do so.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. Payment of Principal and Interest. The Authority will pay the principal and the interest (and premium, if any) to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds. When and as paid in full, all Bonds shall be cancelled by the Trustee, and thereafter they shall be destroyed, and the Trustee shall deliver to the Authority a certificate of destruction.

SECTION 6.02. Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Authority will not extend or assent directly or indirectly to the extension of time for the payment of any claim for interest on any of the Bonds, and will not be a party to or approve any such arrangement directly or indirectly by purchasing or funding such claims or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

SECTION 6.03. Maintenance of Revenues. The Authority will collect all rents and charges due to the Authority for the occupancy or use of the Leased Property promptly as the same become due, and will enforce its rights promptly and vigorously against any tenant or other person who does not pay such rents or charges as they become due. The Authority will maintain and enforce all of its rights under the Property Lease vigorously at all times.

SECTION 6.04. Accounting Records and Reports. The Authority shall keep (or cause to be kept) proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to so inspect) at reasonable hours and under reasonable conditions. Not more than one hundred and eighty (180) days after the close of each Fiscal Year the Authority shall cause to be prepared, and shall furnish to any Bondowner who may so request, a complete financial statement covering receipts, disbursements, allocation and application of all income and Revenues for such Fiscal Year, including fund balances, accompanied by an audit report, which maybe the audit report of the City and opinion of an Independent Public Accountant to be employed by the Authority or the City. Such financial statement, audit report and opinion shall also be filed with the Trustee. The Trustee shall have no duty to review such financial statement, audit report and opinion.

SECTION 6.05. Compliance with Indenture. The Authority will observe and perform all the covenants, conditions and requirements of this Indenture faithfully, and will not suffer or permit any default to occur hereunder, nor do or permit to be done in, upon or about the Leased Property, or any part thereof, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture.

SECTION 6.06. Compliance with Property Lease. Without allowance for any grace period which may or might exist or be allowed by law or granted pursuant to any terms or conditions of the Property Lease, the Authority will keep, perform and comply promptly and faithfully in all respects with all the terms, provisions, covenants, conditions and agreements of the Property Lease to be kept, performed and complied with by it. The Authority will not do or

permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring a forfeiture of the Property Lease, or would or might be a ground for cancellation or termination of the Property Lease by the lessee thereunder. Upon request of the Trustee, the Authority will deposit promptly with the Trustee (to be held by the Trustee until the title and rights of the Trustee under this Indenture shall be released or reconveyed) any and all documentary evidence received by it showing compliance with the provisions of the Property Lease to be performed by it. The Authority, immediately upon its receiving or giving any notice, communication or other document in any way relating to or affecting the Property Lease, or the leasehold estate thereby created, which may or can in any manner materially affect the estate of the lessor or of the lessee in or under the Property Lease, will deliver the same, or a copy thereof, to the Trustee.

SECTION 6.07. Payment of Taxes. The Authority will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Leased Property or any part thereof, or upon the Revenues or any part thereof, promptly as and when the same shall become due and payable; and the Authority will keep the Trustee advised of such payments, upon request of the Trustee, from time to time. The Authority will not suffer the Leased Property, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

SECTION 6.08. Observance of Laws and Regulations. To the extent material to the issuance of and security for the Bonds, the Authority will keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Authority, including its right to exist and carry on business as a public body, corporate and politic, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

SECTION 6.09. Maintenance and Repair of Leased Property. The Authority shall maintain or cause to be maintained in good condition and keep in good repair the Leased Property and all buildings, facilities and equipment now or hereafter constituting any part of the same, and shall not commit or allow any waste with respect to the Leased Property.

SECTION 6.10. Other Liens. The Authority shall keep the Leased Property and all parts thereof free from judgments, from mechanics' and materialmen's liens (except those arising from the construction of additions or improvements to the Facilities) and free from all liens, claims, demands and encumbrances of whatever nature or character (except those permitted by the Property Lease) to the end that the security provided pursuant to this Indenture may at all times be maintained and preserved, and the Authority shall keep the Leased Property free from any claim or liability which might embarrass or hamper the Authority in conducting its business or operating the Leased Property. The Trustee at its option (after first giving the Authority 10 days' written notice to comply therewith and failure of the Authority to so comply within said 10-day period) may defend against any and all actions or proceedings in which the validity of this Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its covenants and warranties contained herein, or from its liability hereunder to defend the

validity of this Indenture and the pledge herein made and to perform such covenants and warranties.

SECTION 6.11. Against Encumbrances or Sales. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any mortgage, pledge, lien or charge upon the Leased Property or any part thereof or the Revenues, or upon any real or personal property essential to the operation of the Leased Property, other than the pledge, lien and charge referred to in the Property Lease or provided for in this Indenture, and other than Permitted Encumbrances. The Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues, other than the Bonds and the Additional Bonds, and will not sell or otherwise dispose of any property essential to the proper operation of the Leased Property or to the maintenance of the Revenues.

SECTION 6.12. Compliance with Contracts. The Authority shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Leased Property to which it is a party, and all other contracts and agreements materially affecting or involving the Leased Property.

SECTION 6.13. Insurance.

(a) Hazard and Other Insurance.

(1) The Authority shall maintain or cause to be maintained by the City, at all times while any of the Bonds are Outstanding, insurance in the amounts, form and the coverage required of the City pursuant to Article VI of the Property Lease.

(2) The net proceeds of all public liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid, and the Authority shall use commercially reasonable efforts to deliver the reports described in Section 6.13 (a)(4) within 45 days of the occurrence of the casualty event.

(3) The net proceeds of all rental income interruption insurance shall be treated as Revenues and applied as provided in Section 5.02 hereof.

(4) If all or any part of the Leased Property shall be destroyed or damaged (in whole or in part) by fire or other casualty, the net proceeds of insurance required by Section 6.13(a)(1) hereof resulting from claims for such losses shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall treat such proceeds as Revenues and shall apply such proceeds as provided in Section 5.02 hereof.

(ii) If the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has not materially

affected the operation of the Leased Property or, even if it has, that such damage or destruction has not materially affected the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amounts to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(iii) The Trustee shall be provided a report of an engineer, insurance adjuster, risk manager or other appropriate professional, who may be an employee of the City, regarding the extent of such damage or destruction and its effect on the ability of the Authority to meet its obligations under this Indenture, and whether the proceeds of insurance required by Section 6.13(a)(1) are needed for the repair or rehabilitation of the Leased Property.

(iv) If less than all of the Leased Property shall have been damaged or destroyed, and if the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has materially affected the ability of the Authority to meet any of its obligations hereunder, the Trustee shall either apply the net proceeds of insurance (A) to the redemption of Bonds in the manner provided in Article IV, but only if the Authority determines in a Certificate provided to the Trustee that (1) the Base Rental payments thereafter to be made by the City and available to the Trustee, together with other available Revenues, will be sufficient to pay the principal of and interest on the Bonds Outstanding after such redemption when due and (2) the Base Rental payments thereafter to be made by the City and available to the Trustee will not exceed the fair rental value of the Leased Property, and otherwise (B) as provided in subparagraph (a)(4)(ii) of this Section 6.13, above. The Trustee shall apply said proceeds as directed by the Authority pursuant to a Request of the Authority. If the Authority directs the Trustee to redeem Bonds as set forth in (A) above, it shall provide the Trustee with revised Base Rental payment schedules under the Property Lease.

(v) If all of the Leased Property shall have been damaged or destroyed and if that portion of such proceeds available to the Trustee, together with any other moneys then available or made available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall at the Request of the Authority, apply such proceeds in accordance with the provisions of Section 7.02 insofar as the same may be applicable. Notwithstanding the above, in the event that the insurance moneys received by the Trustee in connection with damage to or destruction of all of the Leased Property are insufficient to redeem all of the

Bonds, then the Authority shall use such insurance moneys received under the Property Lease to repair and rehabilitate the Leased Property.

(vi) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, have been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City and the Authority in accordance with their respective interests pursuant to a Certificate of the Authority.

(b) Title Insurance.

(1) The Authority will also provide, or cause the City to provide, upon the delivery of the Bonds, a title insurance policy or policies with endorsement so as to be payable to the Trustee for the use and benefit of the Bondowners. Such policy or policies shall be in the amount of the aggregate principal amount of the Bonds initially issued pursuant to Article III hereof, and shall insure the Authority's leasehold interest in the real property described in Exhibit A to the Property Lease, and the City's leasehold therein, subject only to Permitted Encumbrances.

(2) All proceeds received by the Trustee under said policy shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee is furnished with the report of an independent professional consultant that such title defect has not materially affected the operation of the Leased Property, or that such title defect has not materially affected the ability of the Authority to meet any of its obligations hereunder, the Trustee shall treat such proceeds as Revenues and shall apply such proceeds as provided in Section 5.02 hereof.

(ii) If less than all of the Leased Property shall have been affected by such title defect, and if the Trustee is furnished with the report of an independent professional consultant to the effect that such title defect has materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, the Trustee shall apply such proceeds to the redemption of Bonds in the manner provided in Article IV or to the acquisition of real property or an interest therein so as to cure such title defect, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption or acquisition.

(iii) If all of the Leased Property shall have been affected by such title defect and if such proceeds, together with any other moneys then available to the Trustee for the purpose of providing for, and are sufficient to provide for, the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the

preceding sentence, then the Trustee shall apply such proceeds in accordance with the provisions of Section 7.02 insofar as the same may be applicable.

(iv) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, have been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City.

(c) The Authority shall deliver to the Trustee, in the month of August in each year a schedule setting forth the insurance policies then in force pursuant to this section, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby. Such schedule shall contain a certification by the City's Risk Manager that the insurance evidenced therein meets the requirements of the Property Lease. If so requested in writing by the Trustee, the Authority shall also deliver to the Trustee duplicate originals or certified copies of each insurance policy described in such schedule, provided that delivery to the Trustee of the insurance policies under the provisions of this section shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of said policies.

(d) Notwithstanding anything in this Section 6.13 to the contrary, the City shall have the right to adopt the alternative risk management programs described in the Property Lease.

(e) This Section 6.13 shall not apply to proceeds of insurance described herein if the City has established Substitute Leased Property in place of the Leased Property and, in such event, the Trustee shall pay all of such proceeds to the City.

SECTION 6.14. Prosecution and Defense of Suits. The Authority shall promptly, upon request of the Trustee or any Bondowner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Bondowner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The Authority shall defend against every suit, action or proceeding at any time brought against the Trustee or any Bondowner upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee or any Bondowner under this Indenture; provided, that the Trustee or any Bondowner at its election may appear in and defend any such suit, action or proceeding. The Authority shall indemnify and hold harmless the Trustee and the Bondowners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the Bondowners against any attorney's fees or other expenses which any of them may incur in connection with any litigation to which any of them may become a party solely by reason of their ownership of Bonds. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all indebtedness and obligations issued hereunder may have been fully paid and satisfied.

SECTION 6.15. Recordation and Filing. The Authority shall record and file the Property Lease and all such documents as may be required by law (together with whatever else may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in

such places as may be required by law in order to preserve, protect and perfect fully the security of the Bondowners.

SECTION 6.16. Reserved.

SECTION 6.17. Eminent Domain. If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(a) (1) If the Trustee is furnished with the report specified in Section 6.17(a)(3) to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are not needed for repair or such rehabilitation of the Leased Property, the Trustee shall treat proceeds as Revenues and shall apply such proceeds as provided in Section 5.02.

(2) If the Trustee is furnished with the report specified in Section 6.17(a)(3) to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or, even if they have, that such proceedings have not materially affected the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amount to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(3) The Trustee shall be provided, at the expense of the Authority, the report of an engineer or other appropriate professional, who may be an employee of the City, regarding the extent of such eminent domain proceedings and its effect on the ability of the Authority to meet its obligations under this Indenture and whether the proceeds from the eminent domain proceedings are needed for the repair or rehabilitation of the Leased Property.

(b) If less than all of the Leased Property shall have been taken in such eminent domain proceedings, and if the Trustee is furnished a report of an independent engineer concluding that such eminent domain proceedings have materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, the Trustee shall apply such proceeds to the redemption of Bonds in the manner provided in Article IV, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption.

(c) If all of the Leased Property shall have been taken in such eminent domain proceedings and if such proceeds, together with any other moneys then available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or

by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall apply such proceeds in accordance with the provisions of Section 7.02 to the extent that the same may be applicable.

(d) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, has been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City and the Authority in accordance with their respective interests pursuant to a Certificate of the Authority.

(e) This Section 6.17 shall not apply to the proceeds of the taking by eminent domain proceedings (or the sale to a government threatening to exercise the power of eminent domain) of the Leased Property if the City has established Substitute Leased Property in place of the Leased Property that was taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) and, in such event, the Trustee shall pay all of such proceeds to the City.

SECTION 6.18. Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Law shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

SECTION 6.19. Further Assurances. Whenever and so often as so requested by the Trustee, the Authority will execute and deliver or cause to be executed and delivered promptly all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture.

SECTION 6.20. Tax Covenants.

(a) The Authority will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2023 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023 Bonds would have caused the 2023 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(b) The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2023 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) The Authority shall assure that the proceeds of the 2023 Bonds are not so used as to cause the 2023 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(d) The Authority shall take all actions necessary to assure the exclusion of interest on the 2023 Bonds from the gross income of the Owners of the 2023 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2023 Bonds.

(e) In the event that at any time the Authority is of the opinion that for purposes of this Section 6.20 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Authority shall so instruct the Trustee under this Indenture by written notice containing instructions as to the yield or yields to which such investments must be restricted. The Trustee shall take such action as may be necessary in accordance with such instructions.

(f) Notwithstanding any provisions of this Section 6.20 if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this Section 6.20 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the 2023 Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

(g) The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023 Bonds.

(h) The Authority will retain its records of all accounting and monitoring it carries out with respect to the 2023 Bonds for at least three years after the 2023 Bonds mature or are redeemed (whichever is earlier); however, if the 2023 Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the 2023 Bonds.

(i) The Authority will comply with the provisions of the Tax Certificate with respect to the 2023 Bonds. The covenants of this Section will survive payment in full or defeasance of the Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default and Acceleration of Maturities. The following shall each be an “event of default” under this Indenture:

(a) if default shall be made in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if there shall be a default under the Property Lease by reason of failure by the City to pay any rental under the Property Lease relating to or in connection with the Leased Property as and when the same becomes due and payable;

(d) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, provided that such thirty (30) day period shall be extended to sixty (60) days in the event the Authority is not able to cure such default within a thirty (30) day period but commenced a good faith effort to cure immediately upon receipt of notice as described above; or

(e) if, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control;

If one or more such events of default shall occur, then, and in each and every such case during the continuance of such event of default, the Trustee may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding, by written notice to the Authority, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable without further action, anything in this Indenture or the Bonds to the contrary notwithstanding.

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds maturing prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, on behalf of the Owners of

all of the Bonds, shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; provided, however, that no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

In addition to declaring the principal of all of the Bonds, and the interest accrued thereon, to be immediately due and payable as set forth above, the Trustee shall have the right to pursue any other remedy provided by law or in equity or otherwise after an Event of Default has occurred.

SECTION 7.02. Application of Funds Upon Acceleration. All of the Revenues and all sums in the Revenue Fund upon the date of the declaration of acceleration, as provided in Section 7.01 and all sums thereafter received by the Trustee hereunder shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of fees and expenses of the Trustee (including reasonable fees, costs and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest, to the extent permitted by law, on the overdue principal and installments of interest at the rate equal to the rate per annum on such Bonds (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then, and in compliance with the final sentence of Section 5.01 to the extent possible, to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Third, to the payment of fees, costs and expenses (including fees, costs and disbursements of its counsel) of the Bondowners related to such event of default.

SECTION 7.03. Trustee to Represent Bondowners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and owning the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Property Lease, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an event of default or other occasion giving rise to a right in the Trustee to represent the Owners of the Bonds, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effective to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Property Lease, the Law or any other law. All rights of

action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.04. Bondowners' Direction of Proceedings. The Owners of at least fifty percent (50%) in aggregate principal amount of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

SECTION 7.05. Limitation on Bondowners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Property Lease, the Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an event of default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owner of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Property Lease, the Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. Non-waiver. Nothing in this Article VII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest (and premium, if any) on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as herein provided, out of the Revenues herein pledged for such payments or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds. No delay or omission of the Trustee or of any Bondowner to exercise any right or power arising upon the happening of any event of default shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given by this Article VII to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient.

SECTION 7.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of Bonds 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 hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

ARTICLE VIII
THE TRUSTEE

SECTION 8.01. Trustee; Acceptance; Removal; Resignation.

(a) The Trustee accepts and agrees to perform its duties and obligations specifically imposed upon it by this Indenture, and no implied duties shall be read into this Indenture against the Trustee. After the occurrence of an Event of Default, in performing its duties hereunder, the Trustee shall exercise the level of care that a reasonable person would exercise in the conduct of his or her affairs.

(b) The Authority agrees that it will maintain a Trustee located in or incorporated under the laws of the State of California, duly authorized to exercise trust powers and subject to supervision or examination by federal or state authority, with a combined capital and surplus, together with its parent bank holding company and other subsidiaries of at least Seventy-Five Million Dollars (\$75,000,000), so long as any Bonds are Outstanding. If such bank, national banking association or trust company or parent bank holding company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this section the combined capital and surplus of such bank, national banking association or trust company or parent bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) The Trustee is hereby authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption, or on purchase by the Trustee prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. All moneys deposited under the provisions of this Indenture with the Trustee shall be held in trust and applied only in accordance with the provisions of this Indenture.

(d) The Authority, unless the Authority is in default hereunder, may remove the Trustee initially appointed, and any successor thereto, and may appoint a bank or trust company meeting the requirements in this Section 8.01 set forth above as successor thereto. The Trustee shall also be removed at any time at the request of the Owners of the majority of aggregate principal amount of Bonds then Outstanding, for any breach of fiduciary duty arising in connection with this Indenture.

(e) The Trustee may at any time resign by giving prior written notice to the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by a successor Trustee acceptable to the Authority. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or

conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, power trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts hereunder to the City and by mail to the Bondowners at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(f) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 8.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 8.02. Liability of Trustee.

(a) The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Authority, and the Trustee does not assume any responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Property Lease or of the Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it.

(b) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(c) No provision of this Trust Indenture, the Property Lease or any other document related hereto shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.

(d) Before taking any action under Article VII hereof, the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder except liability and expenses incurred as a result of its own negligence or willful misconduct.

(e) The indemnities and releases extended to the Trustee hereunder also extend to its directors, officers, employees and agents.

(f) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee, except to the extent of its own negligence or willful misconduct.

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

(h) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers.

(i) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(j) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(k) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder and the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(l) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(m) The Trustee shall not be deemed to have knowledge of any Event of Default (other than an Event of Default described in Section 7.01(a) or 7.01(b) unless and until the Trustee has received written notice of such an Event of Default at its Corporate Trust Office.

SECTION 8.03. Security for Deposits. Moneys allocated to any of the funds established pursuant to this Indenture may, and upon the Request of the Authority, shall be deposited by the Trustee in banks, including the Trustee, in time or demand deposits. Money so deposited shall be secured at all times, in the manner provided by law by direct obligations of the United States of America, obligations the principal of and interest on which are guaranteed by the United States of America, or bonds of the State of California or any local jurisdiction within California, with a market value at least equal to the amount required by law, but in no event less than the amount of moneys in each of said funds to be so secured.

SECTION 8.04. Investment of Moneys in Funds.

(a) Any moneys in any of the funds established by the Trustee pursuant to this Indenture, upon the Request of the Authority (at the written direction of the City), shall be invested in Permitted Investments (subject in each case to the limitations as to maturities hereinafter in this section set forth). The Trustee shall notify the City not less than two (2) Business Days prior to the date moneys held hereunder will be available for investment requesting that the City cause the Authority to deliver to the Trustee a Request of the Authority specifying the Permitted Investments to be acquired by the Trustee with such moneys. In the absence of any such written request of the City directing the investment of uninvested moneys held by the Trustee, the Trustee shall invest any such moneys in Permitted Investments described in clause (g) of the definition thereof. If no specific money market fund has been specified by the City, the Trustee shall make a request to the City for investment directions. Such moneys shall be held in cash, uninvested, until specific investment directions are provided by the City to the Trustee. The Authority, in issuing such Request, shall comply with the restrictions and instructions set forth in the Tax Certificate.

(b) Moneys in the Interest Fund (including a Capitalized Interest Account) and the Principal Fund may be invested in obligations that will, as nearly as practicable, mature on or before the respective Interest Payment Dates or Principal Payment Dates on which such moneys will be needed for the payment of interest or the retirement of Bonds.

(c) The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

(d) Any interest, profit or other income on such investment of moneys in the funds or accounts created hereunder shall be deposited when received in the Revenue Fund. Any such interest, profit or other income on amounts on deposit in the Acquisition Fund shall be retained therein unless the Trustee is otherwise directed by the Authority or the City to deposit it in the Revenue Fund.

(e) Any Permitted Investment that is registrable shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee.

(f) The Trustee shall furnish the Authority and City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the Authority's or City's election, such party's statements will be

delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority and the City (by its execution of the Property Lease) further understand that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(g) The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any Permitted Investment and shall be entitled to its customary fee therefor. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

(h) The moneys on deposit in the funds and accounts established under this Indenture shall not be deemed "surplus" under Section 53601 of the Government Code.

(i) All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued by the Authority (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by the Authority at their present value (within the meaning of section 148 of the Code). The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow: (i) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (ii) the investment directions of the Authority.

SECTION 8.05. Notice; Acceptance of Trusts.

(a) The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, Bond, statement, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

(c) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(d) The Trustee shall not be deemed to have notice of an event of default unless it has actual notice thereof at its Corporate Trust Office.

SECTION 8.06. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, as set forth in an agreement between the Authority and the Trustee, and the Authority will pay or reimburse the Trustee upon its request, in accordance with such fee letter as may be in effect, for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including reasonable costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Property Lease. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the discharge of the Bonds and this Indenture and the resignation or removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01. Amendments Permitted. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a supplement or amendment hereto which shall become effective when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, have been received. No such supplement or amendment shall (1) extend the fixed maturity of any Bonds or reduce the interest rate thereon or extend the time of payment of interest, or reduce the amount of principal thereof or reduce any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of this Indenture, or (3) modify any of the rights or obligations of the Trustee without the written assent thereto by the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority which in either case shall not adversely affect the interests of the Owners of the Bonds;
- (b) to cure, correct or supplement any ambiguous or defective provision contained in this Indenture or in regard to questions arising under this Indenture, as the Authority may deem necessary or desirable and not inconsistent with this Indenture, and which shall not adversely affect the interests of the Owners of the Bonds;
- (c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said Act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;
- (d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the 2023 Bonds;
- (e) to maintain a rating on the Bonds;
- (f) to modify any of the provisions of this Indenture in any other respect, provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds; or
- (g) to provide for the issuance of Additional Bonds pursuant to Section 2.14 hereof.

The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an Opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

SECTION 9.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City or by an obligor on the Bonds, or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the Authority or the City (except any Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Indenture. Upon request of the Trustee, the Authority and the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 9.03. Effect of Supplement or Amendment. From and after the time any supplement or amendment to the Indenture becomes effective pursuant to this Article this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Indenture of the Authority and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such supplement or amendment shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Endorsement or Replacement of Bonds Issued After Amendments. The Authority may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Authority, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of this Bond for the purpose at the office of the Authority or at such other office as the Authority may select and designate for that purpose, a suitable notation shall be made on such Bond. The Authority may determine that new Bonds so modified as in the opinion of the Authority necessary to conform to such Bondowners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond shall be exchanged in the Principal Corporate Trust Office of the Trustee, without cost to such Owner and at the expense of the Authority, for a Bond of the same character then outstanding, upon surrender of such Bond.

SECTION 9.05. Amendatory Endorsement of Bonds. The provisions of this Article shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him, provided that due notification thereof is made on such Bonds.

SECTION 9.06. Notice to Rating Agencies. Copies of any amendments or supplements to this Indenture or the Property Lease shall be sent to the rating agencies that (to the knowledge of the Authority) have assigned a rating to the 2023 Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Indenture. If the Authority shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust, at or before maturity, money in the necessary amount to pay or redeem all Bonds Outstanding;

(c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding;
or

(d) by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust and pursuant to an escrow agreement, Defeasance Obligations not subject to call prior to the date they would be used to pay the Bonds hereunder in such amount as will, together with the income or increment to accrue thereon, be fully sufficient, in the opinion of an independent certified public accountant, to pay and discharge the indebtedness on all Bonds at or before their respective maturity dates, and by delivering an Opinion of Bond Counsel stating that the conditions set forth in this Section 10.01 have been met and that, assuming the sufficiency of the amounts deposited for such purposes, the pledge of the Revenues provided for in this Indenture and all other obligations of the Authority under this Indenture shall cease and terminate, except as otherwise provided in Sections 6.20, 8.06 and 10.04 hereof and except for the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon;

and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority including, without limitation, all fees and expenses of the Trustee due hereunder, including reasonable attorneys' fees, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority signifying its intention to pay and discharge all such indebtedness and that this Indenture and all other obligations of the Authority under this Indenture shall cease and terminate, which shall be filed with the Trustee), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Revenues provided for in this Indenture and all other obligations of the Authority under this Indenture shall cease and terminate, except as otherwise provided in Sections 6.20, 8.06 and 10.04 hereof and except for the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon. The discharge of the obligations of the Authority under this Indenture shall be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Authority for any expenditures which it may thereafter incur in connection herewith.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or Government Obligations in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provisions satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged and the Owners thereof shall thereafter be entitled only to payment out of the money or Government Obligations deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Sections 10.03 and 10.04 hereof.

SECTION 10.03. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for two (2) years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture) shall then be repaid to the Authority and the Owners of such Bonds shall thereafter be entitled to look only to the Authority for payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may cause to be mailed to the registered Owners of such Bonds at their addresses as they appear on the registration books of the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Authority as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be general creditors of the Authority for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Authority (without interest thereon).

SECTION 10.04. Amounts Remaining in Funds and Accounts. Notwithstanding any other provision of this Indenture, it is agreed by the parties hereto that after payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Trustee in accordance with the Indenture and (iii) all other amounts required to be paid under the Indenture, any amounts remaining in any fund or account held by the Trustee under the Indenture (other than amounts required to pay rebate to the federal government) shall belong to the City, and shall be paid to the City by the Trustee.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Authority Limited to Revenues. The Authority shall not be required to take any action not expressly provided for herein and its obligation with respect to the Bonds shall be limited as described herein. Notwithstanding anything in this Indenture, the Authority shall not be required to pay or advance any moneys derived from any source other than the Revenues for the payment of the principal of or interest (and premium, if any) on the Bonds, for the maintenance and operation of the Leased Property, or for any other purpose of this Indenture. Nevertheless, the Authority may advance, but shall not be required under any circumstances whatsoever, for any of the purposes hereof, any funds of the Authority which may be made available to it for such purposes.

The Bonds are special obligations of the Authority and are payable, as to interest thereon and principal thereof, exclusively from Revenues, and the Authority is not obligated to pay them except from Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds, to the extent set forth in this Indenture. The Bonds are not a debt of the Agency, the City, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority pledged therefor provided in this Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties and Bondowners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, and the Owners of the Bonds issued hereunder, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition, stipulation or provisions herein or herein contained; and all such covenants, conditions, stipulations and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, and the Owners of the Bonds issued hereunder.

SECTION 11.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall destroy such Bonds, and deliver a certificate of such destruction to the Authority.

SECTION 11.06. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid,

illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have adopted this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties hereunder, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest with the Authority in trust for the benefit of the Bondowners.

SECTION 11.07. Notices.

(a) All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (i) upon transmission by facsimile transmission or other form of telecommunication, (ii) 48 hours after deposit in the United States mail, postage prepaid, or (iii) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City or the Authority: 9700 Seventh Ave.
Hesperia, CA 92345
Attn: City Manager

If to the Trustee: U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th
Los Angeles, CA 90071
Attention: Global Corporate Trust
Email: ismael.diaz@usbank.com

SECTION 11.08. Article and Section Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 11.09. Third-Party Beneficiary. To the extent that this Indenture confers upon or gives or grants to the City any right, remedy or claim under or by reason of this Indenture, the City is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right or remedy or claim conferred, given or granted hereunder.

SECTION 11.10. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund

or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with corporate trust industry practices and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 11.11. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or for anything else contained in this Indenture; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 11.12. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

SECTION 11.13. Counterparts. This Indenture may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their officers duly authorized as of the date first above written.

**HESPERIA JOINT PUBLIC FINANCE
AUTHORITY**

Attest

By: _____
Secretary

By: _____
Executive Director

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

By: _____
Authorized Officer

EXHIBIT A

[FORM OF 2023 BOND]

No. R-__

\$_____

**HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 REFUNDING LEASE REVENUE BOND**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>CUSIP</u>
November 1, ____		____, 2023	

Registered Owner: CEDE & CO.

Principal Amount: **** _____ DOLLARS****

HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint powers authority duly organized and existing under and pursuant to the laws of the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter mentioned) the registered owner specified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter mentioned) the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an interest payment date, in which event it shall bear interest from the date of authentication hereof, or unless this Bond is authenticated after a record date and before an interest payment date, in which event it shall bear interest from the next succeeding interest payment date, or unless this Bond is authenticated on or prior to October 15, 2023, in which event it shall bear interest from the date hereof) until payment of such Principal Amount in full as provided in the Indenture hereinafter mentioned, at the rate of interest specified above, payable semiannually on May 1 and November 1 in each year, commencing November 1, 2023, by check mailed on the applicable interest payment date to such registered owner; provided that upon the written request of any owner of at least \$1,000,000 in aggregate principal amount of Bonds, such payment shall be made by wire transfer in immediately available funds to an account within the continental limits of the United States designated by such owner. The principal (or redemption price) hereof is payable at the Corporate Trust Office (as defined in the Indenture hereinafter mentioned) of U.S. Bank Trust Company, National Association (herein called the "Trustee").

This Bond is one of a duly authorized issue of Bonds of the Authority designated as the Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds (herein called the "Bonds"), of an initial aggregate principal amount of \$_____, issued pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (herein called the "Law"), and pursuant to an Indenture, dated as of [Month of Closing] 1, 2023, by and between the Authority and the Trustee (herein called the "Indenture"), authorizing the issuance of the Bonds.

Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee) and all Indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues,

as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees.

The proceeds of the Bonds will be used by the Authority for the purposes and on the terms and conditions set forth in the Indenture and in the Property Lease, dated as of [Month of Closing] 1, 2023, by and between the Authority, as lessor, and the City of Hesperia (the "City"), as lessee (the "Property Lease"). This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a pledge and assignment of, the Revenues derived from a portion of the amounts payable by the City under the Property Lease. Except to the extent set forth in the Indenture, all such Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, and for the security and payment of interest on the Bonds; but nevertheless, in accordance with the Indenture, out of Revenues certain amounts may be applied for other purposes as provided in the Indenture. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds and any Additional Bonds, which may be issued only in accordance with the terms of the Indenture.

The Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the aforementioned Revenues as specified herein and in the Indenture. Neither the payment of the principal of the Bonds, nor any interest thereon, constitutes a debt, liability or obligation of the City, the Authority or the State of California. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The rights and obligations of the Authority and the holders of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (1) extend the fixed maturity of this Bond or reduce the rate of interest hereon or extend the time of payment of interest, or reduce the amount of the principal hereof or reduce any premium payable upon the redemption hereof, without the consent of the holder hereof, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, all as more fully set forth in the Indenture.

The Bonds are subject to redemption on any date without premium under the circumstances prescribed and as provided in the Indenture, as a whole or in part, through the application of proceeds of insurance and eminent domain proceedings.

The Bonds maturing on or before November 1, 2023, are not subject to optional redemption prior to maturity. The Bonds maturing on or after November 1, _____ are subject to optional redemption prior to maturity on or after November 1, _____, at the option of the Authority, as a whole or in part on any date, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor other than those described in the previous paragraph, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

The Bonds maturing on November 1, _____ (the "_____ Term Bonds") are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November

1, _____, and on each November 1 thereafter to and including November 1, _____, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the _____ Term Bonds to be redeemed, plus accrued interest on the _____ Term Bonds to be redeemed to the redemption date, without premium. The principal amount of the 2031 Term Bonds to be redeemed and the redemption dates are set forth in the following schedule:

Redemption Date (<u>November 1</u>)	Principal <u>Amount</u>
--	----------------------------

*Maturity

The Term Bonds maturing on November 1, _____ (the “_____ Term Bonds”) are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, _____, and on each November 1 thereafter to and including November 1, 2035, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the _____ Term Bonds to be redeemed, plus accrued interest on the _____ Term Bonds to be redeemed to the redemption date, without premium. The principal amount of the _____ Term Bonds to be redeemed and the redemption dates are set forth in the following schedule:

Redemption Date (<u>November 1</u>)	Principal <u>Amount</u>
--	----------------------------

*Maturity

As provided in the Indenture, notice of redemption shall be mailed, by first class mail, not less than 20 nor more than 60 days prior to the redemption date, to the registered owner of Bonds designated for redemption, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. The Authority shall have the right in certain instances to issue a conditional redemption notice, and to rescind notices of redemption as provided in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

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

The Bonds are issuable only as fully registered Bonds without coupons in the denomination of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of fully registered Bonds of any other authorized denominations subject to the conditions and restrictions contained in the Indenture.

This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds without coupons of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

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

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Trustee.

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

IN WITNESS WHEREOF, the Hesperia Joint Public Finance Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Assistant Secretary, all as of the Original Issue Date specified above.

HESPERIA JOINT PUBLIC FINANCE
AUTHORITY

By _____
Executive Director

Attest:

Assistant Secretary

**[FORM OF TRUSTEE'S
CERTIFICATE OF AUTHENTICATION]**

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

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

DATED: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM--as tenants in common

TEN ENT--as tenants by the entireties

JT TEN--as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT-- _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED THOUGH NOT IN THE LIST ABOVE

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

ESCROW DEPOSIT AND TRUST AGREEMENT

Relating to

\$12,445,000

Hesperia Joint Public Finance Authority
2013 Refunding Lease Revenue Bonds
(Refinancing of 2005 Civic Plaza Financing)

This ESCROW DEPOSIT AND TRUST AGREEMENT (this “**Agreement**”), dated as of _____, 2023, is among the CITY OF HESPERIA, a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California (the “**City**”), the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint exercise of powers authority organized and existing under the Constitution and laws of the State of California (the “**Authority**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the 2013 Bonds described below (the “**Escrow Agent**”) and as successor trustee (the “**Prior Trustee**”) for the 2013 Bonds.

BACKGROUND:

1. The Authority previously issued its 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) in the aggregate principal amount of \$12,445,000 (the “**2013 Bonds**”), under an Indenture dated as of October 1, 2013 (the “**2013 Indenture**”); the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the “**2013 Lease Agreement**”), between the Authority as lessor and the City as lessee.

2. The 2013 Bonds maturing on or after October 1, 2024 are subject to optional redemption, without premium, prior to maturity on any date on or after October 1, 2023, at the option of the Authority.

3. In order to achieve cash flow savings, the City wishes to prepay the lease payments payable by the City under the 2013 Lease Agreement and to cause the Authority to defease and redeem the 2013 Bonds, and, for that purpose, the Authority is issuing the 2023 Refunding Lease Revenue Bonds (the “**2023 Bonds**”) under an Indenture, dated as of [Month of Closing Date] 1, 2023 (the “**2023 Indenture**”) and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “**Law**”).

4. The City and the Authority wish to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and redemption in full of the principal and interest and premium (if any) with respect to the outstanding 2013 Bonds, and to provide certain directions to the Prior Trustee with respect to the 2013 Bonds.

5. As a result of the deposit and investment of funds in accordance with this Agreement, the 2013 Bonds will be discharged and defeased in accordance with the

provisions of Section 10.01 of the 2013 Indenture and redeemed in accordance with the provisions of Section 4.01(c) of the 2013 Indenture.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City, the Authority and U.S. Bank Trust Company, National Association, as Escrow Agent and Prior Trustee, hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City and the Authority hereby appoint the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease and redeem the 2013 Bonds in accordance with the 2013 Indenture. The Escrow Agent is directed to establish the Hesperia Joint Public Finance Authority 2013 Refunding Lease Revenue Bonds Escrow Fund (the “**Escrow Fund**”) to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the 2013 Bonds as set forth below. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium (if any) with respect to the 2013 Bonds in accordance with the 2013 Indenture.

If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the 2013 Bonds, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. Deposit and Investment of Amounts in Escrow Fund.

(a) Deposits into the Escrow Fund. On _____, 2023 (the “**Closing Date**”), the Authority, pursuant to the 2023 Indenture, will cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the 2023 Bonds.

In addition, the Authority hereby directs the Prior Trustee to transfer to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____, to be derived from moneys related to the 2013 Bonds that are available as a result of the defeasance of the 2013 Bonds.

As a result, the total amount to be deposited in the Escrow Fund on the Closing Date is \$_____.

(b) Investment of Amounts in the Escrow Fund. The City and the Authority hereby direct the Escrow Agent to use \$_____ of the amounts deposited in the Escrow Fund pursuant to Section 2(a) to acquire in its own name, as Escrow Agent, the Government Obligations (as defined in the 2013 Indenture) described in Exhibit D attached hereto. The Escrow Agent shall hold the balance (\$_____) uninvested in cash.

(c) Substitution of Government Obligations. The City and the Authority may at any time direct the Escrow Agent to substitute noncallable Government Obligations for any or all of the Government Obligations then deposited in the Escrow Fund, provided that

any such direction and substitution shall be accompanied by a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Government Obligations then to be so deposited in the Escrow Fund, together with interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof and, further, to be accompanied with an opinion of nationally recognized bond counsel that the substitution will not affect, for Federal income tax purposes, the exemption from Federal income taxes of the interest on the 2013 Bonds or the 2023 Bonds. In the event that, following any such substitution of Government Obligations pursuant to this Section 2(c), there is an amount of moneys or Government Obligations in excess of an amount sufficient to make the payments required by Section 3 hereof, such excess shall be transferred to U.S. Bank Trust Company, National Association, as trustee for the 2023 Bonds, for deposit in the Interest Fund established under the 2023 Indenture, to be applied to pay interest next coming due and payable on the 2023 Bonds.

(d) Limited Power of Escrow Agent. Except as herein otherwise expressly provided, the Escrow Agent shall have no power or duty to make substitutions of the Government Obligations, or to sell, transfer or otherwise dispose of the Government Obligations.

(e) Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Government Obligations accruing to the Escrow Agent hereunder, and such books shall be available for inspection at reasonable hours and under reasonable conditions with reasonable prior notice by the owners of the 2013 Bonds or the 2023 Bonds, as applicable.

SECTION 3. *Application of Amounts in Escrow Fund.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Prior Trustee an amount required to pay the principal of and interest and redemption premium (if any) on the 2013 Bonds, in accordance with the schedule attached as Exhibit A hereto.

Following the payment and redemption of the 2013 Bonds in full, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to U.S. Bank Trust Company, National Association, as trustee for the 2023 Bonds, for deposit in the Interest Fund established under the 2023 Indenture, to be applied to pay interest next coming due and payable on the 2023 Bonds.

SECTION 4. *Irrevocable Election to Redeem 2013 Bonds; Redemption Notice; Defeasance Notice.* The City and the Authority have irrevocably elected to pay and redeem all of the outstanding 2013 Bonds on the date set forth in Exhibit A, in accordance with the provisions of the 2013 Indenture. The City and the Authority hereby direct the Prior Trustee to give notice of the redemption of the 2013 Bonds in accordance with the requirements of the 2013 Indenture, at the expense of the City, using the form set forth in Exhibit B. The City and the Authority further hereby direct the Prior Trustee to give notice of the defeasance of the 2013 Bonds on the Closing Date, using the form set forth in Exhibit C.

SECTION 5. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such

as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 6. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and redemption premium (if any) with respect to the 2013 Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's reasonable understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 7. *Tax-Exempt Nature of 2013 Bonds and 2023 Bonds.* The City and the Authority covenant and agree for the benefit of the owners of the 2013 Bonds and the 2023 Bonds that they will not perform or permit to be performed any thing or act in such manner as would cause interest on the 2013 Bonds or the 2023 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and, in particular, they will not use any of the proceeds received from the sale of the 2023 Bonds, directly or indirectly, in

any manner which would result in such 2023 Bonds being classified as “arbitrage bonds” within the meaning of Section 148(a) of the Code.

SECTION 8. *Termination of Agreement.* Upon payment in full of the principal of and interest and redemption premium (if any) on the 2013 Bonds and all fees, expense and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 9. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF HESPERIA

By: _____
City Manager

**HESPERIA JOINT PUBLIC FINANCE
AUTHORITY**

By: _____
Executive Director

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION**, as Escrow
Agent and as Prior Trustee

By _____
Authorized Officer

EXHIBIT A
ESCROW REQUIREMENTS

Payment <u>Date</u>	<u>Interest Payment</u>	Principal <u>Due</u>	Redeemed <u>Principal</u>	Total <u>Payment</u>
10/1/23				

EXHIBIT B

FORM OF REDEMPTION NOTICE

\$12,445,000

**Hesperia Joint Public Finance Authority
2013 Refunding Lease Revenue Bonds
(Refinancing of 2005 Civic Plaza Financing)
Date of issuance: October 30, 2013**

NOTICE IS HEREBY GIVEN, by the Hesperia Joint Public Finance Authority (the "Authority") that all of the captioned bonds maturing on or after October 1, 2024 (the "2013 Bonds"), have been called for redemption under and within the meaning of the Indenture, dated as of October 1, 2013 (the "2013 Indenture"), on October 1, 2023 (the "Redemption Date"), at a redemption price equal to the principal amount of the 2013 Bonds together with accrued interest thereon to the redemption date, without premium (the "Redemption Price").

The 2013 Bonds consist of the following:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Initial</u> <u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u> <u>(Base: 42806H)</u>
2024	\$500,000	3.750%	BJ8
2025	535,000	4.000	BK5
2026	575,000	4.000	BL3
2027	620,000	4.250	BM1
2028	665,000	4.250	BN9
2031 (T)	2,305,000	4.750	BP4
2035 (T)	3,950,000	5.000	BQ2

T Term Bond.

On the Redemption Date, the Redemption Price will become due and payable on each of the 2013 Bonds, and interest shall cease to accrue on the 2013 Bonds on the Redemption Date.

The CUSIP number of the 2013 Bonds has been assigned by an independent service and is included in this notice solely for the convenience of the Owners and neither U.S. Bank Trust Company, National Association, as trustee for the 2013 Bonds (the "2013 Trustee"), the Authority nor the City of Hesperia shall be liable for any inaccuracies in such numbers.

Pursuant to the 2013 Indenture, the Redemption Price of the 2013 Bonds will be paid without presentation of the 2013 Bonds if presentment is not required and upon presentation of the 2013 Bonds if presentment is required. If presentment is required, surrender thereof can be made in the following manner:

Delivery Instructions:
U.S. Bank
Global Corporate Trust

111 Fillmore Ave E
St. Paul, MN 55107

The owners of the 2013 Bonds presenting their bonds in person for same day payment must surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the 2013 Bond, the owner of the 2013 Bond is not required to endorse the 2013 Bond to collect the Redemption Price.

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the "Bondholder Information" link for Redemption instructions. You may also contact our Bondholder Communications team at 1 800-934-6802 Monday through Friday from 8 A.M. to 6 P.M. CST.

IMPORTANT NOTICE

Federal law requires the 2013 Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Dated: _____, 2023

U.S. Bank Trust Company,
National Association, as Trustee

EXHIBIT C

FORM OF DEFEASANCE NOTICE

\$12,445,000

**Hesperia Joint Public Finance Authority
2013 Refunding Lease Revenue Bonds
(Refinancing of 2005 Civic Plaza Financing)
Date of issuance: October 30, 2013**

NOTICE IS HEREBY GIVEN, by the Hesperia Joint Public Finance Authority (the "Authority") that, on the date hereof, moneys and investments have been set aside in an Escrow Fund held by U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Deposit and Trust Agreement, dated as of _____, 2023 (the "Escrow Agreement"), by and among the City of Hesperia (the "City"), the Authority and the Escrow Agent, for the purpose of paying the outstanding captioned bonds (the "2013 Bonds").

The moneys and investments in the Escrow Fund shall be sufficient to (i) pay principal of and interest due on the 2013 Bonds on October 1, 2023 and (ii) redeem on October 1, 2023, all of the outstanding 2013 Bonds maturing on or after October 1, 2024, at a redemption price equal to the principal amount to be redeemed, without premium.

The outstanding 2013 Bonds consist of the following:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Initial</u> <u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u> <u>(Base: 42806H)</u>
2023	\$460,000	4.000%	BH2
2024	500,000	3.750	BJ8
2025	535,000	4.000	BK5
2026	575,000	4.000	BL3
2027	620,000	4.250	BM1
2028	665,000	4.250	BN9
2031 (T)	2,305,000	4.750	BP4
2035 (T)	3,950,000	5.000	BQ2

T Term Bond.

In accordance with the terms of the Indenture, dated as of October 1, 2013 related to the 2013 Bonds (the "2013 Indenture") notice of redemption of the captioned Bonds to be redeemed is required to be given by U.S. Bank Trust Company, National Association, as trustee for the 2013 Bonds (the "2013 Trustee"), on a date not more than 60 days or less than 30 days prior to the date fixed for redemption thereof.

The moneys deposited in the Escrow Fund, including the earnings derived from the investment thereof, are irrevocably pledged to the payment of principal or redemption price of and interest on the 2013 Bonds. Said moneys have been invested in certain United States Treasury Bonds State and Local Government Series issued by the United States

Treasury ("SLGS") and which bear interest and mature on such dates as to insure the payment of all principal, premium, as applicable, and interest on the 2013 Bonds. Pursuant to the Escrow Agreement, the Authority may substitute securities for those initially allocated to the Escrow Fund and withdraw moneys from the Escrow Fund subject to the terms and conditions set forth in the Escrow Agreement.

As a consequence of the foregoing actions and in accordance with the 2013 Indenture, the pledge of the Revenues provided for in the 2013 Indenture and all other obligations of the Authority under the 2013 Indenture have ceased and terminated, except as otherwise provided in the 2013 Indenture and except for the obligation of the Authority to pay or cause to be paid to the owners of the 2013 Bonds all sums due thereon.

The CUSIP number of the 2013 Bonds has been assigned by an independent service and is included in this notice solely for the convenience of the owners of the 2013 Bonds and neither the Escrow Agent, the Authority nor the City of Hesperia shall be liable for any inaccuracies in such numbers.

Dated: _____, 2023

U.S. Bank Trust Company,
National Association, as Escrow Agent

EXHIBIT D

DESCRIPTION OF GOVERNMENT OBLIGATIONS

<u>Type</u>	Maturity <u>Date</u>	Par <u>Amount</u>	<u>Rate</u>	<u>Cost</u>
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\$(Principal Amount)
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds
BOND PURCHASE AGREEMENT

June __, 2023

Hesperia Joint Public Finance Authority
 9700 7th Avenue
 Hesperia, California 92345
 Attention: City Manager

City of Hesperia
 9700 7th Avenue
 Hesperia, California 92345
 Attention: City Manager

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (which, together with the exhibits hereto, is referred to as the “Purchase Agreement”) with the Hesperia Joint Public Finance Authority (the “Authority”) and the City of Hesperia, California (the “City”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Indenture, dated as of July 1, 2023 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds in the aggregate principal amount of \$ _____ (the “Bonds”). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on November 1, 2023 and each May 1 and November 1 thereafter, and will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A. The purchase price of the Bonds shall be equal to \$ _____ (being the aggregate principal amount thereof plus a [net] original issue [premium] [discount] of \$ _____, less an underwriter’s discount of \$ _____).

Section 2. The Bonds. The Bonds shall be secured by a pledge of revenues consisting primarily of rental payments (“Rental Payments”) to be paid by the City to the Authority pursuant to the Property Lease, dated as of July 1, 2023 (the “Property Lease”), by and between the City and the

Authority, under which the Authority will sublease certain real property to the City in consideration for the City's payment of the Rental Payments. The Authority's right to receive the Rental Payments due under the Property Lease and to exercise remedies upon default under such Property Lease shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Indenture.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City and the Underwriter.

The proceeds of the Bonds shall be used for the purpose of refinancing the 2013 Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing) (the "2013 Bonds"), issued under an Indenture dated as of October 1, 2013, by and between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "2013 Trustee"); the 2013 Bonds are payable from lease payments made by the City under a Property Lease dated as of October 1, 2013 (the "2013 Lease Agreement"), between the Authority as lessor and the City as lessee.

The leased assets (the "Leased Property") under the Property Lease and the Site Lease (defined below) will initially consist of the Hesperia City Hall and the Civic Plaza Park. However, the City intends to substitute the Hesperia Branch Library for the City Hall when the City has received from the County of San Bernardino (the "County") a written subordination (the "Subordination Agreement") of its interests under an unrecorded lease agreement ("County Library Lease Agreement") to the Property Lease and the Site Lease. The City intends the Subordination Agreement to be executed by the City and the County, but the Authority will also be a party to the Subordination Agreement if required by the County.

The Finance Authority previously issued its 2012 Lease Revenue Bonds (Water Rights Acquisition) in the aggregate principal amount of \$26,735,000 (the "2012 Bonds"), under an Indenture dated as of December 1, 2012; the 2012 Bonds are payable from lease payments made by the City under a Property Lease dated as of December 1, 2012 (the "2012 Property Lease"), between the Finance Authority as lessor and the City as lessee. The property leased by the City from the Finance Authority under the 2012 Property Lease includes the real property and improvements constituting the Hesperia Branch Library, the Civic Plaza Park and the Hesperia Police Station. In order to lease the Civic Plaza Park and the Hesperia Branch Library under the Property Lease, the City intends to enter into amendments of the 2012 Property Lease and a Site and Facilities Lease, dated as of December 1, 2012 (the "2012 Amendments") providing for the release of the Civic Plaza Park and the Hesperia Branch Library as leased assets.

The Bonds, this Purchase Agreement, the Indenture, the Escrow Deposit and Trust Agreement, dated as of July 1, 2023 (the "Escrow Agreement"), by and among the City, the Authority, and U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent") and 2013 Trustee, the Property Lease, the Site and Facilities Lease, dated as of July 1, 2023 (the "Site Lease"), by and between the Authority and the City, the 2012 Amendments, and the resolution of the Authority authorizing the issuance of the Bonds (the "Authority Resolution") are collectively referred to herein as the "Authority Documents."

This Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate of the City, dated the date of issuance of the Bonds (the "Continuing Disclosure Certificate"), relating to the Bonds, the Property Lease, the Site Lease, the 2012 Amendments, and the resolution of the City

relating to the Bonds (the “City Resolution”) are collectively referred to herein as the “City Documents.”

Section 3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth in Exhibit A and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Authority, on one hand, and the Underwriter, on the other; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the City and the Authority; and (v) the City and Authority have consulted their own legal, financial and other advisors to the extent that they have deemed appropriate.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form set forth in Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as such term is defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal advisor, Fieldman, Rolapp & Associates (the “Municipal Advisor”) and any notice or report to be provided to the Authority may be provided to the Authority’s Municipal Advisor.

(c) Except as otherwise set forth in Exhibit A, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either: (i) the Underwriter has sold all of the Bonds of that maturity; or (ii), the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon the request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter; (B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public; and

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or

the dealer and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The Authority acknowledges that, in making the representations set forth in this Section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

Section 4. The Official Statement. By their acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriter prior to the date

hereof of the Preliminary Official Statement relating to the Bonds dated June __, 2023 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that an authorized officers of the City and the Authority deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information that was previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority and the City with final pricing information on the Bonds on a timely basis; and (ii) to file a copy of the Official Statement, including any supplements prepared by the Authority or the City in accordance with MSRB rules with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:30 a.m., Pacific Standard Time, on July __, 2023, or at such other time or date as the Authority and the Underwriter agree upon (the “Closing Date”), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter and the City that:

(a) The Authority is a public body that is duly organized and existing under the Constitution and laws of the State of California (the “State”), including Articles 1, 2, and 4 of Chapter

5 of Division 7 of Title 1 of the Government Code of the State of California and the Joint Exercise of Powers Agreement, dated as of October 2, 2012 (the “JPA Agreement”), by and between the City and the Hesperia Water District.

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action at a regular meeting of the Authority’s Board of Directors that was duly noticed and held, the Authority has adopted the Authority Resolution, has duly authorized and approved the issuance of the Bonds and the execution of the Authority Documents, has duly authorized and approved the Preliminary Official Statement, will, by execution thereof, duly authorize and approve the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority’s part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents

and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date that is twenty-five (25) days following the end of the underwriting period (as such term is defined below), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Rental Payments with respect to the Property Lease or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) The information set forth under the caption "THE AUTHORITY" in the Preliminary Official Statement as of its date does not and in the Official Statement as of the date hereof and as of the Closing Date does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(k) The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Rental Payments while the Bonds are Outstanding, and the Authority will collect the Rental Payments in accordance with the Property Lease.

(l) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter and the Authority that:

(a) The City is a political subdivision of the State that is duly organized and existing under and by virtue of the general laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has adopted the City Resolution, has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the

City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement did not as of its date and the Official Statement does not and will not up to and including the Closing Date contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "THE AUTHORITY" and "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Rental Payments with respect to the Property Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the City's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period, if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the end of the underwriting period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(m) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2022 attached as Appendix C to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2022 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events. A form of the Continuing Disclosure Certificate is set forth in Appendix D to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) Except in connection with the issuance of refunding bonds pursuant to the terms of the Indenture or as permitted under the Property Lease due to damage, destruction, eminent domain, or substantial interference with the use and occupancy by the City of the property that is subject to the Property Lease or any portion thereof, the City will refrain from taking any action, or

permitting any action to be taken, to reduce the amount of the Rental Payments while the Bonds are Outstanding, and the City will pay the Rental Payments in accordance with the Property Lease.

(p) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of Bond Counsel and the Trustee, made in any certificates or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the City of their obligations to be performed under the Authority Documents and the City Documents, respectively, at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, the Authority Documents or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City and the Authority shall not be in default in the payment of principal or interest with respect to any of their respective financial obligations, which default would materially adversely impact the ability of the City to pay the Rental Payments or the Authority to pay the Bonds.

(d) In recognition of the desire of the Authority, the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Authority or the City, or the interest on or with respect to bonds or notes (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(viii) the declaration of war or the escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government of, or the financial community or financial markets in, the United States or elsewhere, or the escalation of such calamity or crisis, which, in the judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner that are contemplated in the Preliminary Official Statement or the Official Statement; or

(ix) any rating of the Bonds or the rating of any obligations of the City secured by the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed Authority Resolution;

(ii) The executed City Resolution;

(iii) The City Documents and the Authority Documents, each duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) Specimen Bonds;

(v) Evidence that the Property Lease, the Site Lease and the 2012 Amendments, or memoranda thereof, have been recorded in the Office of the County Recorder of the County of San Bernardino;

(vi) Evidence that the insurance required to be in effect on the Closing Date under the Property Lease is in fact in effect as of such date;

(vii) The approving opinion of Bond Counsel dated the Closing Date and addressed to the City, in substantially the form attached as Appendix E to the Official Statement, and a reliance letter or letters thereon addressed to the Underwriter and the Trustee;

(viii) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "REFUNDING PLAN," "THE 2023 BONDS," "SECURITY FOR THE 2023 BONDS" and "TAX MATTERS," and in Appendices B and

E, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements purport to describe certain provisions of the City Documents or the Authority Documents or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially issued;

(B) The Purchase Agreement has been duly authorized, executed and delivered by the City and the Authority and constitutes the valid, legal and binding agreement of the City and the Authority, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; and

(C) The Bonds are exempt from registration requirements pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ix) The Official Statement, executed on behalf of the City and the Authority, and the Preliminary Official Statement;

(x) Evidence that the ratings on the Bonds are as described in the Official Statement;

(xi) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Authority Resolution was duly adopted at a regular meeting of the Authority held on [June 6], 2023, at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter; (ii) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (iii) no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iv) the information and statements contained in the Official Statement under the caption "THE AUTHORITY" did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (v) the Authority is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Property Lease) or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing

which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(xii) A certificate, dated the Closing Date, signed by a duly authorized officer of the City, satisfactory in form and substance to the Underwriter, to the effect that: (i) the City Resolution was duly adopted at a regular meeting of the City Council of the City held on [June 6], 2023, at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter; (ii) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; (iii) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iv) the information and statements contained in the Official Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (v) the City is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Property Lease) or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City’s ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(xiii) An opinion dated the Closing Date and addressed to the Underwriter and Bond Counsel, of counsel to the Authority, to the effect that:

(A) the Authority is duly organized and validly existing as a joint exercise of powers agency under the laws of the State of California and is possessed of full power to own and hold real and personal property and to lease and sell the same;

(B) the Authority Resolution was duly adopted at a regular meeting of the governing body of the Authority which was called and held pursuant to law, with all public notice required by law and at which a quorum was present and acting throughout;

(C) the Authority has full right and lawful authority to execute and deliver the Authority Documents and such documents have been duly authorized, executed and delivered by and on behalf of the Authority, and assuming the due authorization, execution and delivery by the other parties thereto, the Authority Documents are valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors’ rights generally;

(D) to the best of our knowledge, there is no action, suit, proceeding, inquiry, or investigation before or by any court or public board or body pending or threatened wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated by the Bonds, the Authority Documents or any other agreement, document, or certificate related to such transaction;

(E) insofar as it will have a material adverse effect on the ability of the Authority to enter into, carry out or perform its obligations under the foregoing agreements or to consummate the transactions contemplated thereby, to the best of our knowledge, the Authority is not in material breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, and, to the best of our knowledge no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(F) no authorization, approval, consent, or order of any governmental agency or, to the best of our knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Authority Documents on behalf of the Authority that has not been obtained.

(xiv) An opinion dated the Closing Date and addressed to the Underwriter and Bond Counsel, of the City Attorney, to the effect that:

(A) The City is a political subdivision of the State of California that is duly organized and existing under and by virtue of the general laws of the State of California;

(B) The City Resolution was duly adopted at a regular meeting of the City at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) The City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, as applicable, constitute the valid and binding obligations of the City, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(D) No consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body which has not already been obtained is required to be obtained by the City for the execution and performance of the City Documents or the actions on the part of the City contemplated thereby, including causing the issuance of the Bonds;

(E) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the payment of the Rental Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to

enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Rental Payments under the Property Lease; and

(F) The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents;

(xv) A letter of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the City, the Authority and the Underwriter, substantially to the effect that they are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and in the Official Statement and make no representation that they have independently verified the accuracy, completeness or fairness of any such statements; however, in connection with the Preliminary Official Statement and the Official Statement, they have reviewed certain documents and have participated in conferences in which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. During the course of their work on this matter, no facts have come to their attention that have caused them to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date or the Closing Date (except for the following items, which are expressly excluded from the scope of this sentence: any financial, statistical and demographic data, forecasts, numbers, charts, estimates, assumptions, expressions of opinion, and information concerning The Depository Trust Company and the book-entry system for the Bonds, that is contained or incorporated by reference in the Preliminary Official Statement and the Official Statement, and the appendices to the Preliminary Official Statement and the Official Statement) contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xvii) An opinion of counsel to the Trustee and the Escrow Agent, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xviii) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee and Escrow Agent, in form and substance satisfactory to the Underwriter, and an incumbency certificate of the Trustee and Escrow Agent;

(xix) For each of the Bonds and the Property Lease, the preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xx) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xxi) Certificates regarding tax, arbitrage and use of proceeds of the City and the Authority relating to the Bonds in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(xxii) A certificate, dated the date of the Preliminary Official Statement, of the City and the Authority, as required under Rule 15c2-12;

(xxiii) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the City and the Authority;

(xxiv) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State (or, alternatively, a certificate of the Authority confirming that notice of the JPA Agreement and all amendments thereto have been filed with the Secretary of State prior to the Closing Date);

(xxv) a copy of an ALTA or CLTA title insurance policy in an amount equal to the original aggregate principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter; and

(xxvi) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the "end of the underwriting period" will be the Closing Date unless the Underwriter notifies the City and the Authority otherwise.

Section 10. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the City and the Authority shall pay or cause to be paid (out of any legally available funds) all expenses that are incident to the performance of the City's and the Authority's obligations hereunder, including, but not limited to, the cost of printing and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the City Documents, the Authority Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby

(and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Bond Counsel and Disclosure Counsel and any accountants, engineers or any other experts or consultants that the City or the Authority has retained in connection with the issuance of the Bonds and any other expenses that are agreed to by the parties; and

(b) The City and the Authority shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws; expenses in connection with obtaining CUSIP numbers for the Bonds; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Bonds (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 2121 Avenue of the Stars, Suite 2150, Los Angeles, California 90067, Attention: Sara Brown. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the City or the Authority under this Purchase Agreement may be given by delivering the same in writing to the applicable address set forth on the first page of this Purchase Agreement.

Section 12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City, the Authority and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Survival of Representations and Warranties. The representations and warranties of the City and the Authority in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and the Authority and regardless of delivery of and payment for the Bonds.

Section 16. Effectiveness. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and the Authority and shall be valid and enforceable as of the time of such acceptance.

Section 17. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF HESPERIA

By: _____
Its: _____
Printed Name: _____

Time of Execution: _____ a.m./p.m. Pacific Time

HESPERIA JOINT PUBLIC FINANCE AUTHORITY

By: _____
Its: _____
Printed Name: _____

Time of Execution: _____ a.m./p.m. Pacific Time

EXHIBIT A

[\$[Principal Amount]] HESPERIA JOINT PUBLIC FINANCE AUTHORITY 2023 Refunding Lease Revenue Bonds

MATURITY SCHEDULE

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold-the- Offering- Price Rule Used</i>
	\$	%	%			

^C Priced to optional redemption date of November 1, 20__ at par.
^T Term Bond.

REDEMPTION PROVISIONS

Optional Redemption. The Bonds maturing on or before November 1, 20__, are not subject to redemption prior to maturity. The Bonds maturing on or after November 1, 20__, are subject to optional redemption prior to maturity on or after November 1, 20__ at the option of the Authority, as a whole or in part on any date, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available other than those described below under the caption “Mandatory Redemption from Insurance or Condemnation Proceeds,” at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Redemption from Insurance or Condemnation Proceeds. The Bonds are subject to mandatory redemption as a whole, or in part by lot within any maturity if less than all of the Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain

proceedings, upon the terms and conditions of, and as provided for in the Indenture, at the principal amount thereof and accrued interest thereon to the date fixed for mandatory redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on November 1, 20__ (the “20__ Term Bonds”) are shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, 20__, and on each November 1 thereafter to and including November 1, 20__, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest on the Bonds to be redeemed to the redemption date, without premium. The principal amount of the 20__ Term Bonds to be redeemed and the redemption dates are set forth in the following table:

**Mandatory Sinking Fund Redemption of
Term Bonds Maturing November 1, 20__**

***Sinking Fund
Redemption Date
(November 1)***

***Principal Amount
To Be Redeemed***

\$

*Maturity

The 20__Term Bonds maturing on November 1, 20__ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on November 1, 20__, and on each November 1 thereafter to and including November 1, 20__, from money on hand in the Principal Fund at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest on the Bonds to be redeemed to the redemption date, without premium. The principal amount of the 20__Term Bonds to be redeemed and the redemption dates are set forth in the following table:

**Mandatory Sinking Fund Redemption of
Term Bonds Maturing November 1, 20__**

***Sinking Fund
Redemption Date
(November 1)***

***Principal Amount
To Be Redeemed***

\$

*Maturity

Mandatory Sinking Account Payments shall be adjusted as directed by the Authority in the event of a partial redemption pursuant to the Indenture.

EXHIBIT B

**[\$[Principal Amount]
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2023 Refunding Lease Revenue Bonds**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certifies as set forth below with respect to the sale and delivery of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated June __, 2023, by and among Stifel, as the Underwriter (as defined below), the City of Hesperia and the Issuer (as defined below), Stifel has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (which Sale Date is June __, 2023), or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Hesperia Joint Public Finance Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June __, 2023.

(h) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer and the City of Hesperia (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer and the City of Hesperia with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer or the City of Hesperia from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Name: _____

By: _____

Name: _____

Dated: _____, 2023

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

Attachment 9

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

Leasehold Less Than 35 Years

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

**AMENDMENT NO. 1 TO
SITE AND FACILITIES LEASE**

By and Between the

**HESPERIA JOINT PUBLIC FINANCE AUTHORITY,
as Lessor**

and the

**CITY OF HESPERIA,
as Lessee**

Dated as of _____ 1, 2023

Relating to

**\$26,735,000
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2012 Lease Revenue Bonds
(Water Rights Acquisition)**

AMENDMENT NO. 1 TO SITE AND FACILITIES LEASE

THIS AMENDMENT NO. 1 TO SITE AND FACILITIES LEASE (this "Amendment"), made and entered into as of _____ 1, 2023, by and between the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint powers agency, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the CITY OF HESPERIA, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the "City"), amends that certain Site and Facilities Lease (the "Original Site and Facilities Lease"), made and entered into as of December 1, 2012, by and between the Authority and the City, which Original Site and Facilities Lease was recorded as Instrument No. 2012-0530311 in the real property records of the County of San Bernardino on December 12, 2012.

RECITALS

WHEREAS, the City and the Authority entered into the Original Site and Facilities Lease in connection with the issuance of the \$26,735,000 Hesperia Joint Public Finance Authority 2012 Lease Revenue Bonds (Water Rights Acquisition) 2012 Bonds (the "2012 Bonds"); and

WHEREAS, the 2012 Bonds were issued pursuant to an Indenture, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, N.A., as successor trustee; and

WHEREAS, the Authority leased certain real property and improvements (the "Leased Property") from the City under the Original Site and Facilities Lease, and subleased such Leased Property to the City pursuant to a Property Lease, dated as of December 1, 2012 (the "Original Property Lease"), a memorandum of which Original Property Lease was recorded as Instrument No. 2012-0530312 in the real property records of the County of San Bernardino on December 12, 2012; and

WHEREAS, Section 12.02 of the Original Property Lease granted to the City the option at any time and from time to time during the term of the Original Property Lease to remove from such Original Property Lease any portion of the Leased Property, provided that the City first satisfies all of the following requirements:

(a) No event of default has occurred and is continuing under the Original Property Lease,

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to the Original Property Lease which deletes the legal description of such Leased Property,

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder a copy of an executed amendment to the Original Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A,

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel substantially to the effect that such removal will not affect the obligation of the City to continue to pay Base Rental payments in the amounts and at the times and in the manner required by the Original Property Lease,

(e) The City shall file with the Authority and the Trustee a certificate stating that (1) the annual fair rental value of the remaining Leased Property, taking into consideration the removal of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such removal and (2) the useful life of the remaining Leased Property is at least as long as the remaining term of this Property Lease, and

(f) The City shall provide written notice to each rating agency then rating the Bonds of the proposed removal; and

WHEREAS, the City and the Authority have agreed to amend Exhibit A to the Original Property Lease to remove from the Original Property Lease the real property and improvements constituting the Hesperia Branch Library and the Civic Plaza Park Hall, as described in Exhibit B attached hereto and made a part hereof, leaving the Hesperia Police Station as the Leased Property under the Original Property Lease, and the City and the Authority wish to amend the Original Site and Facilities Lease for the same purpose; and

WHEREAS, Section 3.06 of the Original Site and Facilities Lease provides that the Leased Property may be removed in part in implementation of the provisions of Section 12.02 of the Original Property Lease, and in such event, Exhibit A of the Original Site and Facilities Lease shall be revised accordingly; and

WHEREAS, Section 5.03 of the Original Site and Facilities Lease authorizes the City and the Authority to amend the Original Site and Facilities Lease as required in connection with an amendment of the Original Property Lease; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined in this Amendment, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Original Site and Facilities Lease.

Section 2. Amendment of Exhibit A. Exhibit A of the Original Site and Facilities Lease is hereby amended and restated in its entirety, as set forth on Exhibit A to this Amendment attached hereto and made a part hereof.

Section 3. Release of Real Property. The real property described in Exhibit B is hereby released and no longer encumbered by the Original Site and Facilities Lease.

Section 4. Confirmation of Original Site and Facilities Lease; Conflict With Original Site and Facilities Lease. All representations, covenants, warranties and other provisions of the Original Site and Facilities Lease, unless specifically amended, modified or supplemented by this Amendment, are hereby confirmed as applicable to this Amendment. In the event of any conflict between the provisions of this Amendment and the Original Site and Facilities Lease, the provisions of this Amendment shall govern.

Section 5. Law Governing. This Amendment shall be governed exclusively by the laws of the State of California as the same from time to time exist.

Section 6. Execution. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Amendment. It is also agreed that separate counterparts of this Amendment may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

IN WITNESS WHEREOF, the Authority and the City have caused this Amendment No. 1 to Site and Facilities Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF HESPERIA, *as Lessor*

Attest

By: _____
City Clerk

By: _____
City Manager

HESPERIA JOINT PUBLIC FINANCE
AUTHORITY, *as Lessee*

Attest

By: _____
Secretary

By: _____
Executive Director

[attach Notary acknowledgment]

EXHIBIT A

DESCRIPTION OF THE SITE

The land referred to in this Exhibit A is situated in the City of Hesperia, County of San Bernardino, State of California, and is described as follows:

Parcel 1 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

EXHIBIT B

DESCRIPTION OF RELEASED PROPERTY – CITY HALL

The land referred to in this Exhibit B is situated in the City of Hesperia, County of San Bernardino, State of California, and is described as follows:

Parcels 4 and 7 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

Attachment 10

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

Leasehold Less Than 35 Years

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

**AMENDMENT NO. 1 TO
PROPERTY LEASE**

By and Between the

**HESPERIA JOINT PUBLIC FINANCE AUTHORITY,
as Lessor**

and the

**CITY OF HESPERIA,
as Lessee**

Dated as of _____ 1, 2023

Relating to

**\$26,735,000
HESPERIA JOINT PUBLIC FINANCE AUTHORITY
2012 Lease Revenue Bonds
(Water Rights Acquisition)**

AMENDMENT NO. 1 TO PROPERTY LEASE

THIS AMENDMENT NO. 1 TO PROPERTY LEASE (this "Amendment"), made and entered into as of _____ 1, 2023, by and between the HESPERIA JOINT PUBLIC FINANCE AUTHORITY, a joint powers agency, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the CITY OF HESPERIA, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the "City"), amends that certain Property Lease (the "Original Property Lease"), made and entered into as of December 1, 2012, by and between the Authority and the City, a memorandum of which Original Property Lease was recorded as Instrument No. 2012-0530312 in the real property records of the County of San Bernardino on December 12, 2012.

RECITALS

WHEREAS, the City and the Authority entered into the Original Property Lease in connection with the issuance of the \$26,735,000 Hesperia Joint Public Finance Authority 2012 Lease Revenue Bonds (Water Rights Acquisition) (the "2012 Bonds"); and

WHEREAS, the 2012 Bonds were issued pursuant to an Indenture, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, N.A., as successor trustee; and

WHEREAS, the City leased certain real property and improvements (the "Leased Property") from the Authority under the Original Property Lease; and

WHEREAS, Section 12.02 of the Original Property Lease granted to the City the option at any time and from time to time during the term of the Original Property Lease to remove from such Original Property Lease any portion of the Leased Property, provided that the City first satisfies all of the following requirements:

(a) No event of default has occurred and is continuing under the Original Property Lease,

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to the Original Property Lease which deletes the legal description of such Leased Property,

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder a copy of an executed amendment to the Original Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A,

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel substantially to the effect that such removal will not affect the obligation of the City to continue to pay Base Rental payments in the amounts and at the times and in the manner required by the Original Property Lease,

(e) The City shall file with the Authority and the Trustee a certificate stating that (1) the annual fair rental value of the remaining Leased Property, taking into consideration the removal of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such

removal and (2) the useful life of the remaining Leased Property is at least as long as the remaining term of this Property Lease, and

(f) The City shall provide written notice to each rating agency then rating the Bonds of the proposed removal; and

WHEREAS, the City wishes to amend Exhibit A to the Original Property Lease to remove from the Original Property Lease the real property and improvements constituting the Hesperia Branch Library and the Civic Plaza Park, as described in Exhibit B attached hereto and made a part hereof, leaving the Hesperia Police Station as the Leased Property under the Original Property Lease; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined in this Amendment, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Original Property Lease.

Section 2. Release of Real Property. The real property described in Exhibit B is hereby released and no longer encumbered by the Original Property Lease;

Section 3. Amendment of Exhibit A. Exhibit A of the Original Property Lease is hereby amended and restated in its entirety, as set forth on Exhibit A to this Amendment attached hereto and made a part hereof.

Section 4. Confirmation of Original Property Lease; Conflict With Original Property Lease. All representation, covenants, warranties and other provisions of the Original Property Lease, unless specifically amended, modified or supplemented by this Amendment, are hereby confirmed as applicable to this Amendment. In the event of any conflict between the provisions of this Amendment and the Original Property Lease, the provisions of this Amendment shall govern.

Section 5. Law Governing. This Amendment shall be governed exclusively by the laws of the State of California as the same from time to time exist.

Section 6. Execution. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Amendment. It is also agreed that separate counterparts of this Amendment may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

IN WITNESS WHEREOF, the Authority and the City have caused this Amendment No. 1 to Property Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

HESPERIA JOINT PUBLIC FINANCE
AUTHORITY, *as Lessor*

Attest

By: _____
Secretary

By: _____
Executive Director

CITY OF HESPERIA, *as Lessee*

Attest

By: _____
City Clerk

By: _____
City Manager

[attach Notary acknowledgment]

EXHIBIT A

DESCRIPTION OF THE SITE

The land referred to in this Exhibit A is situated in the City of Hesperia, County of San Bernardino, State of California, and is described as follows:

Parcel 1 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

EXHIBIT B

DESCRIPTION OF RELEASED PROPERTY – CITY HALL

The land referred to in this Exhibit B is situated in the City of Hesperia, County of San Bernardino, State of California, and is described as follows:

Parcels 4 and 7 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the office of the County Recorder of said County.

RECORDING REQUESTED BY:

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

ESCROW NO:
TITLE ORDER NO:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APN: 407-271-01

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR LEASEHOLD INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN OTHER LEASEHOLD INTERESTS, AS SET FORTH HEREIN.

THIS SUBORDINATION AGREEMENT ("Agreement"), is dated as of _____, 2023, by the CITY OF HESPERIA, a municipal corporation and general law city duly organized and existing under the laws of the State of California ("City of Hesperia"), and the COUNTY OF SAN BERNARDINO, a political subdivision duly organized and existing under the laws of the State of California ("County of San Bernardino").

WITNESSETH

WHEREAS, the City of Hesperia, as lessor, and the County of San Bernardino, as lessee, previously executed an unrecorded Lease Agreement ("County Library Lease Agreement"), covering the real property and improvements located at 9650 7th Avenue, Hesperia, California, 92345, Assessor's Parcel Number 407-271-01, as described more fully in Exhibit A attached hereto ("Premises"), the term of which commenced on October 1, 2006; and

WHEREAS, City of Hesperia, as lessor, has executed, or is about to execute, a Site and Facilities Lease, dated as of July 1, 2023, with the Hesperia Joint Public Finance Authority (the "Finance Authority"), as lessee, upon the terms and conditions described therein, which Site and Facilities Lease [was recorded in the real property records of the County of San Bernardino on _____, 2023, as Instrument No. ____] [is intended to be recorded concurrently herewith]; and

WHEREAS, the City of Hesperia, as lessee, has executed, or is about to execute, a Property Lease, dated as of July 1, 2023, with the Finance Authority as lessor, upon the terms and conditions described therein, a memorandum of which Property Lease [was recorded in the real property records of the County of San Bernardino on _____, 2023, as Instrument No. ____] [is intended to be recorded concurrently herewith]; and

WHEREAS, the City of Hesperia and the Finance Authority have executed or are about to execute the 2023 Financing Leases (as defined below) in connection with the issuance by the Finance Authority of its Hesperia Joint Public Finance Authority 2023 Refunding Lease Revenue Bonds ("Bonds"), pursuant to an Indenture, dated as of July 1, 2023, by and between the Finance Authority and U.S. Bank Trust Company, National Association, a memorandum of which Indenture [was recorded in the real property records of the County of San Bernardino on _____, 2023, as Instrument No. ____] [is intended to be recorded

concurrently herewith]; and

WHEREAS, it is a condition precedent to including the Premises as part of the Leased Property referenced in said Site and Facilities Lease and Property Lease (together, the "2023 Financing Leases") that said 2023 Financing Leases shall unconditionally be and remain at all times a lien or charge upon the Premises prior and superior to the County Library Lease Agreement and to the leasehold estate created thereby; and

WHEREAS, the City of Hesperia has covenanted in Section 31 of the County Library Lease Agreement, and hereby ratifies and confirms such covenant, as follows:

"31. QUIET ENJOYMENT: Subject to the provisions of this Lease and conditioned upon performance of all the provisions to be performed by COUNTY hereunder, CITY shall secure to COUNTY during the Lease term the quiet and peaceful possession of the Premises and all right and privilege appertaining thereto."

WHEREAS, to protect the interests of the County of San Bernardino under the County Library Lease Agreement and to ensure compliance with Section 31 thereof, the City has not granted and will not grant to the Finance Authority the right to enter/re-lease the Premises in the event of a default by the City of Hesperia under the Property Lease, and

WHEREAS, the City of Hesperia and the County of San Bernardino further wish to provide for the subordination of the County Library Lease Agreement to future leases ("Future Financing Leases"; together with the 2023 Financing Leases, the "Financing Leases") executed by the City of Hesperia in connection with similar financings, as long as the City of Hesperia shall require the Finance Authority or other counterparties to the Future Financing Leases to waive the right to enter/re-lease the Premises in the event of a default by the City of Hesperia under such Future Financing Leases; and

WHEREAS, it is to the mutual benefit of the parties hereto that Financing Leases be entered into, and the County of San Bernardino is willing that the Financing Leases, when recorded, shall constitute a lien or charge upon the Premises which is unconditionally prior and superior to the County Library Lease Agreement and to the leasehold estate created thereby, subject to the terms hereof.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, it is hereby declared, understood and agreed as follows:

- (1) That said Financing Leases, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Premises, prior and superior to the County Library Lease Agreement, to the leasehold estate created thereby and to all rights and privileges of County of San Bernardino thereunder, and said County Library Lease Agreement and the leasehold estate created thereby together with all rights and privileges of the County of San Bernardino thereunder is hereby subjected, and made subordinate, to the lien or charge of the Financing Leases and the leasehold estates created thereby in favor of the City of Hesperia and the Finance Authority.
- (2) That to protect the interests of the County of San Bernardino under the County Library Lease Agreement, the Finance Authority has waived or will waive the right to enter/re-lease the Premises in the event of a default by the City of Hesperia under the Property Lease, and the City of Hesperia shall require the Finance Authority or such other counterparties to the Future Financing Leases to waive the right to enter/re-lease the Premises in the event of a default by the City of Hesperia under such Future Financing Leases.
- (3) To further protect the interests of the County of San Bernardino under the County Library Lease Agreement, the City of Hesperia has covenanted in Section 31 of the County Library Lease Agreement, and hereby ratifies and confirms such covenant, as follows:

“31. QUIET ENJOYMENT: Subject to the provisions of this Lease and conditioned upon performance of all the provisions to be performed by COUNTY hereunder, CITY shall secure to COUNTY during the Lease term the quiet and peaceful possession of the Premises and all right and privilege appertaining thereto.”

- (4) That this Agreement shall be the whole and only agreement with regard to the subjection and subordination of the County Library Lease Agreement and the leasehold estate created thereby together with all rights and privileges of County of San Bernardino thereunder to the lien or charge of the Financing Leases and shall supersede and cancel, but only insofar as would affect the priority between the County Library Lease Agreement and the Financing Leases, any prior agreements as to such subjection and subordination, including, but not limited to, those provisions, if any, contained in the County Library Lease Agreement that provide for the subjection or subordination of the County Library Lease Agreement and the leasehold estate created thereby to Financing Leases or similar type leasehold estates.

County of San Bernardino declares, agrees, and acknowledges that:

- (a) the County consents to and approves (i) all provisions of the Financing Leases, and (ii) any assignments of the Financing Leases in connection with the issuance of the Bonds; and
- (b) the County intentionally and unconditionally waives, relinquishes, subjects and subordinates the County Library Lease Agreement and the leasehold estate created thereby together with all rights and privileges of County thereunder in favor of the lien or charge upon the Premises of the Financing Leases in favor of City of Hesperia and the Finance Authority, and understands that in reliance upon this waiver, relinquishment, subjection and subordination, the Bonds have been or will be issued and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment, subjection, and subordination.

NOTICE: THIS SUBORDINATION AGREEMENT PROVIDES FOR THE SUBORDINATION OF THE COUNTY LIBRARY LEASE AGREEMENT TO CERTAIN FINANCING LEASES, THE PROCEEDS OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

COUNTY OF SAN BERNARDINO

Attest

By: _____
[to come]

By: _____
[to come]

CITY OF HESPERIA

Attest

By: _____
[to come]

By: _____
[to come]

ACKNOWLEDGED AND ACCEPTED:

**HESPERIA JOINT PUBLIC FINANCE
AUTHORITY**

Attest

By: _____
[to come]

By: _____
[to come]

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

[Notary Form]

EXHIBIT A

LEGAL DESCRIPTION

The land described herein is situated in the State of California, County of San Bernardino, City of Hesperia, and is described as follows:

Parcel 7 of Parcel Map No. 19153, in the City of Hesperia, County of San Bernardino, State of California, as per Map filed in Book 238 Pages 42 and 43 of Parcel Maps, in the Office of the County Record