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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 10, 2025

NEW ISSUE – FULL BOOK ENTRY ONLY

S&P RATING: "AA"
See the caption "RATING."

In the opinion of Best Best & Krieger LLP, Riverside, California ("Bond Counsel"), subject, however, to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the 2025A Bonds is excluded from gross income for federal income tax purposes, and interest on the 2025A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2025A Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, interest on the 2025A Bonds is exempt from California personal income tax. See "TAX MATTERS" herein.

$44,000,000*
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
TAX ALLOCATION REFUNDING BONDS, SERIES 2025A

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

The 2025A Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2015, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of December 1, 2017, and a Second Supplemental Indenture of Trust, dated as of July 1, 2025, each by and between the Successor Agency to the San Marcos Redevelopment Agency and U.S. Bank Trust Company, National Association, as trustee. The 2025A Bonds will be issued as fully-registered bonds in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company, New York, New York. Interest payable on the 2025A Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2025. The principal of the 2025A Bonds will be paid by the Trustee to The Depository Trust Company for subsequent disbursement to Participants who will remit such payments to the Beneficial Owners of the 2025A Bonds.

The 2025A Bonds are being issued by the Agency: (i) to refund the Successor Agency to San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2015A, which are currently outstanding in the aggregate principal amount of $51,345,000; (ii) to purchase a municipal bond debt service reserve insurance policy issued by Build America Mutual Assurance Company for deposit in the Series 2025A Reserve Sub-Account in satisfaction of the Reserve Requirement for the 2025A Bonds; and (iii) to pay costs of issuance with respect to the 2025A Bonds.

The 2025A Bonds are limited obligations of the Agency payable solely from and secured by Pledged Tax Revenues deposited in the Redevelopment Property Tax Trust Fund, which are derived of certain revenues to be received by the Agency from San Marcos Redevelopment Project Area No. 1, San Marcos Redevelopment Project Area No. 2 and San Marcos Redevelopment Project Area No. 3, and from the amounts on deposit in certain funds held under the Indenture. The 2025A Bonds are payable from Pledged Tax Revenues on a parity with the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2015B, which are currently outstanding in the aggregate principal amount of $89,385,000, and the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017, which are currently outstanding in the aggregate principal amount of $23,300,000. The Agency has covenanted not to issue additional obligations payable from Pledged Tax Revenues on a senior basis to the 2025A Bonds. See the caption "SECURITY FOR THE 2025A BONDS—Additional Indebtedness" for a description of the conditions under which the Agency may issue additional obligations payable from the Pledged Tax Revenues on a parity with the 2025A Bonds.

The 2025A Bonds are not subject to optional redemption prior to maturity. See the caption "THE 2025A BONDS—No Optional Redemption."

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the matters set forth under the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES," for a discussion of special factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2025A Bonds. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth in this Official Statement.

THE 2025A BONDS ARE NOT A DEBT, OBLIGATION OR LIABILITY OF THE CITY OF SAN MARCOS, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY), NOR DO THE 2025A BONDS CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF ANY OF THE FOREGOING (INCLUDING THE AGENCY). THE AGENCY HAS NO TAXING POWER. THE 2025A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION.

The 2025A Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to the valid and binding nature of the Second Supplemental Indenture by Best Best & Krieger LLP, Riverside, California, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, and by the City Attorney of the City of San Marcos, acting as Agency Counsel. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan LLP, San Francisco, California, as Underwriter's Counsel, and for the Trustee by its counsel. It is anticipated that the 2025A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about July__, 2025.

STIFEL

Dated: June __, 2025

* *Preliminary, subject to change.*

MATURITY SCHEDULE
BASE CUSIP®† 79876C

$44,000,000*
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
TAX ALLOCATION REFUNDING BONDS, SERIES 2025A

Maturity Date (October 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP®†*

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** Preliminary, subject to change.*

SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
SAN MARCOS, CALIFORNIA

AGENCY MEMBERS AND CITY COUNCIL

Rebecca Jones, Chair and Mayor
Maria Nunez, Agency Member and Council Member, District 1
Mike Sannella, Agency Member, Deputy Mayor, and Council Member, District 2
Danielle LeBlang, Agency Member and Council Member, District 3
Ed Musgrove, Agency Member and Council Member, District 4

AGENCY STAFF AND CITY STAFF

Michelle Bender, Executive Director and City Manager
Phil Scollick, Agency Secretary and City Clerk
Helen Holmes Peak, Agency Counsel and City Attorney
Donna Apar, Finance Director

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Carlsbad, California

TRUSTEE/ESCROW AGENT

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

VERIFICATION AGENT

Robert Thomas CPA, LLC
Minneapolis, Minnesota

No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2025A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2025A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, are intended solely as such and are not to be construed as representations of fact.

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

> The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

The information set forth herein has been obtained from the Agency, the City of San Marcos and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs of the Agency since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents, and do not purport to be complete statements of any or all of such provisions.

All information considered material to the making of an informed investment decision with respect to the 2025A Bonds is contained in this Official Statement. While the City of San Marcos maintains an Internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

This Official Statement is submitted in connection with the sale of the 2025A Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 2025A BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2025A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2025A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE REDEVELOPMENT PLANS," "PROJECT AREA NO. 1," "PROJECT AREA NO. 2," "PROJECT AREA NO. 3" and "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE."

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 AGENCY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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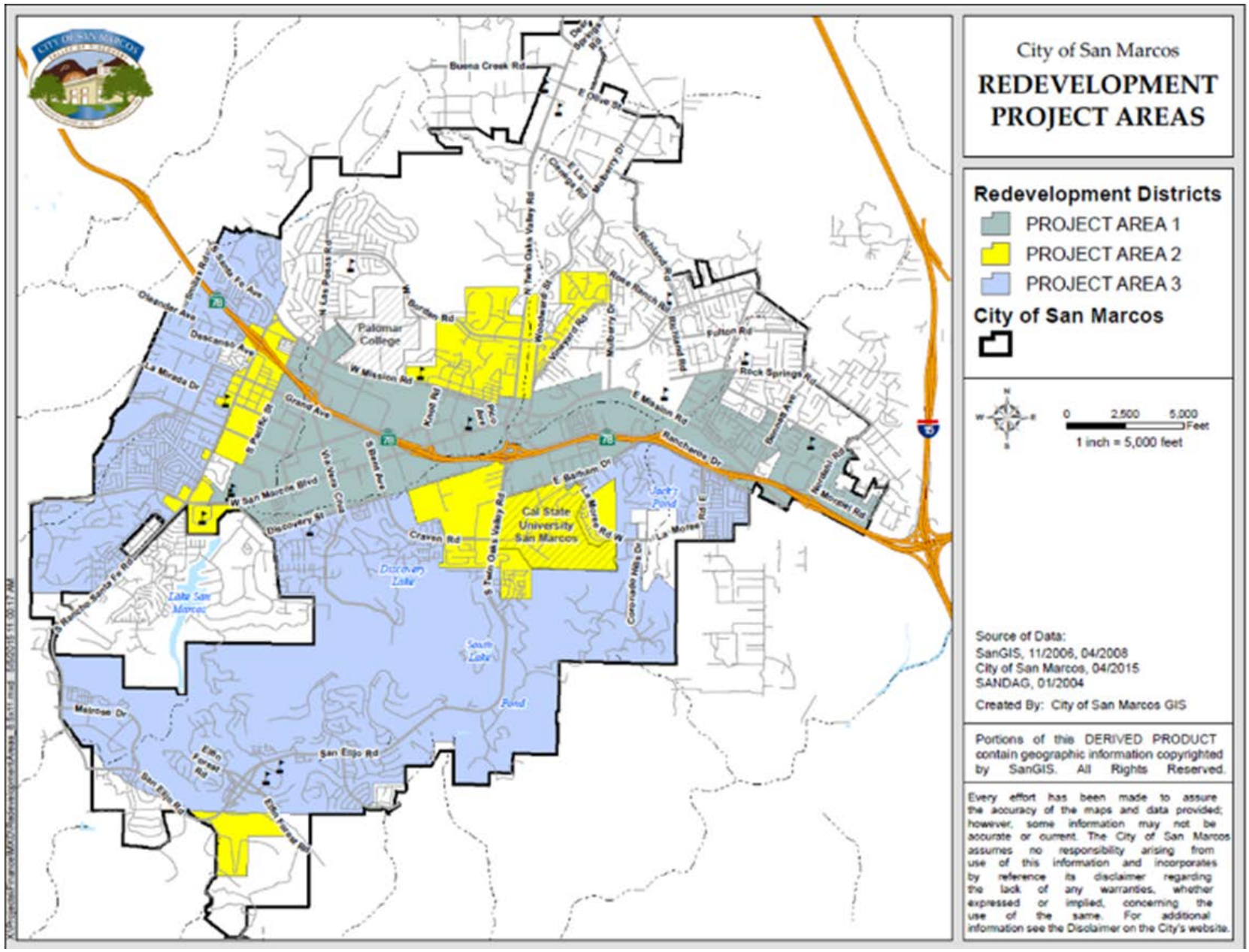
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City of San Marcos

REDEVELOPMENT PROJECT AREAS

Redevelopment Districts

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City of San Marcos

Source of Data:
SanGIS, 11/2006, 04/2008
City of San Marcos, 04/2015
SANDAG, 01/2004

Created By: City of San Marcos GIS

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$44,000,000*
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
TAX ALLOCATION REFUNDING BONDS, SERIES 2025A

INTRODUCTION

This Official Statement is provided to furnish information in connection with the sale by the Successor Agency to the San Marcos Redevelopment Agency (the "**Agency**") of its Tax Allocation Refunding Bonds, Series 2025A (the "**2025A Bonds**").

General

The 2025A Bonds are being issued pursuant to the Constitution and laws of the State of California (the "**State**"), including the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State (the "**Law**") and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the "**Refunding Law**"). The 2025A Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2015 (the "**Original Indenture**"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of December 1, 2017 (the "**First Supplemental Indenture**"), and a Second Supplemental Indenture of Trust, dated as of July 1, 2025 (the "**Second Supplemental Indenture**" and, together with the Original Indenture and the First Supplemental Indenture, the "**Indenture**"), each by and between the Agency and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**").

Proceeds of the 2025A Bonds will be used: (i) to refund the Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2015A (the "**2015A Bonds**"), which are currently outstanding in the aggregate principal amount of $51,345,000, as described under the caption "REFUNDING PLAN;" (ii) to purchase a municipal bond debt service reserve insurance policy (the "**Reserve Policy**") issued by Build America Mutual Assurance Company ("**BAM**") for deposit in the Series 2025A Reserve Sub-Account in satisfaction of the Reserve Requirement, as described under the caption "SECURITY FOR THE 2025A BONDS—Deposit of Amounts by Trustee;" and (iii) to pay costs of issuance with respect to the 2025A Bonds. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."

The 2025A Bonds are payable from the Pledged Tax Revenues (as such term is defined herein) on a parity with the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2015B (the "**2015B Bonds**"), which are currently outstanding in the aggregate principal amount of $89,385,000, and the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the "**2017 Bonds**"), which are currently outstanding in the aggregate principal amount of $23,300,000. See the caption "SECURITY FOR THE 2025A BONDS—Additional Indebtedness" for a description of the conditions under which the Agency may issue additional obligations payable from the Pledged Tax Revenues on a parity with the 2025A Bonds ("**Parity Debt**" and together with the 2025A Bonds, the 2015B Bonds and the 2017 Bonds, the "**Bonds**").

Capitalized terms that are used in this Official Statement and not otherwise defined have the meanings given to such terms in Appendix A.

The Agency and the Project Areas

The City and the Agency. The City of San Marcos (the "**City**") is located in the north central part of the County of San Diego (the "**County**"), approximately 24 miles north of the city of San Diego and 90 miles

* *Preliminary, subject to chance.*

south of the city of Los Angeles. The City, which was incorporated in 1963 and established as a charter city in 1994, has a population of approximately 95,998 as of January 1, 2024.

The San Marcos Redevelopment Agency (the "**Former Agency**"), the predecessor to the Agency, was established pursuant to the Law and was activated by Ordinance No. 73-266 adopted by the City Council on August 28, 1973. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City in three designated project areas described below.

On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (December 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27 and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions of AB X1 26 relating to the dissolution and winding down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health & 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 further amended on September 22, 2015 by Senate Bill 107 ("**SB 107**"), enacted as Chapter 325, Statutes of 2015 (collectively, as amended from time to time, the "**Dissolution Act**").

On January 10, 2012, pursuant to Resolution No. 2012-7607 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the successor agency to the Former Agency. Section 34173(g) of the Dissolution Act, which was added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the City, nor will the assets of the Former Agency become assets of the City. Members of the City Council serve as both Council members and Agency members.

The Project Areas. The Redevelopment Plan for the San Marcos Redevelopment Project Area No. 1 ("**Project Area No. 1**") was adopted on July 12, 1983 by Ordinance No. 83-604. Project Area No. 1 encompasses approximately 2,356 acres and is located in the central business core of the City. Project Area No. 1 contains a mixture of industrial, commercial and residential parcels and vacant land. Assessed valuation of taxable property in Project Area No. 1 for Fiscal Year 2024-25 is $3,434,422,474, for an incremental value of $3,210,452,054 over Project Area No. 1's base year assessed valuation of $223,970,420.

The Redevelopment Plan for the San Marcos Redevelopment Project Area No. 2 ("**Project Area No. 2**") was adopted on July 19, 1985 by Ordinance No. 85-662. Project Area No. 2 encompasses five non-contiguous sub-areas that total approximately 1,777 acres in the western, central and southern portions of the City. Project Area No. 2 consists primarily of residential parcels and also contains a mixture of commercial, industrial, office and public uses. Assessed valuation of taxable property in Project Area No. 2 for Fiscal Year 2024-25 is $2,137,996,489, for an incremental value of $2,004,629,246 over Project Area No. 2's base year assessed valuation of $133,367,243.

The Redevelopment Plan for the San Marcos Redevelopment Project Area No. 3 ("**Project Area No. 3**," and together with Project Area No. 1 and Project Area No. 2, the "**Project Areas**") was adopted on July 11, 1989 by Ordinance No. 89-820 (together with the Redevelopment Plan for Project Area No. 1 and the Redevelopment Plan for Project Area No. 2, the "**Redevelopment Plans**"). Project Area No. 3 encompasses approximately 6,301 acres and is located in the southern and western portions of the City. Project Area No. 3 consists primarily of residential parcels and also contains a mixture of commercial, industrial, office and public

uses. Assessed valuation of taxable property in Project Area No. 3 for Fiscal Year 2024-25 is $7,452,258,324, for an incremental value of $7,090,841,153 over Project Area No. 3's base year assessed valuation of $361,417,171.

The Redevelopment Plans for the Project Areas have been amended from time to time to adopt or modify certain plan limitations. See the captions "THE REDEVELOPMENT PLANS," "PROJECT AREA NO. 1," "PROJECT AREA NO. 2" and "PROJECT AREA NO. 3" for a more detailed description of all amendments to the Redevelopment Plans and the Project Areas. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—No Plan Limits" for a discussion of SB 107, which amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Agency, as set forth in the Redevelopment Plans, are not effective for purposes of paying the Agency's enforceable obligations, including debt service payments on the 2025A Bonds.

Security for the 2025A Bonds

Prior to the enactment of AB X1 26, the Law authorized the financing of redevelopment projects through the issuance of bonds secured by tax increment revenues. Under this tax allocation financing method, the last equalized assessed valuation of the property within a project area prior to adoption of a redevelopment plan became the base year valuation. Assuming that the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act requires the Auditor-Controller of the County of San Diego (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Former Agency had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll, and to deposit such amount in a Redevelopment Property Tax Trust Fund pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds that are authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Law that existed prior to that date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund.

The Dissolution Act further provides that property tax revenues that are pledged to any bonds authorized under the Dissolution Act, such as the 2025A Bonds, are taxes allocated to the Agency pursuant to the provisions of the Law and the State Constitution.

Pursuant to the Dissolution Act, the 2025A Bonds are payable solely from, and are secured by, the Pledged Tax Revenues (as such term is defined below), and from amounts on deposit in the Series 2025A Reserve Sub-Account and other funds and accounts pledged under the Indenture. See the caption "SECURITY FOR THE 2025A BONDS—Reserve Account."

Under the Indenture, "**Pledged Tax Revenues**" consist of all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the California Health and Safety Code, including all amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Former Agency's Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law, but excluding (i) amounts of such taxes required to be paid by the Agency to pay Pass-Through Agreements, including any amounts pledged to repay the 2018 Bonds (as discussed under the captions "SECURITY FOR THE 2025A Bonds—Pass-Through

Agreements with Taxing Agencies" and "PROJECT AREA NO. 3—Pass-Through Agreements"), or pursuant to Section 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, as applicable, and (ii) amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County auditor-controller. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then the term "Pledged Tax Revenues" will include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the State Constitution, subject to the exclusions set forth above.

See the caption "SECURITY FOR THE 2025A BONDS—Additional Indebtedness" for a description of the conditions pursuant to which the Agency may issue additional obligations payable from the Pledged Tax Revenues on a parity with the Bonds. See also the captions "SECURITY FOR THE 2025A BONDS—Statutory Pass-Through Requirements," "—Pass-Through Agreements with Taxing Agencies" and "—Developer Agreements" for a discussion of additional Agency obligations payable from tax increment revenues, and the priority of such payments, with respect to the 2025A Bonds.

The Agency has no power to levy and collect taxes, and any legislative enactment or State Constitutional amendment having the effect of reducing the property tax rate would necessarily reduce the amount of Pledged Tax Revenues that are available to pay the principal of and interest on the 2025A Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additional factors affecting the availability of Pledged Tax Revenues are set forth under the captions "THE REDEVELOPMENT PLANS—Financial Limitations." See also the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES" for other matters which may affect the collection of Pledged Tax Revenues.

Forward-Looking Statements

When used in this Official Statement and in any continuing disclosure by the Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity that is described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the 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 subject to risks and uncertainties that could cause actual results to differ materially from those that are contemplated in such forward-looking statements. Any forecast is subject to such uncertainties; inevitably, some assumptions that have been used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Such forward-looking statements include, but are not limited to, certain statements that are contained in the information under the captions "THE REDEVELOPMENT PLANS," "PROJECT AREA NO. 1," "PROJECT AREA NO. 2," "PROJECT AREA NO. 3" and "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE" and in Appendix B.

Continuing Disclosure

The Agency has covenanted to provide certain financial information and operating data by April 1 of each year, commencing with its report for Fiscal Year 2024-25 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/ ("**EMMA**"). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the

Annual Report or the notices of enumerated events by the Agency is summarized in Appendix E. See the caption "CONTINUING DISCLOSURE."

Risk Factors and Limitations on Pledged Tax Revenues

Certain events could affect the timely repayment of the principal and interest on the 2025A Bonds when due or the receipt of Pledged Tax Revenues by the Agency. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES" for a discussion of certain factors which should be considered when investing in the 2025A Bonds.

Should legislation be introduced that adversely impacts the Agency's receipt of tax increment revenues or the Agency's ability to issue the 2025A Bonds or that imposes additional limitations or burdens on the Agency or the City by reason of the issuance of the 2025A Bonds, the Agency has the right under the bond purchase agreement with the Underwriter to not proceed in issuing the 2025A Bonds.

Summary of Terms

Brief descriptions of the 2025A Bonds, the Indenture, the Agency, the Project Areas and the Redevelopment Plans are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to the Indenture, the Law, the Refunding Law and the Constitution and laws of the State are qualified in their entirety by reference to such documents, statutes or laws, and all references to the 2025A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the proceedings of the Agency that are referred to above, the Indenture and other documents that are described in this Official Statement are available for inspection at the offices of the City, One Civic Center, Second Floor, San Marcos, California 92069.

REFUNDING PLAN

General

The Agency expects to apply a portion of the proceeds of the 2025A Bonds, together with other funds on hand, to cause the defeasance of the 2015A Bonds on the date of issuance of the 2025A Bonds, and to refund the 2015A Bonds on October 1, 2025 (the "**Redemption Date**") at a redemption price that is equal to the principal amount of the 2015A Bonds then outstanding, plus accrued interest thereon, without premium.

Under an Escrow Deposit and Trust Agreement, dated as of July 1, 2025 (the "**Escrow Agreement**"), by and between the Agency and U.S. Bank Trust Company, National Association (the "**Escrow Bank**"), the Agency will cause a portion of the proceeds of the 2025A Bonds, together with other moneys that are currently held in the funds and accounts that have been established in connection with the 2015A Bonds, to be delivered to the Escrow Bank on the date of issuance of the 2025A Bonds for deposit in the escrow fund that is established under the Escrow Agreement (the "**Escrow Fund**").

Proceeds of the 2025A Bonds and the other moneys in the Escrow Fund will be invested in Federal Securities (as such term is defined in the Indenture). The Federal Securities will be scheduled to mature in such amounts and at such times and bear interest at such rates as to provide funds (together with any cash deposit) that are sufficient to pay the regularly scheduled principal of and accrued interest on the 2015A Bonds through the Redemption Date and to pay the redemption price of the remaining outstanding amount of the 2015A Bonds on the Redemption Date.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Robert Thomas CPA, LLC, Minneapolis, Minnesota (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, the

2015A Bonds will be defeased pursuant to the provisions of the indenture under which they were issued as of the date of issuance of the 2025A Bonds.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the redemption of the 2015A Bonds. Neither the moneys deposited in the Escrow Fund nor the interest on the invested moneys will be available for the payments of principal of and interest on the 2025A Bonds.

Verification of Mathematical Computations

Upon issuance of the 2025A Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the cash and/or the maturing principal of and interest on the Federal Securities to be deposited in the Escrow Fund to pay the redemption price of the 2015A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

Sources[(1)]:	
Principal Amount of 2025A Bonds	
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Other Moneys[(2)]	
Total Sources:	
Uses[(1)]**:**	
Escrow Fund Deposit	
Costs of Issuance[(3)]	
Total Uses:	

(1) Amounts rounded to nearest dollar. Totals may not add due to rounding.

(2) Includes moneys held in funds and accounts established in connection with the 2015A Bonds.

(3) Includes fees and expenses of Bond Counsel, Disclosure Counsel, Municipal Advisor, Fiscal Consultant, Trustee, Escrow Agent, Underwriter's counsel and Verification Agent, the premium for the Reserve Policy, printing expenses, rating agency fees, Underwriter's discount and other miscellaneous costs.

THE 2025A BONDS

Authority for Issuance

Pursuant to resolutions of the Agency that were adopted on March 11, 2025 and May 13, 2025, and a resolution of the Oversight Board for the Agency that was adopted on April 17, 2025, the Agency and the Oversight Board authorized the issuance of the 2025A Bonds pursuant to the Second Supplemental Indenture and the Law. Additionally, the State Department of Finance released its letter approving the issuance of the 2025A Bonds on June 6, 2025.

Description of the 2025A Bonds

The 2025A Bonds will be issued only as registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The 2025A Bonds will be dated the date of their delivery, will mature on October 1 in the years and in the respective principal amounts, and will bear interest at the respective rates per annum, set forth on the inside front cover page hereof. Interest on the 2025A Bonds will be paid on April 1 and October 1 of each year, commencing October 1, 2025 (each, an "**Interest Payment Date**"). Interest on the 2025A Bonds will be payable on each Interest Payment Date to the person whose name appears

on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any Owner of 2025A Bonds of the same series in the aggregate amount of $1,000,000 or more who furnishes written instructions to the Trustee before the applicable Record Date. Any such written instructions will remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any 2025A Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Office of the Trustee and will be payable in lawful money of the United States of America.

Each 2025A Bond bears interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the Interest Payment Date next preceding the date of authentication thereof, unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before October 1, 2025, in which event it will bear interest from the date of issuance of the 2025A Bonds; *provided, however*, that if, as of the date of authentication of any 2025A Bond, interest thereon is in default, such 2025A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

No Optional Redemption

The 2025A Bonds are not subject to optional redemption prior to maturity.

Book-Entry System

The Depository Trust Company ("**DTC**") will act as securities depository for the 2025A Bonds. The 2025A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond will be issued for each maturity of the 2025A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix F for further information with respect to DTC and its book entry system.

The Agency and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the 2025A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to an Owner with respect to the 2025A Bonds or an error or delay relating thereto.

Debt Service Schedule

The following table sets forth the debt service with respect to the 2025A Bonds, the 2015B Bonds and 2017 Bonds for each Bond Year ending on October 1, assuming no optional redemption of the 2015B Bonds or the 2017 Bonds:

	2025A Bonds				
Amount Payable Ending October 1	***Principal***	***Interest***	***Debt Service***	***Outstanding Parity Debt Service***[(1)]	***Total Debt Service***
2025				$ 12,450,768	
2026				14,806,109	
2027				14,796,609	
2028				14,268,609	
2029				13,846,711	
2030				13,116,643	
2031				8,798,783	
2032				8,552,621	
2033				8,538,549	
2034	--	--	--	7,190,163	
Total				$ 116,365,565	

(1) Reflects debt service on the 2015B Bonds and the 2017 Bonds. Amount shown for the Bond Year ending October 1, 2025 represents only the October 1, 2025 principal and interest payment.

Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY FOR THE 2025A BONDS

General

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the 2025A Bonds and all other Parity Debt (including the 2015B Bonds and the 2017 Bonds) will be equally secured by a first and exclusive pledge of, security interest in and lien on all of the Pledged Tax Revenues (as such term is defined under the caption "INTRODUCTION—Security for the 2025A Bonds"). In addition, Bonds, will, subject to the Indenture, be secured by a pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account. Additionally, the 2025A Bonds will be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Series 2025A Reserve Sub-Account. Such pledge, security interest and lien will be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. See the caption "—Additional Indebtedness."

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to Section 16(b) of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll, and to deposit such amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Law that existed prior to that date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund that has been established pursuant to the Dissolution Act. Property tax revenues that are pledged to any bonds which are authorized to be issued by the Agency under the Dissolution Act, including the 2025A Bonds, are taxes allocated to the Agency pursuant to Section 33670(b) of the Law and Section 16 of Article XVI of the State Constitution. See Appendix A and the caption "—Recognized Obligation Payment Schedule."

Pursuant to Section 33670(b) of the Law and Section 16 of Article XVI of the State Constitution, and as provided in the Redevelopment Plans for the Project Areas, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the applicable Project Area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the applicable Project Area, as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the applicable redevelopment plan, or the respective effective dates of ordinances approving amendments thereto that added territory to the applicable Project Area, as applicable (each, a "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Former Agency/Agency: Except for that portion of the taxes in excess of the amount that is identified in paragraph (a) above which is attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount that is sufficient to make annual repayments of the principal of,

and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency (as discussed under the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Property Tax Limitations – Article XIIIA"), that portion of the levied taxes each year in excess of such amount, annually allocated within the redevelopment plan limit, when collected will be paid into a special fund of the Former Agency. Section 34172(a) of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund will be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Former Agency or the Agency to finance or refinance the redevelopment projects of the Former Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitutes the amount required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989, date referred to in paragraph (b) above.

On a parity with the 2015B Bonds, the 2017 Bonds and any other Parity Debt, the 2025A Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund to be derived from the Project Areas.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues that are available in any Fiscal Year to pay the principal of and interest on the 2025A Bonds. See the captions "—Tax Increment Financing," "—Recognized Obligation Payment Schedule" and "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES."

In consideration of the acceptance of the 2025A Bonds by those who hold the same from time to time, the Indenture will be deemed to be and will constitute a contract between the Agency and the Owners from time to time of the 2025A Bonds, and the covenants and agreements therein set forth to be performed on behalf of the Agency will be for the equal and proportionate benefit, security and protection of all Owners of the 2025A Bonds without preference, priority or distinction as to security or otherwise of any of the 2025A Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

Limited Obligations

The 2025A Bonds are not a debt of the City, the County, the State, or any of its political subdivisions, other than the Agency, and neither said City, said County, said State, nor any of its political subdivisions, is liable thereon, nor in any event will the 2025A Bonds be payable out of any funds or properties other than the Pledged Tax Revenues. The principal of, premium, if any, and interest on the 2025A Bonds are payable solely from the Pledged Tax Revenues and all funds and accounts pledged under the Indenture. The Agency's obligations under the Indenture are a limited obligation payable solely from Pledged Tax Revenues allocated to the Agency and from other amounts pledged under the Indenture. The 2025A Bonds do not constitute an indebtedness within the meaning of any constitutional debt limit or restriction.

Pledged Tax Revenues

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that they constitute Pledged Tax Revenues, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund (defined below) on January 2 and June 1 of each year to the extent required for payments listed in the Agency's approved Recognized Obligation Payment Schedule in

accordance with the requirements of the Dissolution Act. See the caption "—Recognized Obligation Payment Schedule." Moneys deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues

There has been established a special trust fund known as the "**Redevelopment Obligation Retirement Fund**," which is held by the Agency pursuant to Section 34170.5(b) of the Dissolution Act. There has also been established a special trust fund known as the "**Debt Service Fund**" and the accounts therein referred to below which are held by the Trustee in accordance with the Indenture.

The Agency will (i) deposit all of the Pledged Tax Revenues received from each distribution of Pledged Tax Revenues in any Bond Year commencing on the first day of such Bond Year in accordance with the Dissolution Act for the purpose of paying debt service on the Bonds in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Agency, and (ii) promptly thereafter will transfer amounts therein to the Trustee for deposit in the applicable subaccount of the Debt Service Fund established and held under the Indenture until such time that the aggregate amounts on deposit in each such subaccount of the Debt Service Fund equal the aggregate amounts required to be deposited into the applicable subaccount of the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture and for deposit in the funds and accounts established with respect to other Parity Debt, as provided in any Supplemental Indenture.

Any monies remaining in the Debt Service Fund on October 2 of each Bond Year not required for the payment of debt service on the Bonds or any payments required under the Indenture or required under any Parity Debt instrument may be transferred back to the Successor Agency and used for any legally permissible purposes.

Deposit of Amounts by Trustee

Moneys in the Debt Service Fund will be transferred in the following amounts at the following times, in the following respective special accounts within the Debt Service Fund, which accounts have been established with the Trustee to pay debt service on the 2025A Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth Business Day preceding each date on which interest on the 2025A Bonds and any such Parity Debt becomes due and payable, the Trustee will withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2025A Bonds and any such Parity Debt on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding 2025A Bonds and any such Parity Debt. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any 2025A Bonds and any such Parity Debt purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. On or before the fourth Business Day preceding each date on which principal of the 2025A Bonds and any such Parity Debt becomes due and payable at maturity, the Trustee will withdraw from the Debt Service Fund and transfer to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding 2025A Bonds and any such Parity Debt. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2025A Bonds and any such Parity Debt upon the maturity thereof.

(c) Sinking Account. On or before the fourth Business Day preceding each date on which any Outstanding 2015 Term Bonds (as such term is defined in the Original Indenture) become subject to mandatory Sinking Account redemption, the Agency will withdraw from the Debt Service Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the 2015 Term Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account will be used and withdrawn by the Trustee for the sole purpose of paying the principal of the 2015 Term Bonds as it becomes due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. There has been established in the Debt Service Fund a separate account known as the "**Reserve Account**" solely as security for payments payable by the Agency pursuant to the Indenture and pursuant to any other Parity Debt Instrument, which will be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Parity Debt, and within such Reserve Account, the Series 2025A Reserve Sub-Account. The Reserve Requirement for the 2025A Bonds will be satisfied by the delivery of the Reserve Policy by BAM on the Closing Date with respect to the 2025A Bonds. The Agency will have no obligation to replace the Reserve Policy or to fund the Series 2025A Reserve Sub-Account with cash if, at any time that the 2025A Bonds are Outstanding, amounts are not available under the Reserve Policy other than in connection with a draw on the Reserve Policy.

The term "**Reserve Requirement**" means, with respect to the 2025A Bonds, as of any calculation date, the least of: (i) 10% of the original principal amount of the 2025A Bonds; (ii) Maximum Annual Debt Service with respect to the 2025A Bonds; or (iii) 125% of average Annual Debt Service on the 2025A Bonds; provided that the Agency may meet all or a portion of the Reserve Requirement by depositing a Credit Facility meeting the requirements of the Indenture.

The Reserve Account may be maintained in the form of one or more separate sub-accounts (such as the Series 2025A Reserve Sub-Account) which are established for the purpose of securing separate series of Bonds or Parity Debt or for holding the proceeds of separate issues of the 2025A Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee. Additionally, the Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

The Agency has not elected to maintain a combined reserve account. Amounts and instruments (such as the Reserve Policy) that are deposited in the Series 2025A Reserve Sub-Account are available solely for payment of the 2025A Bonds, and amounts and instruments that are deposited in other subaccounts of the Reserve Account are not available for payment of the 2025A Bonds.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of 2015 Term Bonds, the Trustee will withdraw from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the 2025A Bonds or other Parity Debt to be so redeemed on such date. The Trustee will also deposit in the Redemption Account any other amounts received by it from the Agency designated by the Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2025A Bonds or other Parity Debt upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

(f) Equal Rights. It is the intention of the Agency that the 2025A Bonds and all other Parity Debt be secured by and payable from all moneys deposited in the Redevelopment Obligation Retirement Fund on an equal basis. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the 2025A Bonds and all other Parity Debt as it becomes due, the 2025A

Bonds and all other Parity Debt will be payable on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Retirement Fund.

In the event that the Agency fails to make the deposits required pursuant to the Indenture above, the Trustee will immediately notify the Agency.

Tax Increment Financing

General. Prior to the enactment of AB X1 26, the Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan became the base year valuation. Assuming that the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the 2025A Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, which are equivalent to the tax increment revenues that were formerly allocated under the Law to the redevelopment agency and formerly authorized under the Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Indenture, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act less amounts payable on the Pass-Through Agreements and Statutory Pass-Through Amounts (as such terms are defined under the caption "—Tax Sharing") and less amounts deducted for permitted administrative costs of the County Auditor-Controller. See the caption "INTRODUCTION—Security for the 2025A Bonds" for a detailed definition of Pledged Tax Revenues.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act requires only that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (as did the Former Agency), the Dissolution Act combines the property tax revenues derived from all project areas into a *single trust fund*, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent that the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states that "It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." Accordingly, subject to certain senior obligations as described in the definition of "Pledged Tax Revenues," the Agency believes that all of the tax increment revenues from all Project Areas will secure all of the Bonds.

Tax Sharing. The Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Former Agency entered into several agreements for this purpose (the "**Pass-Through Agreements**"). Additionally, Sections 33607.5 and 33607.7 of the Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "**Statutory Pass-Through Amounts**"). The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless: (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Agency; (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments and the Agency's administrative cost allowance for the applicable six-month period; and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Pass-Through Agreements and for Statutory Pass-Through Amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the 2025A Bonds. The Agency has not undertaken the requisite procedures to obtain such subordination of the Statutory Pass-Through Amounts and, therefore, Statutory Pass-Through Amounts are not subordinate to the Bonds. See the caption "THE REDEVELOPMENT PLANS." Certain of the Pass-Through Agreements have not been subordinated and constitute senior obligations. See the captions "PROJECT AREA NO. 1—Pass-Through Agreements," "PROJECT AREA NO. 2—Pass-Through Agreements" and "PROJECT AREA NO. 3—Pass-Through Agreements." The Agency cannot guarantee that the process prescribed by the Dissolution Act for administering the tax increment revenues will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the 2025A Bonds when due. See the caption "—Recognized Obligation Payment Schedule." See also the caption "THE REDEVELOPMENT PLANS" for additional information regarding the Pass-Through Agreements and the Statutory Pass-Through Amounts applicable to the Agency and the revenues derived from the Project Areas.

The Agency has no power to levy and collect taxes, and any provision of law limiting property taxes or allocating additional sources of income to taxing agencies and having the effect of reducing the property tax rate must necessarily reduce the amount of Pledged Tax Revenues that would otherwise be available to pay debt service on the 2025A Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additionally, Pledged Tax Revenues will be reduced each year by a collection fee charged by the County. See

the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Tax Collection Fees."

Elimination of Housing Set-Aside. Before the dissolution of the Former Agency, the Law required the Former Agency to set aside not less than 20% of the gross tax increment with respect to the Project Areas, i.e., the Housing Set-Aside, in the Low and Moderate Income Housing Fund to be expended for low and moderate income housing purposes. Generally, the Former Agency was authorized to use the Housing Set-Aside to pay debt service on bonds solely to the extent that the proceeds of such bonds were used to finance or refinance low and moderate income housing projects. The Former Agency could not pledge, and did not use, the Housing Set-Aside to pay debt service on other obligations. In contrast, under the Law, the Former Agency was authorized to use the portion of tax increment that was not part of the Housing Set-Aside (the "**80 Percent Portion**") to pay debt service on all bonds and other indebtedness of the Former Agency incurred to finance or refinance redevelopment projects for the Project Areas, subject to limitations set forth in the indentures or other governing documents.

The Dissolution Act has eliminated the Low and Moderate Income Housing Fund and the requirement to deposit the Housing Set-Aside into such fund. None of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund are designated as the Housing Set-Aside. The Redevelopment Property Tax Trust Fund flow of funds under the Dissolution Act makes no distinction between bonds that were, in whole or in part, secured by and payable from the Housing Set-Aside and bonds that were solely secured by and payable from the 80 Percent Portion. In effect, after the Former Agency's dissolution, all of the Agency's outstanding bonds are paid from Redevelopment Property Tax Trust Fund disbursements without distinction between obligations related to housing and non-housing projects because none of the outstanding Bonds are secured by the former Housing Set-Aside.

Other Taxing Agencies. Pledged Tax Revenues do not include any special taxes or *ad valorem* assessments levied by or on behalf of any taxing agency that has jurisdiction over all or a portion of the Project Areas. See the captions "THE REDEVELOPMENT PLANS—Financial Limitations" and "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Reduction in Taxable Value; Shortfall in Tax Revenue Projections."

The Agency has retained 30 Three Sixty Public Finance, Inc. (the "**Fiscal Consultant**") to prepare certain information with respect to the Project Areas which is included in this Official Statement.

Pass-Through Obligations. The Former Agency made numerous payments to other taxing agencies pursuant to agreements and statutory requirements, some of which have a claim on tax increment revenues. Such amounts are now paid by the County Auditor-Controller prior to the Agency's receipt of tax increment revenues. See the captions "—Statutory Pass-Through Requirements," "—Pass-Through Agreements with Taxing Agencies," "PROJECT AREA NO. 1—Pass-Through Agreements," "PROJECT AREA NO. 2—Pass-Through Agreements" and "PROJECT AREA NO. 3—Pass-Through Agreements" for further discussion of such obligations.

Section 33676 Payments. The Agency is not required to make any payments pursuant to Section 33676 of the Law. See the captions "—Section 33676 Payments" and "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Santa Ana Unified School District Case."

Recognized Obligation Payment Schedule

The Dissolution Act requires successor agencies, on or before February 1 of each year, to prepare and approve, and to submit to the successor agency's oversight board and the California Department of Finance ("**DOF**") for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as such term is defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "**enforceable**

obligation" includes bonds, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund; (ii) bond proceeds; (iii) reserve balances; (iv) administrative cost allowance; (v) the Redevelopment Property Tax Trust Fund (but only to the extent that no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act); or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings and any other revenues derived from the former redevelopment agency, as approved by its oversight board).

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Each annual Recognized Obligation Payment Schedule may be amended once, provided that: (i) the Agency submits the amendment to the DOF no later than October 1; (ii) the Agency's Oversight Board makes a finding that the amendment is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (from January 1 to June 30, inclusive); and (iii) the Agency may only amend the amount requested for payment of approved enforceable obligations. The DOF shall notify the Agency and the County Auditor-Controller as to whether the Agency's requested amendment is approved at least 15 days before the January 2 property tax distribution.

The Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the Agency's payment obligations during the next Fiscal Year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to $10,000 per day for every day that the schedule is not submitted. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Recognized Obligation Payment Schedule."

The Dissolution Act requires the DOF to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations by no later than April 15 of each year. Within five business days of the determination by the DOF, the Agency may request additional review by the DOF and an opportunity to meet and confer on disputed items, if any. The DOF will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the June 1 property tax distribution date. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board and the DOF at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

See the caption "—Last and Final Recognized Obligation Payment Schedule" for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Dissolution Act pursuant to SB 107.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of: (i) property tax to be allocated and distributed; and (ii) the amounts of pass-through payments to be made in the upcoming Fiscal Year, and provide those estimates to the entities receiving the distributions and the DOF by no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, Agency enforceable obligations listed on the Recognized Obligation Payment Schedule and the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF by no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under the caption "—Tax Increment Financing."

The Dissolution Act provides that any bonds that are authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Law that existed prior to such date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the DOF to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the DOF's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the DOF, then the DOF's review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation.

Pursuant to the Indenture, the Agency has covenanted to comply with all requirements of the Law to ensure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency has covenanted in the Indenture not to enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Pledged Tax Revenues available to the Agency for payment of the Bonds. The Agency has covenanted in the Indenture not to undertake proceedings for amendment of the Redevelopment Plans or any one or more of the Redevelopment Plans if such amendment will result in reduced payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency first obtains a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay the 2025A Bonds and all other Parity Debt. Nothing in the Indenture is intended or will be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the 2025A Bonds and all other Parity Debt.

The Agency has also covenanted in the Indenture to comply with all of the requirements of the Law and the Dissolution Act. Without limiting the generality of the foregoing, the Agency has covenanted and agreed to file all required statements and hold all public hearings required under the Dissolution Act to assure

compliance by the Agency with its covenants under the Indenture. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Accounts and the subaccounts therein of the Debt Service Fund, in Recognized Obligation Payment Schedules so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds coming due in the Redevelopment Property Tax Trust Fund disbursement period. Such actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board, the County Auditor-Controller and the DOF, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture and to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due thereunder in the following six-month period.

In order to accomplish the foregoing, not later than February 1 of each year, so long as any 2025A Bonds or Parity Debt are outstanding, the Successor Agency will submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller that provides for the distribution of the following amounts:

(a) for distribution on June 1, half of the amount of annual debt service coming due and payable in the following fiscal year on all Outstanding 2025A Bonds and all other Parity Debt;

(b) for distribution on January 2, the remaining amount of annual debt service coming due and payable in the following fiscal year on all Outstanding 2025A Bonds and all other Parity Debt;

(c) any amounts required to replenish the Reserve Account (and the subaccounts therein) and any reserve accounts established pursuant to any Parity Debt instrument; and

(d) any amounts due and owing to any provider of a municipal bond insurance policy, financial guaranty insurance policy or debt service reserve policy with respect to the 2025A Bonds or any other Parity Debt, including Assured Guaranty Inc. ("AG") (as the provider of the debt service reserve policy for the 2017 Bonds) and BAM.

With respect to Recognized Obligation Payment Schedules, if any amounts payable to AG or BAM are not included on the then-current Recognized Obligation Payment Schedule, the Successor Agency shall amend such Recognized Obligation Payment Schedule to the extent permitted by law. The Successor Agency will not submit the final amendment to a "last and final" Recognized Obligation Payment Schedule without the consent of AG and BAM unless all amounts that could become due to AG and BAM are included as a line item on the Last and Final Recognized Obligation Payment Schedule, as amended."

See the caption "—Tax Increment Financing" for a discussion of certain litigation that could affect the obligations set forth on the Agency's Recognized Obligation Payment Schedules.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a "**Last and Final ROPS**") for approval by the oversight board and the DOF if: (i) the successor agency's only remaining debt is administrative costs and payments pursuant to enforceable obligations with defined payment schedules; (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by the DOF; and (iii) the successor agency is not a party to outstanding or unresolved litigation. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency in the following order: (A) enforceable obligations to be

funded from the Redevelopment Property Tax Trust Fund; (B) enforceable obligations to be funded from bond proceeds or other legally or contractually dedicated or restricted funding sources; and (C) loans or deferrals that are authorized for repayment to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets. The Last and Final ROPS must also include the total outstanding obligations and a schedule of remaining payments for each enforceable obligation described in clauses (A) and (B) above, and the total outstanding obligation and an interest rate of 4%, for any loans or deferrals listed pursuant to clause (C) above. The Last and Final ROPS must also establish the maximum amount of Redevelopment Property Tax Trust Fund moneys to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid. The DOF's approval is required for any Last and Final ROPS to become effective. The county auditor-controller will also review the Last and Final ROPS and provide any objection to the inclusion of any items or amounts to the DOF.

Successor agencies may only amend an approved Last and Final ROPS twice. Approval by the oversight board and the DOF is required for any amendment to a Last and Final ROPS to become effective. The DOF has 100 days to approve or deny a request for approval of an amendment to a Last and Final ROPS. Each amended Last and Final ROPS approved by the DOF will become effective in the subsequent Redevelopment Property Tax Trust Fund distribution period. If an amended Last and Final ROPS is approved less than 15 days before the date of the property tax distribution, the Last and Final ROPS will not be effective until the subsequent Redevelopment Property Tax Trust Fund distribution period. The Agency does not currently expect to seek approval of a Last and Final ROPS in the future.

Any revenues, interest and earnings of the successor agency, including proceeds from the disposition of real property, that are not authorized for use pursuant to the approved Last and Final ROPS must be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS. The county auditor-controller will no longer distribute property tax to the successor agency's Redevelopment Property Tax Trust Fund once the aggregate amount of property tax allocated to the successor agency equals the total outstanding obligations approved in the Last and Final ROPS. Commencing on the effective date of the approved Last and Final ROPS, the successor agency will not prepare or transmit annual Recognized Obligation Payment Schedules.

After the Last and Final ROPS is approved by the DOF, the county auditor-controller will continue to allocate moneys in the successor agency's Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Dissolution Act; however, the county auditor-controller will allocate such moneys in each fiscal period after deducting the county auditor-controller's administrative costs, in the following order of priority: (A) pass-through payments pursuant to Section 34183(a)(1) of the Dissolution Act; (B) scheduled debt service payments on tax allocation bonds that are listed and approved in the Last and Final ROPS; (C) scheduled payments on revenue bonds that are listed and approved in the Last and Final ROPS, but only to the extent that the revenues pledged for them are insufficient to make the payments and only if the successor agency's tax increment revenues were also pledged for the repayment of bonds; (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund; (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods; (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets that are listed and approved on the Last and Final ROPS; and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in clauses (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Dissolution Act.

If the successor agency reports to the county auditor-controller that the total available amounts in the Redevelopment Property Tax Trust Fund will be insufficient to fund the successor agency's current or future Fiscal Year obligations, and if the county auditor-controller concurs that there are insufficient funds to pay the required obligations, the county auditor-controller may distribute funds pursuant to Section 34183(b) of the Dissolution Act. See the caption "—Tax Increment Financing."

Senior Debt

The Agency does not have any debt obligations that are payable from Pledged Tax Revenues on a senior basis to the 2025A Bonds, the 2015B Bonds or the 2017 Bonds. The Agency has covenanted not to issue additional obligations payable from Pledged Tax Revenues on a senior basis to the 2025A Bonds while the 2025A Bonds are outstanding. See the caption "—Additional Indebtedness—No Senior Debt."

As described under the captions "—Statutory Pass-Through Requirements" and "—Pass-Through Agreements with Taxing Agencies," certain Statutory Pass-Through Amounts and Pass-Through Agreements (including amounts pledged to the payment of debt service on the Agency's 2018 Bonds, as described under the caption "PROJECT AREA NO. 3—Pass-Through Agreements") are payable from tax increment revenues on a senior basis to the 2025A Bonds.

Statutory Pass-Through Requirements

In 1993, the State Legislature enacted Assembly Bill 1290 ("**AB 1290**"), which contained several significant changes in the Law. Among the changes made by AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. See the caption "THE REDEVELOPMENT PLANS—Financial Limitations."

Under AB 1290, tax increment revenues that are received by the Agency are reduced pursuant to certain statutory pass-throughs, including payments to other taxing agencies of a portion of tax increment revenues as a result of plan adoptions or amendments to redevelopment plans occurring after 1993 ("**AB 1290 Payments**"), including redevelopment plans for new project areas.

As discussed in detail under the caption "—Tax Increment Financing—Tax Sharing," the Dissolution Act requires the County Auditor-Controller to distribute AB 1290 Payments to other taxing agencies before amounts that constitute Pledged Tax Revenues are deposited in the Agency's Redevelopment Obligation Retirement Fund unless AB 1290 Payments have been subordinated or the Agency has insufficient funds to meet its enforceable obligations.

The Agency has not undertaken the requisite procedures to obtain such subordination of the Statutory Pass-Through Amounts and, therefore, Statutory Pass-Through Amounts are not subordinate to the 2025A Bonds, the 2015B Bonds or the 2017 Bonds. See the caption "THE REDEVELOPMENT PLANS."

Pass-Through Agreements with Taxing Agencies

Pursuant to Section 33401(b) of the Law, redevelopment agencies were authorized to enter into agreements to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project area in an amount which, in the agency's determination, is appropriate to alleviate any financial burden or detriment caused by a redevelopment project. These agreements normally provided for a pass-through of tax increment revenues directly to the affected taxing agency and, therefore, are commonly referred to as "pass-through" agreements.

As discussed in detail under the caption "—Tax Increment Financing—Tax Sharing," the Dissolution Act requires the County Auditor-Controller to distribute payments under the Pass-Through Agreements to other taxing agencies before amounts that constitute Pledged Tax Revenues are deposited in the Agency's Redevelopment Obligation Retirement Fund unless such payments have been subordinated and the Agency has insufficient funds to meet its enforceable obligations.

The Agency has a number of pass-through agreements with other taxing agencies. Certain of the Pass-Through Agreements have not been subordinated and constitute senior obligations. See the captions "PROJECT AREA NO. 1—Pass-Through Agreements," "PROJECT AREA NO. 2—Pass-Through Agreements" and "PROJECT AREA NO. 3—Pass-Through Agreements."

Section 33676 Payments

Former Section 33676 of the Law used to allow taxing entities to elect to claim for themselves (and thus exclude from tax increment revenues available to a redevelopment agency) the portion of tax increment revenues that were attributable to inflationary growth as determined under Section 110.1(f) of the Revenue and Taxation Code. School districts and community college districts were directed by Section 33676 to make such election pursuant to a specific procedure prior to adoption of any redevelopment plan or amendment, unless a tax sharing agreement existed between the redevelopment agency and the taxing entity. Section 33676 has been the subject of amendments both before and after 1986 but was in substantially the same form between 1984 and 1993. By Resolution 8059, adopted on April 9, 1985, The Metropolitan Water District of Southern California ("**MWD**") elected, pursuant to Section 33676, to be allocated all of the tax increment revenues allocated to Project Area No. 2 pursuant to Section 33670(b) of the Law attributable to any increases in MWD's tax rates which occur after Fiscal Year 1985-86. Notwithstanding the foregoing, the County Auditor-Controller has determined that MWD is no longer entitled to receive Section 33676 payments.

Section 33676 payments may be required even in the absence of an affirmative election by the taxing agency. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Santa Ana Unified School District Case" for a further discussion of Section 33676.

Developer Agreements

The Agency has entered into two owner participation agreements and disposition and development agreements (each, an "**OPA-DDA**") with third parties other than the City which call for significant payments by the Agency. The Agency has not pledged tax increment revenues to the payment of the OPA-DDAs and, to the extent that payments are made from tax increment revenues, such payments are subordinate to debt service on the 2025A Bonds.

Additional Indebtedness

No Additional Senior Debt. The Agency does not have any debt obligations that are payable from Pledged Tax Revenues on a senior basis to the 2025A Bonds. The Agency has covenanted in the Indenture that so long as any of the 2025A Bonds remain Outstanding, the Agency will not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the 2025A Bonds. The Agency has also covenanted that it will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which are in any case payable from all or any part of the Pledged Tax Revenues, excepting only the Bonds, any Subordinate Debt and any obligations entered into pursuant to the Indenture to maintain Pledged Tax Revenues.

Existing Parity Debt. The 2015B Bonds, which are currently outstanding in the aggregate principal amount of $89,385,000, and the 2017 Bonds, which are currently outstanding in the aggregate principal amount of $23,300,000, are payable from Pledged Tax Revenues on a parity with the 2025A Bonds.

Additional Parity Debt. In addition to the 2025A Bonds, the 2015B Bonds and the 2017 Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as determined by the Agency for purposes of refunding any existing debt of the Agency so long as Section 34177.5(a) of the Law has been satisfied, and subject to the following specific conditions that have been made conditions precedent to the issuance and delivery of such Parity Debt issued under the Indenture:

(a) No Event of Default will have occurred and be continuing, and the Agency will otherwise be in compliance with all covenants set forth in the Indenture.

(b) The Agency funds a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement; and

(c) The Agency delivers to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Issuance of Subordinate Debt. The Agency may issue or incur Subordinate Debt (as such term is defined below) in such principal amount as determined by the Agency. Such Subordinate Debt may be payable from any assets or property of the Agency, including Pledged Tax Revenues on a subordinate basis to the payment of debt service on the 2025A Bonds and any Parity Debt.

The term "**Subordinate Debt**" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds.

THE AGENCY

General

The Former Agency was established pursuant to the Law and was activated by Ordinance No. 73-266, adopted by the City Council on August 28, 1973. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (December 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 2012-7607 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the successor agency to the Former Agency. Section 34173(g) of the Dissolution Act, which was added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the "**Board**"), which consists of the Mayor and members of the City Council of the City. The Mayor acts as the Chair of the Board, the City Manager as its executive director, the City Clerk as its secretary and the Finance Director of the City as its chief financial officer.

Agency Members

The members of the Agency Board serve by virtue of their election to the City Council. The Mayor of the City is elected at large to a four year term and the four other members of the City Council are elected by district to four-year overlapping terms. The current members of the City Council are as follows:

Name	*Position*	*District*	*Term Expires*
Rebecca Jones	Mayor	At-Large	2026
Maria Nunez	Council Member	1	2026
Mike Sannella	Deputy Mayor and Council Member	2	2026
Danielle LeBlang	Council Member	3	2028
Ed Musgrove	Council Member	4	2028

By agreement, the City provides all staff and the administrative services to the Agency. Michelle Bender is the City Manager of the City and Executive Director of the Agency. Donna Apar serves as the Agency's Finance Director.

Helen Holmes Peak is the City Attorney and Agency Counsel. The Agency Secretary, Phil Scollick, is the City Clerk of the City. All other staff and resources of the City are available to serve the Agency as required.

The Agency retains the firm of Fieldman, Rolapp & Associates, Inc., Irvine, California, as its independent municipal advisor. The Agency also retains its own architectural, engineering, real estate, and relocation consultants from time to time.

Agency Powers

All powers of the Agency are vested in its five Board members, who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and successor to the organizational status of the Former Agency, but the Agency does not have the legal authority to participate in redevelopment activities except to complete any work that is related to approved enforceable obligations. The Agency is tasked with expeditiously winding down the affairs of the Former Agency pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the DOF. The State has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Previously, Section 33675 of the Law required the Former Agency to file not later than the first day of October of each year with the County Auditor-Controller of a statement of indebtedness certified by the chief fiscal officer of the Former Agency for each Redevelopment Plan which provided for the allocation of taxes. The statement of indebtedness was required to contain the date on which bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Former Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Former Agency could not exceed the amounts shown on the Former Agency's statement of indebtedness.

The Dissolution Act eliminates the requirement for a statement of indebtedness and provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness that was previously required under the Law, and that, commencing on such date, the statement of indebtedness will no longer be

prepared nor have any effect under the Law. See the caption "SECURITY FOR THE 2025A BONDS—Recognized Obligation Payment Schedule."

THE REDEVELOPMENT PLANS

General

In 1973, the City Council established the Former Agency and initiated efforts for major urban revitalization. By Ordinance No. 83-604 on July 12, 1983, the City Council established the Agency's first redevelopment plan, for Project Area No. 1, which consisted of approximately 2,356 acres. The Redevelopment Plan for Project Area No. 1 was subsequently amended by: (i) Ordinance No. 93-951 on July 13, 1993, which, among other things increased the tax increment limit and the indebtedness limit for Project Area No. 1; (ii) Ordinance No. 94-972 on December 20, 1994; (iii) Ordinance No. 2003-1208, on November 18, 2003, which extended the effectiveness of the Redevelopment Plan for Project Area No. 1 to July 12, 2024 and extended the time limit for collection of tax increment revenues to July 12, 2034; and (iv) Ordinance No. 2003-1211 on November 18, 2003, which eliminated the time limit to incur debt.

By Ordinance No. 85-662 on July 19, 1985, the City Council established the Agency's second redevelopment plan, for Project Area No. 2, which consisted of approximately 1,777 acres. The Redevelopment Plan for Project Area No. 2 was subsequently amended by: (i) Ordinance No. 86-684 on June 24, 1986; (ii) Ordinance No. 94-973 on December 20, 1994; (iii) Ordinance No. 2003-1209 on November 18, 2003, which extended the effectiveness of the Redevelopment Plan for Project Area No. 2 to July 19, 2026 and extended the time limit for collection of tax increment revenues to July 19, 2036; and (iv) Ordinance No. 2005-1250 on June 14, 2005, which eliminated the time limit to incur debt.

By Ordinance No. 89-820 on July 11, 1989, the City Council established the Agency's third redevelopment plan, for Project Area No. 3, which consisted of approximately 6,301 acres. The Redevelopment Plan for Project Area No. 3 was subsequently amended by: (i) Ordinance No. 94-974 on December 20, 1994; (ii) Ordinance No. 2003-1210 on November 18, 2003, which extended the effectiveness of the Redevelopment Plan for Project Area No. 3 to July 11, 2030 and extended the time limit for collection of tax increment revenues to July 11, 2040; and (iii) Ordinance No. 2009-1317 on April 14, 2009, which eliminated the time limit to incur debt.

The Redevelopment Plans describe the boundaries of each of the Project Areas, contain a general statement of the objectives of each of the Project Areas, land use, layout of principal streets, building intensities and standards, and other criteria proposed as the basis for redevelopment of each of the Project Areas. The Redevelopment Plans also describe how the Redevelopment Plans effectuate the purposes of the Law and how the proposed redevelopment conforms to the General Plan of the City, and describe the impact of the Redevelopment Plans upon residents thereof and upon the surrounding neighborhood.

No Financial Limitations

Under the Law in place prior to the adoption of the Dissolution Act, each Project Area was subject to certain financial limitations, including limitations on the aggregate amount of tax increment revenues which could be divided and allocated to the Former Agency, and the time period in which such amounts could be received, under the applicable Redevelopment Plan. Amounts paid by the County Auditor-Controller to other taxing agencies, as described below under the captions "PROJECT AREA NO. 1—Pass-Through Agreements," "PROJECT AREA NO. 2—Pass-Through Agreements" and "PROJECT AREA NO. 3—Pass-Through Agreements," were not included for purposes of the limitation. In addition, the Redevelopment Plans provided that the total outstanding principal of bonds payable from such tax increment revenues could not at any time exceed the specified amounts, which amounts are increased or decreased annually according to the Consumer Price Index.

SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Agency, as set forth in the applicable Redevelopment Plan, are not effective for purposes of paying the Agency's enforceable obligations. Accordingly, the projections that are set forth in this Official Statement were prepared without regard to the time and financial limitations in the Redevelopment Plans for the Project Areas. Also, the County Auditor-Controller will only deposit revenues into the Redevelopment Property Tax Trust Fund after a Project Area reaches a plan limit that is set forth in a given Redevelopment Plan if and to the extent that the Agency provides evidence that the revenues are needed to pay enforceable obligations.

See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Reduction in Taxable Value; Shortfall in Tax Revenue Projections" for a discussion of certain other matters which limit Pledged Tax Revenues or impact the use thereof.

Historical Assessed Valuations

The following table shows historical assessed valuations of the Agency for the Project Areas for the current and four prior Fiscal Years. See Tables B-1, B-2 and B-3, respectively, in Appendix B for historic assessed valuation information for each of Project Area Nos. 1, 2 and 3.

TABLE 1
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
SCHEDULE OF HISTORICAL ASSESSED VALUATIONS

	Fiscal Year 2020-21	*% Change*	*Fiscal Year 2021-22*	*% Change*	*Fiscal Year 2022-23*	*% Change*	*Fiscal Year 2023-24*	*% Change*	*Fiscal Year 2024-25*	*% Change*
Secured	$ 10,117,045,772	4.95%	$ 10,500,148,584	3.79%	$ 11,215,190,844	6.81%	$ 11,896,301,633	6.07%	$ 12,575,704,550	5.71%
State Utility	0	--	0	--	0	--	0	--	0	--
Unsecured	348,569,701	5.93	274,633,067	(21.21)	340,425,660	23.96	406,068,976	19.28	448,972,737	10.57
Total Assessed Value[(1)]	10,465,615,473	4.98	10,774,781,651	2.95	11,555,616,504	7.25	12,302,370,609	6.46	13,024,677,287	5.87
Less: Base Year	(718,754,834)	--	(718,754,834)	--	(718,754,834)	--	(718,754,834)	--	(718,754,834)	--
Incremental Assessed Value	$ 9,746,860,639	5.37%	$10,056,026,817	3.17%	$ 10,836,861,670	7.76%	$ 11,583,615,775	6.89%	$ 12,305,922,453	6.24%

(1) Assessed valuations for secured property are net of non-homeowner's exemptions and include public utility values.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Largest Taxpayers

Set forth below are the ten largest secured and unsecured taxpayers within the Project Areas for Fiscal Year 2024-25. See Tables B-4, B-5 and B-6, respectively, in Appendix B for information with respect to the ten largest taxpayers in each of Project Area Nos. 1, 2 and 3. As shown in such tables, the concentration of the tax base varies among the three Project Areas, with the top ten largest taxpayers accounting for a high of 20.43% of the total Assessed Value in Project Area No. 2 to a low of 4.94% in Project Area No. 3.

TABLE 2
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
FISCAL YEAR 2024-25 TOP TEN SECURED AND UNSECURED TAXPAYERS

#	*Taxpayer*	*# of Parcels*	*Land Use(s)*	*Assessed Value*[(1)]	*% of Total AV*
1	M G Marc Apartments[(2)]	2	Residential	$ 155,576,372	1.20%
2	Hunter Industries LLC[(3)]	9	Industrial, Recreational	114,051,197	0.88
3	Ralphs Grocery Company[(2)]	1	Commercial	89,231,598	0.69
4	World Premier Investments LLC, UAP-Grand Plaza LLC	9	Commercial, Recreational	88,107,848	0.68
5	Block C LLC[(4)]	3	Commercial	75,009,661	0.58
6	G S A A San Marcos Owner LLC	2	Residential	74,412,542	0.57
7	Palomar Station DJT Phase 1 LLC, Palomar Station PLT LLC, Et Al[(2)]	5	Commercial, Residential, Vacant	67,658,989	0.52
8	Prominence Willmark Communities Inc	1	Residential	67,261,868	0.52
9	North City Community Partners LLC	41	Commercial	65,550,128	0.50
10	Urban Villages San Marcos LLC[(5)]	62	Industrial, Commercial, Recreational, Residential	60,914,618	0.47
Total		135		$ 857,774,821	6.60%
Total Assessed Value for Projected Areas				$13,024,677,287	

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
(2) Taxpayers identified above have pending assessment appeals as of March 2025.
(3) "Hunter Industries Inc.," "Hunter Industries LP," and "Hunter Industries" are grouped under Hunter Industries Inc.
(4) "Block C LLC," "Block C Wrap LLC," and "Block C One LLC" are grouped under Block C LLC.
(5) "Urban Villages San Marcos LLC," "Urban Villages San Marcos LLC," and "Urban Villages San Marcos" are grouped under Urban Villages San Marcos LLC.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Secured Assessed Value by Land Use Category

The following table summarizes the Fiscal Year 2024-25 secured assessed value by land use category for the Project Areas. See Tables B-7, B-8 and B-9, respectively, in Appendix B for information with respect to the secured assessed value by land use categories for each of Project Area Nos. 1, 2 and 3.

TABLE 3
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
SECURED ASSESSED VALUE BY LAND USE CATEGORY
FISCAL YEAR 2024-25

Land Use	*# of Parcels*	*Secured Assessed Value*[(1)]	*% of Secured Assessed Value*
Residential	13,058	$ 9,030,271,634	72.13%
Commercial	1,608	1,779,997,286	14.22
Industrial	689	1,371,738,358	10.96
Miscellaneous[(2)]	1,858	272,901,659	2.18
Institutional	32	44,536,290	0.36
Recreational	417	8,552,603	0.07
Vacant	347	7,683,181	0.06
Agricultural	9	3,917,139	0.03
Total	18,018	$ 12,519,598,150	100.00%

(1) The assessed values represented above are net of all exemptions.
(2) Includes open space, easement parcels and undevelopable slopes, primarily in Project Area No. 3.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Assessment Appeals

The following table summarizes assessment appeals for the Project Areas for the current and four prior Fiscal Years. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Assessment Appeals."

See Tables B-10, B-11 and B-12, respectively, in Appendix B for an individual assessment appeal summary for each of Project Area Nos. 1, 2 and 3.

TABLE 4
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
ASSESSMENT APPEAL HISTORY[1]

					Assessed Value of All Appeals		*Requested Reductions*[1]		*Granted Reductions*[2]			*Pending Reductions*[3]		
Fiscal Year	*Stipulated/ Reduced*	*Withdrawn/ Denied/No Change*	*Pending*	*Total*	*Amount*	*% of Project Areas*	*Amount*	*% of Project Areas*	*Amount*	*% of Project Areas*	*Average Reduction*	*Amount*	*% of Project Areas*	*Total Project Area Value*
2020-21	12	75	0	87	$374,109,915	3.57%	$ 152,895,319	1.46%	$ 14,377,836	0.14%	$165,262	$ 0	0.00%	$10,465,615,473
2021-22	16	69	3	88	372,254,365	3.45	152,800,211	1.42	15,358,558	0.14	174,529	631,474	0.01	10,774,781,651
2022-23	20	58	2	80	388,621,584	3.36	177,400,365	1.54	16,783,586	0.15	209,795	4,638,763	0.04	11,555,616,504
2023-24	17	70	67	154	825,110,947	6.71	402,415,449	3.27	30,163,675	0.25	195,868	170,583,080	1.39	12,302,370,609
2024-25	0	0	91	91	802,477,452	6.16	384,672,022	2.95	0	0.00	0	384,672,022	2.95	13,024,677,287
Total	65	272	163	500			$1,270,183,366		$ 76,683,655		$745,454	$ 560,525,339		
Historical Rate of Stipulated/Reduced Appeals for Project Areas No. 1, 2, and 3						19.29%								
Granted Reduction as a Percentage of Requested Reduction for Project Areas No. 1, 2, and 3[4]						10.77%								

(1) Reflects total requested reductions for all stipulated/reduced appeals.
(2) Assumed no reduction in assessed value for those appeals for which the board value was $0.
(3) Pending appeals are those appeals that did not display a Final Action Code and where the Board value was zero.
(4) Reflects the total granted reduction as a percentage of total requested reduction for all appeals.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Delinquencies

The Agency does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code as to any of the Project Areas, and is therefore exposed to the risk of delinquencies in tax revenue collections. See the captions "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Property Tax Collection Procedures" and "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Bankruptcy and Foreclosure."

According to the Fiscal Consultant, penalty and interest payments collected on delinquent property tax assessments have exceeded amounts that are not collected because of property tax payment delinquencies. For this reason, the projections of tax increment revenues herein do reflect any reductions as a result of delinquencies.

PROJECT AREA NO. 1

General

The City Council adopted an ordinance approving the Redevelopment Plan for Project Area No. 1 on July 12, 1983. Project Area No. 1 encompasses 2,356 acres of the central business core of the City. Project Area No. 1 is generally bounded by Mission Road, Richmar Avenue, Rock Springs Road and Knob Hill Road to the north, Discovery Street and Barham Drive to the south, Pacific Street to the west and the San Marcos-Escondido corporate limits to the east.

Approximately 38% of the secured assessed valuation originating from Project Area No. 1 is derived from commercial uses, approximately 32% of the secured assessed valuation originating from Project Area No. 1 is derived from residential uses, approximately 27% of the secured assessed valuation originating from Project Area No. 1 is derived from industrial uses and approximately 3% of the secured assessed valuation originating from Project Area No. 1 is derived from other uses. See Table B-7 in Appendix B for further information with respect to secured assessed value by land use area in Project Area No. 1.

See Exhibits B-1, B-4, B-10, B-13 in Appendix B for historic assessed valuation, largest taxpayer, assessment appeals information and projected Pledged Tax Revenue information that is specific to Project Area No. 1.

Pass-Through Agreements

Definitions of terms that are used in the summary descriptions of the Pass-Through Agreements for each of the Project Areas are as follows:

Inflationary 2% Revenue: Tax increment revenue attributable to annual increases not to exceed 2% in the valuation of real property pursuant to the Section 110.1(f) of the Revenue and Taxation Code of the State. The base year used to calculate the Inflationary 2% Revenue includes the local secured value only. It does not include state-assessed secured or unsecured value.

Special District Tax Revenues: Tax increment revenue attributable to application of "override rates" or "voter approved or bonded indebtedness tax rates" pursuant to Section 1(b) and Section 4 of Article XIIIA of the State Constitution. Because the revenue projections herein do not assume a voter-approved indebtedness override rate, they do not include payments of Special District Tax Revenues to any taxing entities.

Trigger Year: Fiscal Year 2005-06, which was the Fiscal Year in which the cumulative amount of Project Area No. 1 tax increment revenue exceeded $100,000,000.

Description of Pass-Through Agreements. As discussed under the caption "SECURITY FOR THE 2025A BONDS—Statutory Pass-Through Amounts," certain Statutory Pass-Through Amounts are payable on a senior basis to the Bonds pursuant to AB 1290. In addition, the following negotiated Pass-Through Agreement is payable on a senior basis to the Bonds:

Palomar Community College District. Pursuant to an Agreement regarding the Sub-Leasing of Facilities between the City, San Marcos Redevelopment Agency and Palomar Community College at the San Marcos Public Safety Center and an Amended and Restated Agreement regarding Redevelopment Project Areas 1, 2 and 3, dated as of December 12, 2000 (the "**PCCD Agreement**"), by and among Palomar Community College District ("**PCCD**"), the City and the Former Agency, PCCD is entitled to receive its Special District Tax Revenues after deduction of a Low and Moderate Income Housing Fund allocation of 20%. Since the Trigger Year, PCCD has also been entitled to receive 50% of its share of tax increment revenues after deduction of: (i) a Low and Moderate Income Housing Fund allocation of 20%; (ii) 50% of the share of tax increment revenues generated by increases in property values which are incident to or arising from redevelopment activities prior to July 1, 2000, as evidenced by documents on file with the City or the Agency, and (iii) 50% of County Administrative fees, Redevelopment Service fees, Health & Safety Code Pass Through fees.

No Subordination to Bonded Debt. The above-described Project Area No. 1 Pass-Through Agreement does not include unrestricted subordination provisions. Therefore, the projections of tax increment revenues that are set forth herein do not include any future subordination of pass-through payments under the above-described Pass-Through Agreement.

PROJECT AREA NO. 2

General

The City Council adopted an ordinance approving the Redevelopment Plan for Project Area No. 2 on July 19, 1985. Project Area No. 2 encompasses five non-contiguous subareas totaling 1,777 acres in west, central and south San Marcos.

Approximately 67% of the secured assessed valuation originating from Project Area No. 2 is derived from residential uses, approximately 23% of the secured assessed valuation originating from Project Area No. 2 is derived from commercial uses, approximately 10% of the secured assessed valuation originating from Project Area No. 2 is derived from industrial uses and less than 1% of the secured assessed valuation originating from Project Area No. 2 is derived from other uses. Project Area No. 2 also includes a portion of a large regional landfill (closed), public streets and other public facilities, including California State University at San Marcos. See Table B-8 in Appendix B for further information with respect to secured assessed value by land use area in Project Area No. 2.

See Exhibits B-2, B-5, B-11, B-14 in Appendix B for historic assessed valuation, largest taxpayer, assessment appeals information and projected Pledged Tax Revenue information that is specific to Project Area No. 2.

Pass-Through Agreements

Description of Pass-Through Agreements. As discussed under the caption "SECURITY FOR THE 2025A BONDS—Statutory Pass-Through Amounts," certain Statutory Pass-Through Amounts are payable on a senior basis to the Bonds pursuant to AB 1290. In addition, the following negotiated Pass-Through Agreements are payable on a senior basis to the Bonds which are applicable to Project Area No. 2. Capitalized terms that are used in this caption and not defined have the meanings set forth under the caption "—Project Area No. 1—Pass-Through Agreements."

County Office of Education. Pursuant to an Agreement for Cooperation, dated as of July 25, 1989 (the "**SDCOE Agreement**"), by and among the San Diego County Office of Education ("**SDCOE**"), the City and the Former Agency, SDCOE is entitled to receive its 2.9% share of the Inflationary 2% Revenue after deduction of a Low and Moderate Income Housing Fund allocation of 20%.

County of San Diego. Pursuant to an Amended Agreement for Cooperation, dated as of April 10, 1990, by and among the County, the City and the Former Agency, the County is entitled to receive its Special District Tax Revenues and its 28.8% share of the Inflationary 2% Revenue. The Amended Agreement for Cooperation also provides for the County to receive its total share of tax increment revenues (after deduction of the Low and Moderate Income Housing Fund allocation of 20%) once the Agency and the Former Agency received a total of $28,507,697. By negotiation between the Agency and the County, the County has been receiving its total share of tax increment revenues (after deduction of the Low and Moderate Income Housing Fund allocation of 20%) since 2014.

Olivenhain Municipal Water District. Pursuant to an Agreement for Cooperation, dated as of August 13, 1985, by and among Olivenhain Municipal Water District ("**OMWD**"), the City and the Former Agency, OMWD is entitled to receive its 0.017% share of tax increment revenues after deduction of tax increment revenues generated by increases in property value which are incident to or arising from projects for which the Former Agency entered into OPA-DDAs.

Palomar Community College District. Pursuant to the PCCD Agreement (as described under the caption "PROJECT AREA NO. 1—Pass-Through Agreements—Description of Pass-Through Agreements") and an Agreement for Cooperation, dated May 28, 1985, by and among PCCD, the City and the Former Agency, PCCD is entitled to receive its Special District Tax Revenues and its 6.64% portion of the Inflationary 2% Revenue after deduction of: (i) a Low and Moderate Income Housing Fund allocation of 20%; (ii) revenues generated by projects for which the Former Agency entered into OPA-DDAs; and (iii) 50% of County Administrative fees, Redevelopment Service fees, Health & Safety Code Pass Through fees.

San Marcos Fire Protection District. Pursuant to an Agreement for Cooperation, dated as of May 14, 1985, by and among the San Marcos Fire Protection District ("**SMFPD**"), the City and the Former Agency, SMFPD is entitled to receive its 6.69% share of tax increment revenues after deduction of revenues generated by projects for which the Former Agency entered into OPA-DDAs.

Vallecitos Water District. Pursuant to an Agreement for Cooperation, dated as of May 14, 1985, by and among San Marcos County Water District (now Vallecitos Water District ("**VWD**")), the City and the Former Agency, VWD is entitled to receive its 4.68% share of tax increment revenues after deduction of tax increment revenues generated by increases in property value which are incident to or arising from redevelopment activities, as evidenced by documents on file with the City or the Agency.

No Subordination to Bonded Debt. The above-described Project Area No. 2 Pass-Through Agreements do not include unrestricted subordination provisions. Therefore, the projections of tax increment revenues that are set forth herein do not include any future subordination of pass-through payments under the above-described Pass-Through Agreements.

PROJECT AREA NO. 3

General

The City Council adopted an ordinance approving the Redevelopment Plan for Project Area No. 3 on July 11, 1989. Project Area No. 3 encompasses approximately 6,301 acres. Project Area No. 3 is generally bounded by South Santa Fe Avenue, Discovery Street and Barham Drive to the north, the City's incorporated limits to the south and the City's incorporated limits to the east and west.

Approximately 91% of the secured assessed valuation originating from Project Area No. 3 is derived from residential uses, approximately 4% of the secured assessed valuation originating from Project Area No. 3 is derived from industrial uses, approximately 2% of the secured assessed valuation originating from Project Area No. 3 is derived from commercial uses and approximately 3% of the secured assessed valuation originating from Project Area No. 3 is derived from other uses. See Table B-9 in Appendix B for further information with respect to secured assessed value by land use area in Project Area No. 3.

See Exhibits B-3, B-6, B-12, B-15 in Appendix B for historic assessed valuation, largest taxpayer, assessment appeals information and projected Pledged Tax Revenue information that is specific to Project Area No. 3.

Pass-Through Agreements

Description of Pass-Through Agreements. As discussed under the caption "SECURITY FOR THE 2025A BONDS—Statutory Pass-Through Amounts," certain Statutory Pass-Through Amounts are payable on a senior basis to the Bonds pursuant to AB 1290. In addition, the following negotiated Pass-Through Agreements are payable on a senior basis to the Bonds which are applicable to Project Area No. 3. Capitalized terms that are used in this caption and not defined have the meanings set forth under the caption "—Project Area No. 1—Pass-Through Agreements."

County Office of Education. Pursuant to the SDCOE Agreement (as described under the caption "PROJECT AREA NO. 2—Pass-Through Agreements—Description of Pass-Through Agreements—County Office of Education"), SDCOE is entitled to receive its 2.9% share of the Inflationary 2% Revenue and 50% of SDCOE's share above SDCOE's share of the Inflationary 2% Revenue.

County of San Diego. Pursuant to an Amended Agreement for Cooperation, dated as of April 13, 1990, by and among the County, the City and the Former Agency, and a Settlement Agreement and Mutual Release of Claims, dated as of July 8, 1998, by and among the County, the City and the Former Agency, the County is entitled to receive the following separate streams of pass-through payments that accrue to the County of San Diego (General Fund and County Library Fund) from Project Area No. 3:

1. The County's 29.95% share of the Inflationary 2% Revenue.

2. Any County Special District Tax Revenues.

3. 15% of the County's 29.95% share of an agreed upon tax increment schedule ("**Forecast Revenue**") less the Inflationary 2% Revenue through the earlier of: (a) the 30th year of the Redevelopment Plan for Project Area No. 3; or (b) until the Agency and Former Agency have received a total of $88,000,000 of the County's share of tax increment revenue (including its share of a Low and Moderate Income Housing Fund allocation of 20% and revenue to be used for mutually beneficial projects as outlined in the agreement). After the earlier of (a) or (b) occur, the County will receive 100% of its portion of revenue.

Until the earlier of (a) or (b) occur, the Agency must also pay the County's share of tax increment revenue above the Forecast Revenue. The Fiscal Consultant has indicated that the 30th year of the Redevelopment Plan for Project Area No. 3 has passed and therefore the Fiscal Consultant is calculating the County's share at 80% of its share of tax increment revenues.

North County Cemetery District. Pursuant to an Agreement for Cooperation, dated as of March 13, 1990, by and among North County Cemetery District ("**NCCD**"), the City and the Former Agency, NCCD is entitled to receive its 0.26% share of tax increment revenues in excess of that attributable to the first 3% annual increase in valuation of real property.

Palomar Community College District. Pursuant to the PCCD Agreement (as described under the caption "PROJECT AREA NO. 1—Pass-Through Agreements—Description of Pass-Through Agreements"), an Agreement for Cooperation, dated as of February 13, 1991, by and among PCCD, the City and the Former Agency, and an Agreement for Cooperation, dated as of June 13, 1989, by and among PCCD, the City and the Former Agency, PCCD is entitled to receive: (i) its Special District Tax Revenues; (ii) its 6.64% share of the Inflationary 2% Revenue (after deduction of a Low and Moderate Income Housing Fund allocation of 20.0%); and (iii) 50% of PCCD's share of tax increment revenues after deduction of: (1) 50% of tax increment revenues generated by increases in property value which are incident to or arising from projects for which the Former Agency entered into OPA-DDAs; (2) a Low and Moderate Income Housing Fund allocation of 20.0%; and (3) 50% of County Administrative fees, Redevelopment Service fees, Health & Safety Code Pass Through fees.

San Marcos Fire Protection District. Pursuant to an Agreement for Cooperation, dated as of June 13, 1989, by and among SMFPD, the City and the Former Agency, SMFPD is entitled to receive its 6.47% share of tax increment revenues, except for tax increment revenues generated by increases in property value which are incident to or arising from redevelopment activities, as evidenced by executed OPA-DDAs.

Vallecitos Water District. Pursuant to an Agreement for Cooperation, dated as of June 13, 1989, by and among VWD, the City and the Former Agency, VWD is entitled to receive its 3.88% share of tax increment revenues, except for tax increment revenues generated by increases in property value which are incident to or arising from redevelopment activities, as evidenced by executed OPA-DDAs.

San Marcos Unified School District. Pursuant to certain cooperation agreements, as modified, among the City, the Former Agency and the San Marcos Unified School District ("**SMUSD**"), SMUSD is entitled to receive SMUSD's share (39.16%) of the Inflationary 2% Revenue (after deduction of 24.7% for allocation to the Low and Moderate Income Housing Fund) and 50% of SMUSD's share of remaining tax increment revenue (after deduction of 24.7% for allocation to the Low and Moderate Income Housing Fund). Such moneys are pledged on a first lien basis to the payment of the Successor Agency to the San Marcos Redevelopment Agency 2018 Pass-Through Tax Revenue Refunding Bonds (Project Area No. 3 – San Marcos Unified School District) (the "**2018 Bonds**"). The 2018 Bonds mature in 2039 and are currently outstanding in the aggregate principal amount of $32,240,000. Pledged Tax Revenues exclude tax revenues pledged to repay the 2018 Bonds.

No Subordination to Bonded Debt. The above-described Project Area No. 3 Pass-Through Agreements do not include unrestricted subordination provisions. Therefore, the projections of tax increment revenues that are set forth herein do not include any future subordination of pass-through payments under the above-described Pass-Through Agreements.

PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE

The Agency has retained the Fiscal Consultant to provide projections of taxable valuation and Pledged Tax Revenues from the Project Areas. The following tables show projected total Pledged Tax Revenues for all of the Project Areas and debt service coverage for the 2025A Bonds, assuming approximately 2.00% annual growth in tax increment revenues through the maturity of the 2025A Bonds. The projections assume no reductions in tax increment revenues as a result of pending assessment appeals. See the caption "THE REDEVELOPMENT PLANS—Assessment Appeals."

The Agency believes that the assumptions (set forth in the footnotes below) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES." Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections, and such variations may be material.

TABLE 5
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
PLEDGED TAX REVENUE PROJECTIONS

							Senior Pass-Through Payments			
Fiscal Year	***Assessed Valuation***[1]	***Incremental Assessed Valuation***	***Estimated Tax Increment Revenues***	***Unitary Utility Revenue***	***Total Gross Revenue***	***County Administrative Fees***[2]	***Senior Statutory Pass-Through Amounts***	***Senior Negotiated Pass-Through Agreements***	***Total Senior Statutory and Negotiated Pass-Through Payments***	***Pledged Tax Revenues***[3]
2024-25	$13,024,677,287	$12,305,922,453	$123,059,225	$1,315,799	$124,375,023	$1,131,256	$4,235,399	$29,035,025	$33,270,423	$ 89,973,344
2025-26	13,285,170,833	12,566,415,999	125,664,160	1,342,114	127,006,274	1,153,881	4,417,510	29,629,349	34,046,859	91,805,535
2026-27	13,550,874,249	12,832,119,415	128,321,194	1,368,957	129,690,151	1,176,959	4,602,300	30,240,264	34,842,564	93,670,629
2027-28	13,821,891,734	13,103,136,900	131,031,369	1,396,336	132,427,705	1,200,498	4,792,714	30,863,396	35,656,111	95,571,096
2028-29	14,098,329,569	13,379,574,735	133,795,747	1,424,263	135,220,010	1,224,508	4,985,828	31,498,992	36,484,820	97,510,682
2029-30	14,380,296,160	13,661,541,326	136,615,413	1,452,748	138,068,161	1,248,998	5,182,709	32,147,299	37,330,008	99,489,155
2030-31	14,667,902,084	13,949,147,250	139,491,472	1,481,803	140,973,275	1,273,978	5,382,004	32,808,572	38,190,577	101,508,721
2031-32	14,961,260,125	14,242,505,291	142,425,053	1,511,439	143,936,492	1,299,457	5,585,285	33,483,071	39,068,356	103,568,678
2032-33	15,260,485,328	14,541,730,494	145,417,305	1,541,668	146,958,973	1,325,447	5,792,631	34,171,060	39,963,691	105,669,835
2033-34	15,565,695,034	14,846,940,200	148,469,402	1,572,501	150,041,903	1,351,955	6,004,125	34,872,809	40,876,933	107,813,014

(1) Reflects growth of 2.00% per annum.
(2) Fiscal Year 2024-25 County administrative fees are based on actual amounts for the first five months of Fiscal Year 2024-25 and a projection for the remaining seven months of Fiscal Year 2024-25, and are projected to increase 2.00% annually beginning in Fiscal Year 2025-26.
(3) Certain net revenue amounts may not equal gross tax increment revenues less County administrative fees and senior pass-through amounts due to rounding.
Source: 30 Three Sixty Public Finance, Inc.

TABLE 6
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NOS. 1, 2 AND 3
ESTIMATED DEBT SERVICE COVERAGE

Fiscal Year	*Pledged Tax Revenues*[(1)]	*Parity Debt Service*[(2)]	*2025A Bond Debt Service*[*]	*Total Debt Service*[*]	*Debt Service Coverage*[*]
2025-26	$ 91,805,535	$ 14,806,109	$ 6,938,750	$ 21,744,859	4.22x
2026-27	93,670,629	14,796,609	6,939,000	21,735,609	4.31
2027-28	95,571,096	14,268,609	6,952,500	21,221,109	4.50
2028-29	97,510,682	13,846,711	6,943,000	20,789,711	4.69
2029-30	99,489,155	13,116,643	7,571,000	20,687,643	4.81
2030-31	101,508,721	8,798,783	7,579,000	16,377,783	6.20
2031-32	103,568,678	8,552,621	4,980,750	13,533,371	7.65
2032-33	105,669,835	8,538,549	4,995,750	13,534,299	7.81
2033-34	107,813,014	7,190,163	2,709,000	9,899,163	10.89

[*] *Preliminary, subject to change.*
[(1)] See Table 5 for detailed information with respect to the calculation of Pledged Tax Revenues.
[(2)] Reflects debt service on the 2015B Bonds and the 2017 Bonds.
Source: Stifel, Nicolaus & Company, Incorporated.

RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES

Investment in the 2025A Bonds involves elements of risk. Certain specific risk factors that may affect the payment and security of the 2025A Bonds are described below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2025A Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of and/or interest on the 2025A Bonds. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the 2025A Bonds. There can be no assurance that other risk factors which are not discussed under this caption will not become material in the future.

Property Tax Limitations – Article XIIIA

On June 6, 1978, State voters approved an amendment (commonly known as Proposition 13 or the Jarvis-Gann Initiative) which added Article XIIIA to the State Constitution. Article XIIIA limits the amount of *ad valorem* taxes on real property to 1% of the "full cash value" of such property, as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the State fiscal year 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the Consumer Price Index, not to exceed 2% per year, or may be reduced.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIIIA: (i) exempts from the 1% tax limitation taxes to pay debt service on: (a) indebtedness approved by the voters prior to July 1, 1978; or (b) 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; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain

additional *ad valorem* taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIIIA has been upheld by both the State Supreme Court and the United States Supreme Court.

In the general election held on November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of: (1) real property between spouses; and (2) the principal residence and the first $1,000,000 of other property between parents and children. This amendment to Article XIIIA may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIIIA to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county to transfer the old residence assessed value to the new residence. As a result of the State Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Reduction in Taxable Value; Shortfall in Tax Revenue Projections

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Agency's control, such as relocation out of the Project Areas by one or more major property owners, sale of property to a non-profit corporation that is exempt from property taxation or the complete or partial destruction of such property caused by, among other eventualities, earthquake, flood, drought, windstorm, wildfire or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the 2025A Bonds. Such reduction in Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2025A Bonds. These risks may be greater where project areas have a high concentration of major taxpayers. Based on the Fiscal Year 2024-25 tax roll, the ten largest taxpayers in the Project Areas accounted for approximately 6.6% of the total assessed value of all of the Project Areas. The Fiscal Consultant has projected that, if the Successor Agency lost the 2024-25 assessed value of the ten largest taxpayers in the Project Areas, Pledged Tax Revenues for Fiscal Year 2025-26 would still be approximately 3.90* times greater than debt service on the Bonds. See the caption "THE REDEVELOPMENT PLANS—Largest Taxpayers."

Pledged Tax Revenues derived from assessments on the unsecured roll which involve fixtures and equipment that could be moved from the Project Areas may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. For Fiscal Year 2024-25, approximately 3.45% of the total assessed value of all of the Project Areas is on the unsecured roll. Of the top ten taxpayers within the Project Areas, nine have been assessed amounts on the unsecured roll. See the caption "THE REDEVELOPMENT PLANS—Largest Taxpayers" for a description of such taxpayers and the amounts on the unsecured roll. The Agency does not expect that the loss of Pledged Tax Revenues resulting from such taxpayers moving fixtures or equipment from the Project Areas will have a material adverse impact on the Agency's ability to pay debt service on the 2025A Bonds.

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* *Preliminary, subject to change.*

As described in greater detail under the caption "—Property Tax Limitations – Article XIIIA," Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the Consumer Price Index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2025A Bonds could reduce Pledged Tax Revenues securing the 2025A Bonds. There can be no assurance that the projections of Pledged Tax Revenues that are set forth herein will not be affected by decreases in the Consumer Price Index, changes in assessed valuations or other factors. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, and in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%.

In addition to the other limitations on and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, as described in this Official Statement, the State electorate or State Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing the Pledged Tax Revenues that are allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the State Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or State Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and adversely affect the source of repayment and security of the 2025A Bonds.

As a result of a downturn in the housing market, several counties in California (including the County) reduced the assessed values of homes acquired at the peak of the real estate market in 2004 and 2005. See the caption "THE REDEVELOPMENT PLANS—Assessment Appeals." The Agency is aware that the County Assessor made reductions in Fiscal Year 2008-09 and 2009-10 assessed values in the Project Areas and in the City generally. The Agency cannot predict whether the County will again reduce assessed values in the Project Areas in future years. The Agency does not believe that any such reductions will have a material adverse impact on Pledged Tax Revenues or the Agency's ability to pay debt service on the 2025A Bonds, and the Agency notes that many of such single-year reductions in assessed values had been reversed by Fiscal Year 2014-15. However, reductions in assessed value due to current or future economic conditions in the Project Areas could impact the receipt of Pledged Tax Revenues as projected by the Fiscal Consultant. See the caption "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE." If all pending appeals in the Project Areas are granted and assessed valuations reduced by the historical average percentage from Fiscal Years 2020-21 through 2024-25 (10.77%) reduction of the full amount that the appellants seek ($560,525,339), gross tax revenues for the Project Areas would be reduced by approximately $603,613. The projections set forth in this Official Statement assume no reductions in tax increment revenues as a result of pending assessment appeals. See the captions "—Assessment Appeals" and "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE."

The vast majority of currently pending and closed appeals of assessed valuations are Proposition 8 appeals, which apply only to a single year. See the captions "THE REDEVELOPMENT PLANS—Assessment Appeals" and "—Assessment Appeals" for further information with respect to Proposition 8 appeals.

See the captions "SECURITY FOR THE 2025A BONDS—Tax Increment Financing" and "—Property Tax Collection Procedures" for a description of the property tax collection procedures of the County.

Risks to Real Estate Market

The Agency's ability to make payments on the 2025A Bonds is dependent upon the economic strength of the Project Areas. The general economy of the Project Areas is subject to all of the risks that are generally

associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs, the supply of or demand for competitive properties in such area, the market value of property in the event of sale or foreclosure and other similar factors. Furthermore, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development, changes in real estate tax rates and other operating expenses, zoning laws and laws relating to threatened and endangered species and hazardous materials and fiscal policies, as well as natural disasters (including, without limitation, earthquakes, wildfires, droughts and floods), which may result in uninsured losses. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuations, which could cause a delay or interruption in the receipt of Pledged Tax Revenues by the Agency from the Project Areas.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations, although it is also possible that market values could be greater than assessed valuations at any given time. No assurance can be given that the individual parcel owners will pay property taxes in the future or that they will be able to pay such taxes on a timely basis. See the caption "—Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, and constituted efforts to address structural deficits in the State general fund budget. In general terms, these bills implemented a framework to transfer cash assets which were previously held by redevelopment agencies to cities, counties and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of $1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Pledged Tax Revenues.

SB 107, which made extensive amendments to the Dissolution Act, was enacted following the adoption of the State fiscal year 2015-16 budget, after having initially been presented as AB 113, a trailer bill to the State fiscal year 2015-16 budget. SB 107 changed the process for submitting Recognized Obligation Payment Schedules from a six-month to an annual process, authorized successor agencies to submit and obtain DOF approval of a Last and Final ROPS to govern all remaining payment obligations of successor agencies, altered the provisions governing the distribution of Redevelopment Property Tax Trust Fund moneys attributable to pension and State Water Project tax rate overrides and eliminated the impact of financial and time limitations in redevelopment plans for purposes of paying enforceable obligations, among other changes to the Dissolution Act. These statutory amendments impact the manner in which successor agencies claim Redevelopment Property Tax Trust Fund moneys for enforceable obligations and, for some successor agencies, impact the amount of Redevelopment Property Tax Trust Fund moneys that will be available for payment of a successor agency's enforceable obligations.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the DOF, http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "**LAO**") at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, the Agency or the Underwriter, and the City, the Agency and the Underwriter take no responsibility for the continued accuracy of

these Internet addresses or for the accuracy, completeness or timeliness of information posted thereon, and such information is not incorporated herein by these references.

For additional information regarding the State's Fiscal Year 2024-25 Budget and the Governor's proposed Fiscal Year 2025-26 Budget, see the DOF's website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov.

Certain litigation which challenges some of the terms of the Dissolution Act is currently ongoing (as described under the caption "—Challenges to Dissolution Act"), and there may be additional future legislation in this area. The Agency cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues.

Recognized Obligation Payment Schedule

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, only those obligations which are listed in the Recognized Obligation Payment Schedule may be paid by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each February 1, with respect to the following fiscal year, the Dissolution Act requires successor agencies to prepare, approve and submit to the successor agencies' oversight boards and the DOF for approval a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as described under the caption "SECURITY FOR THE 2025A BONDS—Recognized Obligation Payment Schedule") of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax increment revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the June 1 property tax distribution date. See the caption "SECURITY FOR THE 2025A BONDS—Recognized Obligation Payment Schedule."

In the event that the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a fiscal year, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period. If a successor agency fails to submit to the DOF an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) below, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the DOF to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any moneys in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the DOF.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, county auditor-controllers distribute funds for each six-month period (after retention of

amounts due to county auditor-controllers for administrative fees) in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordination to the extent permitted under the Dissolution Act (as described under the caption "SECURITY FOR THE 2025A BONDS—Tax Increment Financing"), to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such entity would have received under provisions of the Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts. Pension or State Water Project override revenues that are not pledged to or not needed for debt service on Agency debt will be allocated and paid to the entity that levies the override;

(ii) second, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in such fiscal year (without giving effect to any pass-through obligations that were established under the Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

However, the Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account and the subaccounts therein of the Debt Service Fund, in Recognized Obligation Payment Schedules so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board, the County Auditor-Controller and the DOF, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by Section 34171(d)(1)(A) of the Dissolution Act, which are necessary to comply with the Indenture and to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due thereunder in the following six-month period.

The Dissolution Act also imposes certain penalties in the event that the Agency does not timely submit a Recognized Obligation Payment Schedule for each fiscal year. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the following Fiscal Year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to $10,000 per day for every day that the schedule is not submitted. Additionally, the Agency's administrative cost allowance will be reduced by 25% for any fiscal year for which the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. If the Agency fails to submit a Recognized Obligation Payment Schedule by the

February 1 deadline, any creditor of the Agency, the DOF or any affected taxing entity will have standing to, and may request a writ of mandate to, require the Agency to immediately perform this duty. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2025A Bonds, see the caption "SECURITY FOR THE 2025A BONDS—Recognized Obligation Payment Schedule."

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a Last and Final ROPS for approval by their oversight board and the DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation. The Last and Final ROPS must also establish the maximum amount of Redevelopment Property Tax Trust Fund moneys to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest and earnings of the successor agency, including proceeds from the disposition of real property, that are not authorized for use pursuant to the approved Last and Final ROPS will be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to AGM, BAM or with respect to the Bonds.

See the caption "SECURITY FOR THE 2025A BONDS—Last and Final Recognized Obligation Payment Schedule" for a discussion of the requirements for a Last and Final Recognized Obligation Payment Schedule and the mechanics for allocation of Redevelopment Property Tax Trust Fund moneys pursuant to an approved Last and Final Recognized Obligation Payment Schedule. The Agency has no current plans to seek approval of a Last and Final ROPS.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the Bonds, the Agency and the Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance that these assumptions will be realized. To the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues which are available to pay debt service on the Bonds will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

Implementing Legislation

Legislation enacted by the State Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) of the State Constitution (as described under the caption "—Property Tax Limitations – Article XIIIA") provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the

traditional practice in the State of using 25% of full cash value as the assessed value for tax purposes). Legislation enacted in connection with the implementation of Article XIIIA changed the levy to $1.00 per $100.00 assessed valuation based on 100% of full cash value.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282, which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Article XIIIA instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy ($1.00 per $100 taxable valuation) and the bonded debt tax rate.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method, as discussed under the caption "—Unitary Taxation of Utility Property."

Challenges to Dissolution Act

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of Riverside County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora is a monoline financial guaranty insurer that is domiciled in the State of New York and has provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint in the Syncora case alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188 of the Health and Safety Code of the State) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 §19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After a hearing in the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a judgment that was stipulated to by the parties, the Superior Court on October 3, 2013, entered an order dismissing the action. The stipulated judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Agency's ability to timely pay debt service on the 2025A Bonds.

Proposition 87

Under State law prior to 1988, if a taxing entity increased its tax rate to obtain revenues to repay voter-approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment revenues.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment revenues when taxes on property in a project area are increased to repay voter-approved general obligation debt.

SB 107, which became effective on September 22, 2015, amended Section 34183(a)(1) of the Dissolution Act to provide that such debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects or programs related to the State Water Project which are not pledged to or not needed for debt service on Agency debt will be allocated and paid to the entity that levies the override. See the caption "SECURITY FOR THE 2025A BONDS—General."

Santa Ana Unified School District Case

The Fourth District of the California Court of Appeal has rendered a decision in *Santa Ana Unified School District vs. Orange County Development Agency* (the "**Santa Ana USD Case**") which involves the allocation of tax increment revenues pursuant to Section 33676(a) of the Law as it existed before the passage of AB 1290 (as discussed under the caption "SECURITY FOR THE 2025A BONDS—Statutory Pass-Through Requirements"). Generally, before AB 1290, Section 33676(a) provided that, prior to the adoption of a redevelopment plan (or an amendment adding territory to a project area), under certain conditions, "any affected taxing agency may elect, and every school and community college district shall elect, to be allocated all or any portion of the tax revenues" derived based on an annual adjustment of the base year assessed value of real properties in the project area (or the added territory). The words "*every school and community college district shall elect*" were added pursuant to a 1984 amendment. The amount of property taxes that a taxing entity may receive under the former Section 33676(a) is derived by increasing the base year value of taxable real property in the project area (or the added territory) by an inflationary factor of not greater than two percent per year (the "**2 Percent Allocation**"). In effect, the 2 Percent Allocation reduces the tax increment revenues that a redevelopment agency receives from the project area (or, if applicable, an added area to the project area).

In the Santa Ana USD Case, the redevelopment plan at issue was adopted in 1986. In 1996, the Santa Ana Unified School District ("**Santa Ana USD**") adopted a resolution electing to be paid its share of the 2 Percent Allocation. The Orange County Development Agency took the position that Santa Ana USD was not entitled to the 2 Percent Allocation because the election to receive such allocation should have been made before the adoption of the redevelopment plan for the project area. In turn, Santa Ana USD argued that the mandatory nature of the words "shall elect" in the statute made the allocation mandatory with respect to a school district. The lower court ruled in favor of Santa Ana USD. In an opinion published on June 29, 2001, the Court of Appeal affirmed. As a result, Santa Ana USD received the award it had requested, *i.e.*, its share of the 2 Percent Allocation from 1996, the year Santa Ana USD made the Section 33676 election. The California Supreme Court denied review of the Santa Ana USD Case on September 19, 2001. This case affects redevelopment agencies which have amended or added territory between the years 1983 to 1994.

Pursuant to City Ordinance No. 86-684, the Agency did amend the original boundaries of Project Area No. 2 during this time period to delete certain areas from Project Area No. 2. However, the County Auditor-Controller has determined that MWD, the only taxing entity that made a statutory election, is no longer entitled to payments pursuant to Section 33676.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer.

The valuation of property is determined as of January 1 each year and two equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent on the following August 31.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of tax revenues monthly from November to July of each Fiscal Year; provided, however, that tax revenues from supplemental assessments are received throughout the year. The Agency does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code as to any of the Project Areas, and is therefore exposed to the risk of delinquencies in tax revenue collections.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed to January 1 by legislation enacted in 1995) following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent that such supplemental assessments occur within the Project Areas, Pledged Tax Revenues may increase. As a result of legislation enacted in 1995 (SB 327 and SB 722, chaptered as Chapter 499 and 497, respectively), commencing as of January 1, 1997, the lien date for locally assessed property tax has been changed from March 1 to January 1. The first day of January for each succeeding year is now the lien date. Actual tax increment receipts will be reduced to reflect tax collection fees charged by the County. Receipts may increase or decrease by the amount of supplemental roll revenue and prior supplemental roll refunds. Because these costs/refunds cannot be accurately projected, and because historically the revenues have exceeded the costs resulting in slightly higher revenues than anticipated, no provision has been made by the Fiscal Consultant to reflect this impact on future revenues.

Appropriations Limitation – Article XIIIB

On November 6, 1979, State voters approved Proposition 4 (also known as the Gann Initiative), which added Article XIIIB to the State Constitution. Article XIIIB limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is State fiscal year 1978-79, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness is not deemed to be the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIIIB, nor will such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Law. The constitutionality of Section 33678 has been upheld in two State appellate court decisions. On the basis of these decisions, the Agency does not believe that it is subject to Article XIIIB and has not adopted an appropriations limit.

Tax Collection Fees

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. Actual tax increment disbursements are reduced to reflect the tax collection fee charged by the County Auditor-Controller pursuant to Senate Bill 2577. The tax collection fee varies slightly from year to year. Pledged Tax Revenues do not include and are reduced by County tax collection charges. In Fiscal Year 2023-24, the County charged the Agency aggregate administrative fees of approximately $960,924 for Project Areas No. 1, 2 and 3, collectively, representing approximately 0.8% of the total tax increment revenues received by the Agency in Fiscal Year 2023-24 from the Project Areas in Fiscal Year 2023-24. The tax collection fee charged by the County will decrease the amount of Pledged Tax Revenues pledged in connection with the 2025A Bonds.

Unitary Taxation of Utility Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with State fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by certain railroad and utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State assessed property was changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage of up to its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from growth above 102%; further, each jurisdiction will receive a percentage share of revenue based on the

jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

Based on AB 454 (pursuant to which property tax revenues from unitary utility property is disbursed in a different manner than revenue from non-unitary property), and because these revenues tend to fluctuate from year to year, increased revenues generated from this source are not included in the tax increment projections.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives

As described in greater detail under the caption "—Property Tax Limitations – Article XIIIA," Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the Consumer Price Index or comparable local data. Such measure is computed on a calendar year basis.

Article XIIIA of the State Constitution, which significantly affected the rate of property taxation, was adopted pursuant to the State's constitutional initiative process. From time to time, other initiative measures could be adopted by State voters. The adoption of any such initiative might alter the calculation of tax increment revenues, reduce the property tax rate, or broaden property tax exemptions. Future legislative reallocation of the 1% basic levy among the affected taxing entities could increase the taxes retained by certain taxing entities with a corresponding reduction in Pledged Tax Revenues. See the caption "—Property Tax Limitations – Article XIIIA."

Reductions in Pledged Tax Revenues due to the factors described above could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2025A Bonds.

Assessment Appeals

There are two types of assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute as to the valuation assigned by the county assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the county assessor is reduced, the valuation of the property cannot increase in subsequent years by more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value. Proposition 8 appeals apply only to a single tax year.

Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

An appeal may result in a reduction in the assessor's original taxable value and a tax refund to the applicant property owner. A reduction in present or future taxable values within the Project Areas, which may

arise out of successful appeals by property owners, will affect the amount of present or future tax increment revenues received by the Agency.

Assessors have the ability pursuant to Proposition 8 to temporarily reduce property tax assessments during times of negative economic conditions that result in decreased real estate values. The County Assessor's Office did so for many residential and commercial properties and those reduced values were reflected on the Fiscal Year 2008-09 and Fiscal Year 2009-10 tax roll. The Agency notes that many of such reductions had been either partially or fully reversed by Fiscal Year 2014-15.

Certain of the top ten largest property taxpayers in the Project Areas have pending property tax appeals. See the caption "THE REDEVELOPMENT PLANS—Assessment Appeals" and Tables B-10, B-11 and B-12 in Appendix B for a description of pending appeals and the potential impact on Pledged Tax Revenues if the appeals are granted.

The County experienced a high level of assessment appeals in the 2008-2010 period, and significant appeals to assessed values in the Project Areas may be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success. The vast majority of currently pending and closed appeals are Proposition 8 appeals.

For Fiscal Years 2020-21 through 2024-25, 163 assessment appeals are pending in the Project Areas. If all of such appeals were granted in full, the cumulative reduction would equal approximately 4.30% of the Fiscal Year 2024-25 assessed value of the Project Areas. The Fiscal Consultant has not made any adjustment to its projections as a result of these pending appeals. However, if all pending appeals in the Project Areas are granted and assessed valuations reduced by the historical average percentage from Fiscal Years 2020-21 through 2024-25 (10.77%) reduction of the full amount that the appellants seek ($560,525,339), gross tax revenues for the Project Areas would be reduced by approximately $603,613. The Agency does not believe that such a reduction would have a material adverse impact on the Agency's ability to pay debt service on the 2025A Bonds. See the caption "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE."

A table summarizing the Project Areas' secured roll assessment appeals information is set forth under the caption "THE REDEVELOPMENT PLANS—Assessment Appeals."

Natural Disasters

General. The Project Areas, like all California communities, may be subject to unpredictable seismic activity, wildfires, droughts, high winds, tsunamis, landslides, floods or other natural disasters. Southern California is a seismically active area. Seismic activity represents potential risk for damage to buildings, roads, bridges and property within the Project Areas in the event of an earthquake. There is significant potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event.

In the event of a severe earthquake, wildfire, drought, windstorm, tsunami, landslide, flood or other natural disaster, there may be significant damage to both property and infrastructure in the Project Areas. As a result, property owners may be unable or unwilling to pay their property taxes when due. In addition, the value of land in the Project Areas could be reduced in the aftermath of such a natural disaster. Such a reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the 2025A Bonds and in the proceeds of foreclosure sales in the event of delinquencies in the payment of Pledged Tax Revenues.

Earthquakes. There are several identified faults within close proximity to or within the boundaries of the Project Areas that could potentially result in damage to buildings, roads, bridges, and property within the Project Areas in the event of an earthquake. Past experiences have resulted in minimal damage to the

infrastructure and property within the Project Areas. A majority of the property within the Project Areas has been developed in conformity with the 1988 Uniform Building Code standards. Nonetheless, the occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such reductions could result in a decrease in Pledged Tax Revenues.

Flooding. Although portions of Project Area No. 1 and very small portions of Project Area No. 2 and Project Area No. 3 are located within a 100-year flood plain, there have been no recent reductions in assessed values as the result of flooding.

Wildfires. In recent years, wildfires have caused extensive damage throughout the State, including within the County. In some cases, these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future.

The City is periodically subject to large-scale wildfires and is expected to be subject to wildfires in the future. Wildfires have burned hundreds of acres at a time and destroyed dozens of homes and structures in and around the City generally, affecting parts of the City near the Project Areas. In 1996, the Harmony Grove Fire destroyed five structures in the City and damaged 22 others. Nearly one hundred and ten structures were destroyed within the jurisdictional boundaries of the San Marcos Fire Protection District (which are not coterminous with City limits), and burned approximately 8,660 acres. In 2014, the Cocos Fire destroyed five structures in the City and damaged four others, and burned approximately 1,995 acres. Over thirty other homes were destroyed elsewhere in the regional area affected by the Cocos Fire. The City also experiences high winds known as Santa Ana winds which frequently accompany and magnify the intensity of wildfires.

Pursuant to California Public Resources Code §§ 4201 – 4204, the State Fire Marshal is required to classify lands within state responsibility areas into fire hazard severity zones. The Office of the State Fire Marshal supports the California Department of Forestry and Fire Protection ("**Cal Fire**"), with a focus on fire prevention. The 2007 – 2011 Fire Hazard Severity Zones in Local Responsibility Area Map as recommended by the State Fire Marshal has been updated with a 2025 version. The updated Map, released in late March, 2025, reflects that the Fire Hazard Severity Zones as delineated within the City include additional land within the area designated as Very High Fire Hazard Severity Zones, as well as new areas designated as Moderate Fire Hazard Severity Zones and High Fire Hazard Severity Zones. A comparison of the 2007 – 2011 and the 2025 maps of Fire Hazard Severity Zones as recommended by the State Fire Marshal may be found on Cal Fire's website. As required by California Government Code § 51179, the updated local responsibility area maps must be considered by local jurisdictions within 120 days of release by the Office of the State Fire Marshal. The updated Local Responsibility Area Fire Hazard Severity Zone Maps are currently scheduled to be considered by the City's Council by way of introduction of an ordinance on May 13, 2025, and for adoption of said ordinance at its May 27, 2025 meeting.

As the updated 2025 Fire Hazard Severity Zone map reflects, there is an increased risk of property within the Project Areas being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the Project Areas. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the Project Areas.

In January 2025, communities in Los Angeles County, including Pacific Palisades, Malibu and Altadena, experienced widespread devastation from wildfires causing losses of life, thousands of burned homes, and billions of dollars in property damage. On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the "Governor's Order) which canceled penalties, costs and interest on overdue property taxes within certain zip codes affected by the Palisades and Eaton Fires during calendar year 2025. This will likely cause a delay in the payment of property taxes by property owners in areas affected by Governor's Order. Unless property owners within the affected areas pay their property taxes voluntarily or

have mortgage impound accounts, it is possible bonds payable from property taxes in such areas will experience a need to draw on reserve accounts or a payment default. In the event of a major fire or other natural disaster affecting the Project Areas, a similar order affecting the Project Areas could impact the Pledged Tax Revenues and, therefore, the ability of the Agent to make timely debt service payments on the 2025A Bonds.

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a taxable parcel, other less common claims may be relevant. One example is a claim with regard to a hazardous substance.

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a taxable parcel may be required by law to remedy conditions of the parcel 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 State and local laws with regard to hazardous substances are 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) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxable parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. 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 affect the value of the property that is realizable upon a delinquency and foreclosure.

Further, it is possible that liabilities may arise in the future with respect to taxable parcels resulting from the existence, currently, on the parcel of a substance that is presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance that is not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a taxable parcel that is realizable upon a delinquency.

The Agency understands that hazardous substances may be located in, on or under real property within the Project Areas, and has reviewed or participated in at least two work plan processes for the removal and remediation of such substances. There can be no assurance that the presence of hazardous substances, or the discovery thereof after the issuance of the 2025A Bonds, will not have an effect on property values in the Project Areas.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the 2025A Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect; equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise in certain exceptional situations of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2025A 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.

Bond Counsel has limited its opinion as to the enforceability of the 2025A Bonds and of the Second Supplemental Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the 2025A Bond Owners.

Bankruptcy and Foreclosure

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the 2025A Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings because federal bankruptcy laws may provide for an automatic stay of foreclosure and sale of tax sale proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2025A Bonds. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not have priority outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Redevelopment Obligation Retirement Fund from being applied to pay interest on the 2025A Bonds and/or to redeem 2025A Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of property taxes or the timing of enforcement thereof. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

Investment of Tax Increment Revenues and Other Funds

Tax increment revenues (which include Pledged Tax Revenues) are invested by the Agency prior to their transfer to the Trustee for deposit by the Trustee in the funds and accounts established under the Indenture. Moneys that are held in the funds and accounts established under the Indenture must be invested by the Trustee in Permitted Investments (as such term is defined in the Indenture), and moneys in the Redevelopment Obligation Retirement Fund may be invested by the Agency in any lawful investment of Agency funds. See Appendix A under the caption "Definitions." All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain

degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The Agency cannot predict the impact on the investment of any tax increment revenues by the Agency if it experiences significant losses in its investments.

Future Land Use Regulations and Growth Control Initiatives

In the past, citizens of a number of local communities in Southern California have placed measures on the ballot designed to limit the issuance of building permits or impose other restrictions to control the rate of future growth in those areas. It is possible that future initiatives could be enacted that could be applicable to the City and have a negative impact on the ability of developers in the Project Areas to complete any existing or proposed development. 2025A Bond Owners should assume that any event that significantly affects the ability to develop land in the City could cause the land values within the Project Areas to decrease substantially and could affect the willingness and ability of the owners of land within the Project Areas to pay property taxes when due.

There can be no assurance that land development within the City will not be adversely affected by future governmental policies, including, but not limited to, government policies to restrict or control development. Under current State law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on the permits prior to the adoption of such regulations.

No Plan Limits

The Project Areas are subject to time period limits on the receipt of tax increment revenues. See the caption "THE REDEVELOPMENT PLANS—Financial Limitations." Additionally, the Project Areas have cumulative limits on the amount of tax increment revenues that can be allocated to the Agency under the respective Redevelopment Plans. However, pursuant to SB 107, the time limits for receiving property tax revenues and the limitations on the amount of property tax revenues that may be received by the Former Agency and the Agency which are set forth in the Redevelopment Plans are not effective for purposes of paying the Agency's enforceable obligations, including the 2025A Bonds. Accordingly, the projections set forth in this Official Statement do not take into account the time limitations or the limitations on the amount of property tax revenues that may be received that are set forth in the Redevelopment Plans for the Project Areas.

Acceleration on Default

Under the Indenture, the principal due on the 2025A Bonds is subject to acceleration upon the occurrence of an Event of Default. If an Event of Default occurs under the Indenture, as a practical matter, 2025A Bond Owners will be limited to enforcing the obligation of the Agency to repay the 2025A Bonds on an annual basis to the extent of the availability of Pledged Tax Revenues. No real or personal property in the Project Areas is pledged to secure the 2025A Bonds, and it is not anticipated that the Agency will have available moneys sufficient to redeem all of the 2025A Bonds upon the occurrence of an Event of Default.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2025A Bonds, or, if a secondary market exists, that such 2025A Bonds can be sold for any particular price. Although the Agency has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to 2025A Bond Owners on a timely basis. See the caption "CONTINUING DISCLOSURE" and Appendix E. Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. 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 the then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2025A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2025A Bonds might be affected as a result of such an audit of the 2025ABonds (or by an audit of similar municipal obligations).

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2025A Bonds, the Agency has covenanted in the Indenture and the Tax Certificate relating to the 2025A Bonds not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2025A Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2025A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the Agency subsequent to the issuance of the 2025A Bonds in violation of such covenants with respect to the 2025A Bonds. Should such an event of taxability occur, the 2025A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to the redemption provisions of the Indenture.

Bonds Are Limited Obligations

Neither the faith and credit nor the taxing power of the Agency (except to the limited extent set forth in the Indenture), the City, the State or any political subdivision thereof is pledged to the payment of the 2025A Bonds. The 2025A Bonds are special obligations of the Agency; and, except as provided in the Indenture, they are payable solely from Pledged Tax Revenues. Pledged Tax Revenues could be insufficient to pay debt service on the 2025A Bonds as a result of delinquencies in the payment of property taxes or the insufficiency of proceeds derived from the sale of land within the Agency following a delinquency in the payment of the applicable property taxes. The Agency has no obligation to pay debt service on the 2025A Bonds in the event of insufficient Pledged Tax Revenues, except to the extent that money is available for such purpose in the Redevelopment Obligation Retirement Fund, the Debt Service Fund and the Reserve Account.

Cyber Security

The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Such incidents can result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets or information or to cause operational disruption and damage. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, distributed denial-of-service, and other attacks on computers, networks, and systems. The City has not experienced a major cyber attack that resulted in a material compromise of the system, data loss, or financial loss.

In fall 2019, the City suffered a cyber attack in which its network was penetrated, although no data was accessed. The City contracts with a third party vendor to monitor its network and has implemented best practices and recommendations to prevent cyber attacks in the future. Although the City carries cyber liability insurance, the cost of any such disruption or remedying damage caused by future attacks could be substantial. The City will continue to assess cyber threats and protect its data and systems.

The City is also reliant on other entities and service providers in connection with the administration of the 2025A Bonds, including without limitation, the County and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Owners of the 2025A Bonds.

TAX MATTERS

In the opinion of Best Best & Krieger LLP, Riverside, California, subject, however, to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants, the interest on the 2025A Bonds is excluded from gross income for federal income tax purposes, and interest on the 2025A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2025A Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, interest on the 2025A Bonds is exempt from California personal income tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended ("Tax Code") that must be satisfied subsequent to the issuance of the 2025A Bonds. The Successor Agency has made certain representations and covenanted to comply with each such requirement. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2025A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2025A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2025A Bonds may adversely affect the value of, or the tax status of interest on, the 2025A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2025A 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 (excluding bond houses and brokers) at which a 2025A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2025A 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 2025A Bonds to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such 2025A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2025A Bonds who purchase the 2025A Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2025A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2025A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2025A Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2025A Bond (said term being the shorter of the bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2025A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2025A Bond is amortized each year over the term to maturity of the 2025A 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 2025A Bond premium is not deductible for federal income tax purposes. Owners of premium 2025A 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 2025A Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code, or court decisions may cause interest with respect to the 2025A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code, or court decisions may also affect the market price for, or marketability of, the 2025A Bonds. Prospective purchasers of the 2025A 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.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2025A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Successor Agency or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Successor Agency has covenanted, however, to comply with the requirements of the Tax Code.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

Owners of the 2025A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2025A Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2025A Bonds other than as expressly described above.

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 2025A Bonds, or as to the consequences of owning or receiving interest on the 2025A Bonds, as of any future date. Prospective purchasers of the 2025A 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.

FISCAL CONSULTANT

The Agency has retained the firm of 30 Three Sixty Public Finance, Inc. to act as the Fiscal Consultant for the Agency with respect to the Project Areas. As part of its duties, the Fiscal Consultant has prepared certain information concerning the Agency and the Project Areas which is contained in this Official Statement.

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2024, attached hereto as Appendix C, including the footnotes thereto, should be reviewed in their entirety. The audited financial statements of the City for the Fiscal Year ended June 30, 2024 includes the Successor Agency's audited financial statements for the fiscal year ended June 30, 2024. Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California, the City's auditor (the "**Auditor**"), has not consented to the inclusion of its report on such financial statements in Appendix C, and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement. No opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 20, 2024.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. has acted as Municipal Advisor (the "**Municipal Advisor**") to the Agency in conjunction with the issuance of the 2025A Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the 2025A Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the 2025A Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

PROFESSIONAL FEES

In connection with the execution of the 2025A Bonds, fees payable to Fieldman, Rolapp & Associates, Inc., as Municipal Advisor, and Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel, are contingent upon the issuance of the 2025A Bonds.

UNDERWRITING

The 2025A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), pursuant to a Bond Purchase Agreement, dated the date hereof (the "**Purchase Agreement**"), by and between the Underwriter and the Agency. The Underwriter has agreed to purchase the 2025A Bonds at a price of $_____ (being the aggregate principal amount thereof less an Underwriter's discount of $_____ and [plus/less] a [net] original issue [premium/discount] of $_____). The Purchase Agreement provides that the Underwriter will purchase all of the 2025A Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2025A Bonds to certain dealers (including dealers depositing 2025A Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the City and/or the Agency and to persons and entities with relationships with the City and/or the Agency, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and/or the Agency (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and/or the Agency.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City and/or the Agency.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned a rating of "AA" to the 2025A Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials that are furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will be maintained for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the 2025A Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and Beneficial Owners of the 2025A Bonds: (1) to provide certain financial information and operating data (the "**Annual Report**") relating to the Agency and the property in the Project Areas by not later than April 1 after the end of the Agency's Fiscal Year, commencing with the report for Fiscal Year 2024-25; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/ ("**EMMA**"). The notices of enumerated events will be timely filed by the Agency with EMMA. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in the Continuing Disclosure Certificate. See Appendix E. These covenants have been made in order to assist the Underwriter in complying with the Rule.

It should be noted that the Agency is required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the 2025A Bonds are secured by any resources or property of the Agency or the City other than as described in this Official Statement. See the captions "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Bonds are Limited Obligations."

The City is <u>not</u> an obligated party under the Continuing Disclosure Certificate; however, City staff will be responsible for filing the Annual Reports on behalf of the Agency. The City and the Agency believe that they have not failed to comply in the last five years in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

The full text of the Continuing Disclosure Certificate is set forth in Appendix E.

NO LITIGATION

There is no litigation pending or, to the Agency's knowledge, threatened to restrain or enjoin the issuance, execution or delivery of the 2025A Bonds, to contest the validity of the 2025A Bonds, the pledge of Pledged Tax Revenues, the Indenture, or any proceedings of the Agency with respect thereto. In the opinion of the Agency and Agency Counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the Agency's ability to pay principal of and interest on the 2025A Bonds when due.

See the caption "SECURITY FOR THE 2025A BONDS—Tax Increment Financing" for a discussion of certain litigation that could affect the deposits into the Redevelopment Property Tax Trust Fund.

CERTAIN LEGAL MATTERS

The legality of the issuance of the 2025A Bonds is subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Bond Counsel's closing opinion with respect to the 2025A Bonds will be substantially in the form set forth in Appendix D. Certain legal matters will be passed upon for the Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, and by the City Attorney, acting as Agency Counsel. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan, LLP, San Francisco, California, as Underwriter's Counsel, and for the Trustee by its counsel.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Law, other applicable legislation, the Redevelopment Plans for the Project Areas, agreements and other documents are made subject to the respective provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

This Official Statement does not constitute a contract with the purchasers of the 2025A Bonds.

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

SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY

By: _____
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture not otherwise described in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the text of the Indenture for the complete provisions thereof.

INDENTURE OF TRUST

DEFINITIONS

Unless the context otherwise requires, the terms defined in the Indenture shall, for all purposes of the Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document mentioned in the Indenture, have the meanings specified therein.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

"Additional Revenues" means, as the date of calculation, the amount of Pledged Tax Revenues which, as shown in a report of an Independent Redevelopment Consultant, are estimated to be receivable by the Successor Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Areas due to either (a) construction which has been completed and for which a certificate of occupancy has been issued by the City but which is not then reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Areas is estimated to increase above the assessed valuation of taxable property in the Project Areas (as evidenced in the written records of the County) as of the date on which such calculation is made.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the Person specified.

"AGM" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Agreement" means that certain Joint Exercise of Powers Agreement, dated June 1, 1989, entered into under the Act by and between the City and the Former Agency together with any amendments thereof and supplements thereto.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Bonds (including any Parity Debt) in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including any Parity Debt) scheduled to be paid in such Bond Year upon the maturity or mandatory sinking account redemption thereof.

"Authority" means the San Marcos Public Facilities Authority, a joint powers authority duly organized and existing under the Agreement and the laws of the State.

"Authorized Representative" means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Secretary, or Treasurer or any other Person designated as an Authorized Representative of the Authority by a certificate of the Authority signed by its Executive Director and filed with the Successor Agency and the Trustee; (b) with respect to the Successor Agency, the Mayor, Vice Mayor, City Manager, or Finance Director of the City acting for and on behalf of the Successor Agency, or any other Person designated

as an Authorized Representative of the City by a certificate signed on behalf of the Successor Agency by the City Manager and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Authorized Officer, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

"Bond Counsel" means any attorney or firm of attorneys appointed by or acceptable to the Successor Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means any twelve-month period beginning on October 2 in any year and extending to the next succeeding October 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on October 1, 2015.

"Bonds" means, collectively, the Series 2015 Bonds and, if the context requires, any additional Parity Debt.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Civic Center Lease" means the Lease Agreement (Civic Center), dated as of November 1, 2001 by and between the Authority, as lessor, and the City, as lessee.

"Closing Date" means, with respect to the Series 2015 Bonds, the date on which the Series 2015 Bonds are delivered by the Successor Agency to the Original Purchaser.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Successor Agency and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Successor Agency in connection with the issuance of the Bonds, fees and charges of the Trustee for paying and redeeming the Prior Bonds, underwriter's discount, original issue discount, legal fees and charges, including Bond Counsel and financial consultant's fees, costs of cash flow verification, premiums for any reserve policy the Successor Agency may purchase, rating agency fees, charges for execution, transportation and safekeeping of the Series 2015 Bonds and other costs, charges and fees in connection with the original issuance of the Series 2015 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of San Diego, a county duly organized and existing under the Constitution and laws of the State.

"Credit Facility" means (i) the Reserve Policy or (ii) an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the provisions of the Indenture, provided that all of the following requirements are met by the Successor Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is in one of the three highest rating categories by S&P; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the provisions

of the Indenture; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the provisions of the Indenture; and (e) prior written notice is given to the Trustee before the effective date of any such Credit Facility.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means:

(a) cash;

(b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series);

(c) Direct obligations of the Treasury that have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) Pre-refunded municipal bonds rated "Aa" or higher by Moody's and "AA" or higher by S&P, provided that, the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

(f) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

"Dissolution Act" means the provisions of Assembly Bill X1 26, signed by the Governor on June 28, 2011, and filed with the Secretary of State on June 29, 2011, consisting of Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended by Assembly Bill 1484, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012.

"DOF" means the California Department of Finance.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means, with respect to any investment, 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 Tax 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 Tax 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 Tax 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 Successor Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any written directions of the Successor Agency.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

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

"Former Agency" means the San Marcos Redevelopment Agency, also known as the Redevelopment Agency of the City of San Marcos, a public body corporate and politic duly organized and formerly existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Housing Bonds" means the Former Agency's $52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable).

"Indenture" means the Indenture of Trust by and between the Successor Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by or acceptable to the Successor Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Successor Agency; (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Fiscal Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Successor Agency and who, or each of whom: (a) is judged by the Successor Agency to have experience in matters relating to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

(a) is judged by the Successor Agency to have experience in matters relating to the collection of Pledged Tax Revenues or otherwise with respect to the financing of redevelopment projects;

(b) is in fact independent and not under the domination of the Successor Agency;

(c) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds or any Parity Debt; and

(d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means each April 1 and October 1 in each year, commencing October 1; 2015, for so long as any of the Bonds remain unpaid.

"Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Series 2015 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify.

"Lease Agreements" means collectively, the Civic Center Lease and the Public Works Yard Lease.

"Low and Moderate Income Housing Fund" means the fund of the Successor Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year payable on the Bonds or any Parity Debt in such Bond Year.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 120 South San Pedro Street, Suite 400, Los Angeles, California 90012, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

"Original Purchaser" means the Stifel, Nicolaus & Company, Incorporated, on behalf of itself and Piper Jaffray & Company, as the original purchasers of the Series 2015 Bonds.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning set forth in the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant to the Indenture.

"Oversight Board" means the oversight board duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency on a parity with the Series 2015 Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the Indenture, including, without limitation, the provisions of the Indenture.

"Pass-Through Agreements" mean certain contractual and statutory obligations secured by a pledge or lien on Tax Increment Revenues superior to the lien securing the Housing Bonds, as set forth in the agreements listed below:

(a) Amended and Restated Agreement regarding Redevelopment Project Areas 1, 2 and 3, dated as of December 12, 2000, by and among Palomar Community College District, the City and the Former Agency;

(b) Agreement for Cooperation, dated as of July 25, 1989, by and among the San Diego County Office of Education, the City and the Former Agency;

(c) Amended Agreement for Cooperation, dated as of April 10, 1990, by and among the County of San Diego, the City and the Former Agency;

(d) Agreement for Cooperation, dated as of August 13, 1985, by and among Olivenhain Municipal Water District, the City and the Former Agency;

(e) Agreement for Cooperation, dated as of May 28, 1985, by and among Palomar Community College District, the City and the Former Agency;

(f) Agreement for Cooperation, dated as of May 14, 1985, by and among the San Marcos Fire Protection District, the City and the Former Agency;

(g) Agreement for Cooperation, dated as of May 14, 1985, by and among San Marcos County Water District (now Vallecitos Water District), the City and the Former Agency;

(h) Settlement Agreement and Mutual Release of Claims, dated as of July 8, 1998, by and among the County of San Diego, the City and the Former Agency;

(i) Agreement for Cooperation, dated as of March 13, 1990, by and among North County Cemetery District, the City and the Former Agency;

(j) Agreement for Cooperation, dated as of February 13, 1991, by and among Palomar Community College District, the City and the Former Agency;

(k) Agreement for Cooperation, dated as of June 13, 1989, by and among Palomar Community College District, the City and the Former Agency;

(1) Agreement for Cooperation, dated as of June 13, 1989, by and among San Marcos Fire Protection District, the City and the Former Agency; and

(m) Agreement for Cooperation, dated as of June 13, 1989, by and among Vallecitos Water District, the City and the Former Agency.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, Federal Housing Administration and Federal Financing Bank;

(c) direct obligations for any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase, including those of the Trustee or its affiliates;

(e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated AAAm or AAAm-G or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant and with the prior approval of S&P, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) the County's investment pool; and

(i) the Local Agency Investment Fund of the State, created pursuant to Section 11429.1 of the California Government Code but only, in the case of Trustee held funds, to the extent any moneys invested by the Trustee are subject to deposit and withdrawal solely by the Trustee.

"Plan Limitations" means the limitations contained or incorporated in each of the Redevelopment Plans on (a) the aggregate principal amount of indebtedness payable from Tax Increment Revenues which may be outstanding at any time, or (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency pursuant to such Redevelopment Plan.

"Pledged Tax Revenues" means all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the California Health and Safety Code but excluding (i) amounts of such taxes required to be paid by the Successor Agency to pay Pass-Through Agreements, or pursuant to Section 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Series 2015 Bonds and any additional Parity Debt, as applicable, (ii) amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County auditor-controller, and (iii) excluding all other amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Former Agency's Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law, to the extent required to pay debt service on the Housing Bonds. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution, subject to the exclusions set forth above.

"Policy Costs" means, collectively, repayment of draws on the Reserve Policy and payment of expenses and accrued interest thereon as provided by the Indenture at the Late Payment Rate.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Pre-Existing Agreements" means the contractual and statutory obligations, if any, secured by a lien on Tax Increment Revenues superior to the lien securing the Housing Bonds, including Pass-Through Agreements.

"Prior Bonds" shall mean, collectively, the Series 1997A Bonds, the Series 1998A Bonds, the Series 2001A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005A Bonds, the Series 2005B Bonds, the Series 2005C Bonds and the Series 2006A Bonds.

"Project Areas" means the project areas described in the Redevelopment Plans.

"Public Works Yard Lease" means the Lease Agreement (Public Works Yard), dated as of November 1, 2001, by and between the Authority, as lessor, and the City, as lessee.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Redevelopment Obligation Retirement Fund" means the fund by that name established pursuant to California Health and Safety Code Section 34170.5(a) and administered by the Successor Agency.

"Redevelopment Plans" means, individually, (a) the Redevelopment Plan for the San Marcos Redevelopment Project Area No. 1 approved and adopted by the City by Ordinance No. 83-604 on July 12, 1983, together with any amendments thereof hereafter duly enacted pursuant to the Redevelopment Law; (b) the Redevelopment Plan for the San Marcos Redevelopment Project Area No. 2 approved and adopted by the City by Ordinance No. 85-662 on July 19, 1985, together with any amendments thereof hereafter duly enacted pursuant to the Redevelopment Law; or (c) the Redevelopment Plan for the San Marcos Redevelopment Project Area No. 3 approved and adopted by the City by Ordinance No. 89-820 on July 11, 1989, together with any amendments thereof hereafter duly enacted pursuant to the Redevelopment Law. "Redevelopment Plans" or "Plans" means, collectively, each of the foregoing Redevelopment Plans.

"Redevelopment Project Areas" or "Project Areas" means the Redevelopment Project Areas described in the Redevelopment Plans.

"Redevelopment Projects" or "Projects" means the undertaking of the Successor Agency pursuant to the Redevelopment Plans, as amended, and the Redevelopment Law for the redevelopment of the Redevelopment Project Areas.

"Redevelopment Property Tax Trust Fund" or "RPTTF" means the fund by that name established pursuant to Health & Safety Code Sections 34170.5(b) and 34172(c) and administered by the County auditor-controller.

"Refunding Law" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Series 2015 Bonds.

"Related Documents" means any document executed in connection with the Bonds.

"Request of the Successor Agency" means a request in writing signed by the Executive Director, Treasurer or Secretary of the Successor Agency, or any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Policy" means the municipal bond debt service reserve insurance policy issued by AGM deposited into the Reserve Account securing the Series 2015 Bonds.

"Reserve Requirement" means, with respect to the Series 2015 Bonds, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the Series 2015 Bonds, (ii) Maximum Annual Debt Service with respect to the Series 2015 Bonds, or (iii) 125% of average Annual Debt Service on the Series 2015 Bonds; provided further that (a) the Reserve Requirement with respect to the Series 2015A Bonds and the Series 2015B Bonds will be calculated on a combined basis, provided that, in the event the Reserve Requirement for the Series 2015A Bonds and the Series 2015B Bonds is funded with cash, the Trustee shall establish separate subaccounts for the proceeds of the Series 2015A Bonds and the Series 2015B Bonds to enable the Trustee to track the investment of the proceeds of the Series 2015A Bonds and the Series 2015B Bonds and (b) that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Credit Facility meeting the requirements of the Indenture.

"ROPs" or "Recognized Obligations Payment Schedule" means a Recognized Obligations Payment Schedule each prepared and approved from time to time pursuant to subdivision (1) of Section 34177 of the California Health and Safety Code or any other document as may be required to be filed by the Successor Agency so to enable the County Auditor-Controller to distribute from the RPTTF to the Successor Agency, for deposit into the Redevelopment Obligation Retirement Fund on each RPTTF Disbursement Date the amounts specified in the Indenture.

"S&P" means Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn: Call Notification Department, Fax (212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Written Request of the Successor Agency delivered to the Trustee.

"Series 1997A Bonds" means the Former Agency's Tax Allocation Bonds (1997 Affordable Housing Project), Series 1997A.

"Series 1997A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 1997A Escrow Bank pertaining to the Series 1997A Bonds.

"Series 1997A Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 1997A Bonds Escrow Agreement.

"Series 1997A Trustee" means MUFG Union Bank, N.A., acting in its capacity as trustee for the Series 1997A Bonds pursuant to the Indenture of Trust, dated as of July 1, 1997.

"Series 1998A Bonds" means the Former Agency's Tax Allocation Bonds (1998 Affordable Housing Project), Series 1998A.

"Series 1998A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 1998A Bonds Escrow Bank, pertaining to the Series 1998A Bonds.

"Series 1998A Bonds Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as the escrow bank pursuant to the Series 1998A Bonds Escrow Agreement.

"Series 1998A Trustee" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as trustee for the Series 1998A Bonds pursuant to the Indenture of Trust, dated as of April 1, 1998.

"Series 2001A Bonds" means the Authority's 2001 Public Improvement Refunding Revenue Bonds, Series A (Civic Center/Public Works Yard).

"Series 2001A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2001A Bonds Escrow Bank, pertaining to the Series 2001A Bonds.

"Series 2001A Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 2001A Bonds Escrow Agreement.

"Series 2001A Trustee" means MUFG Union Bank, N.A., acting it its capacity as the trustee for the Series 2001A Bonds pursuant to the Indenture of Trust, dated as of November 1, 2001.

"Series 2003A Bonds" means the Authority's 2003 Tax Allocation Revenue Bonds (Project Areas No.1, No. 2 & No. 3 Refunding and Financing Project), Series A.

"Series 2003A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2003A Bonds Escrow Bank, pertaining to the Series 2003A Bonds.

"Series 2003A Bonds Escrow Bank" means U.S. Bank National Association, acting in its capacity as the escrow bank pursuant to the Series 2003A Bonds Escrow Agreement.

"Series 2003A Trustee" means U.S. Bank National Association, acting in its capacity as the trustee for the Series 2003A Bonds pursuant to the Indenture of Trust, dated as of May 1, 2003.

"Series 2003B Bonds" means the Authority's 2003 Tax Allocation Revenue Bonds (Project Area No. 1 Refunding and Financing Project), Taxable Series B.

"Series 2003B Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2003B Bonds Escrow Bank, pertaining to the Series 2003B Bonds.

"Series 2003B Bonds Escrow Bank" means U.S. Bank National Association, acting in its capacity as the escrow bank pursuant to the Series 2003B Bonds Escrow Agreement.

"Series 2003B Trustee" means U.S. Bank National Association, acting it its capacity as trustee for the Series 2003B Bonds pursuant to the Indenture of Trust, dated as of May 1, 2003.

"Series 2005A Bonds" means the Authority's 2005 Tax Allocation Revenue Bonds (Project Areas No. 1 and No. 3 Refunding Project), Series A.

"Series 2005A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2005A Bonds Escrow Bank, pertaining to the Series 2005A Bonds.

"Series 2005A Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 2005A Bonds Escrow Agreement.

"Series 2005A Trustee" means MUFG Union Bank, N.A., acting it its capacity as trustee for the Series 2005A Bonds pursuant to the Indenture of Trust, dated as of May 1, 2005.

"Series 2005B Bonds" means the Authority's 2005 Tax Allocation Revenue Bonds (Project Area No. 1 Refunding and Financing Project), Taxable Series B.

"Series 2005B Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2005B Bonds Escrow Bank, pertaining to the Series 2005B Bonds.

"Series 2005B Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 2005E Bonds Escrow Agreement.

"Series 2005B Trustee" means MUFG Union Bank, N.A., acting in its capacity as trustee for the Series 2005B Bonds pursuant to the Indenture of Trust, dated as of May 1, 2005.

"Series 2005C Bonds" means the Authority's 2005 Tax Allocation Revenue Bonds (Project Areas No. 2 and No. 3 Financing Project), Series C.

"Series 2005C Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2005C Bonds Escrow Bank, pertaining to the Series 2005C Bonds.

"Series 2005C Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 2005C Bonds Escrow Agreement.

"Series 2005C Trustee" means MUFG Union Bank, N.A., acting in its capacity as trustee for the Series 2005C Bonds pursuant to the Indenture of Trust, dated as of June 1, 2005, by and between the Authority and Union Bank of California, N.A.

"Series 2006A Bonds" means the Authority's 2006 Tax Allocation Revenue Bonds (Project Area No. 3 Financing Project), Series A.

"Series 2006A Bonds Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and between the Successor Agency and the Series 2006A Bonds Escrow Bank, pertaining to the Series 2006A Bonds.

"Series 2006A Bonds Escrow Bank" means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Series 2006A Bonds Escrow Agreement.

"Series 2006A Trustee" means MUFG Union Bank, N.A., acting in its capacity as trustee for the Series 2006A Bonds pursuant to the Indenture of Trust, dated as of March 1, 2006, by and between the Authority and Union Bank of California, N.A.

"Series 2015 Bonds" means collectively the Series 2015A Bonds and the Series 2015B Bonds.

"Series 2015A Bonds" the Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2015A, issued in the initial principal amount of $84,710,000.

"Series 2015B Bonds" means the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2015B, issued in the initial principal amount of $139,285,000.

"Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"State" means the State of California.

"Subordinate Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds.

"Successor Agency" means the Successor Agency to the San Marcos Redevelopment Agency, a public entity existing under the Dissolution Act, as successor to the Former Agency.

"Successor Agency Project Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Supplemental Indenture" means any indenture, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly entered into by and between the Successor Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term Bonds" means, collectively, (a) the Series 2015B Bonds maturing on October 1, 2024, October 1, 2027, October 1, 2029, October 1, 2034 and October 1, 2038 and (b) any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

"Trustee" means MUFG Union Bank, N.A., as trustee under the Indenture, or any successor thereto appointed as Trustee under the Indenture in accordance with the provisions of the Indenture.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the Executive Director, Treasurer or Secretary of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose and so identified in a Written Certificate of the Successor Agency.

The Trustee may establish one or more temporary funds or accounts to facilitate such deposits and transfers.

Costs of Issuance Fund

There is established by the Indenture a separate fund to be known as the "Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date six months following the Closing Date, or upon the earlier Written Request of the Successor Agency stating that all known Costs of Issuance have been paid, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund and the Costs of Issuance Fund shall be closed.

Issuance of Parity Debt

In addition to the Series 2015 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency for purposes of refunding any existing debt of the Successor Agency so long as Section 34177.5(a) of the Redevelopment Law has been satisfied. The Successor Agency may issue and deliver any Parity Debt subject to the following specific conditions that are made conditions precedent by the Indenture to the issuance and delivery of such Parity Debt issued thereunder:

(a) No Event of Default shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

(b) The Successor Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

(c) The Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Issuance of Subordinate Debt

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Pledged Tax Revenues on a subordinate basis to the payment of debt service on the Series 2015 Bonds and any Parity Debt.

Pledge of Pledged Tax Revenues

Except as otherwise provided in the Indenture, the Series 2015 Bonds and all Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues. In addition, the Series 2015 Bonds, and any other Parity Debt, shall, subject to the Indenture, be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Series 2015 Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Series 2015 Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Series 2015 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2015 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Indenture.

Redevelopment Obligation Retirement Fund;
Deposit of Pledged Tax Revenues

There has been established a special trust fund known as the "Redevelopment Obligation Retirement Fund," which shall be held by the Successor Agency pursuant to Section 34170.5(b) of the California Health and Safety Code. There is established by the Indenture a special trust fund known as the "Debt Service Fund" and the accounts therein referred to below which shall be held by the Trustee in accordance with the Indenture.

The Successor Agency shall take all actions required under the Dissolution Act to include each ROPS to be submitted after the effective date of the Indenture, so to enable the County Auditor-Controller to distribute from the RPTTF to the Successor Agency, for deposit into the Redevelopment Obligation Retirement Fund on each RPTTF disbursement date, the following amounts: (i) the interest payment coming due with respect to the Outstanding Bonds during such ROPS Period, (ii) for ROPS which covers payment from January through June of any calendar year, at least one-half of the principal amount coming due with respect to the Bonds on October 1st of such calendar year (the "Principal Reserve"), (iii) for ROPS which covers payments from July through December of any calendar year, an amount equal to the principal amount coming due on October 1st of such calendar year, less the Principal Reserve already received in connection with the immediately prior ROPS and deposited with the Trustee, and (iv) any amount required under the Indenture to replenish the Reserve Account,

if required pursuant to the Indenture (and any provision amendatory thereto as set forth in supplement indentures).

The Successor Agency shall deposit all of the Pledged Tax Revenues received from each distribution of Pledged Tax Revenues in any Bond Year commencing on the first day of such Bond Year from the RPTTF in accordance with the Dissolution Act for the purpose of paying debt service on the Series 2015 Bonds and any Parity Debt in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and held under the Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in the each six month period of such Bond Year pursuant to the Indenture and for deposit in each such six month period of each Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

Debt Service Fund; Transfer of Amounts to Trustee

Moneys in the Debt Service Fund shall be transferred in the following amounts at the following times, in the following respective special accounts within the Debt Service Fund, which accounts are established by the Indenture with the Trustee to pay debt service on the Series 2015 Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Series 2015 Bonds and any such Parity Debt becomes due and payable, the Trustee shall withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Series 2015 Bonds and any such Parity Debt on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Series 2015 Bonds and any such Parity Debt. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Series 2015 Bonds and any such Parity Debt purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Series 2015 Bonds and any such Parity Debt becomes due and payable at maturity, the Trustee shall withdraw from the Debt Service Fund and transfer to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Series 2015 Bonds and any such Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2015 Bonds and any such Parity Debt upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Series 2015B Term Bonds become subject to mandatory Sinking Account redemption, the Successor Agency shall withdraw from the Debt Service Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Series 2015B Term Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Series 2015B Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. There is established by the Indenture in the Debt Service Fund a separate account known as the "Reserve Account" solely as security for payments payable by the Successor Agency pursuant to the Indenture and pursuant to any other Parity Debt Instrument, which shall be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Parity Debt. The Reserve Requirement for the Series 2015 Bonds will be satisfied by the delivery of the Reserve Policy by AGM on the Closing Date with respect to the Series 2015 Bonds. The Successor Agency will have no obligation to replace the Reserve Policy or to fund the Reserve Account with cash if, at any time that the Series 2015 Bonds are Outstanding, amounts are not available under the Reserve Policy other than in connection with a draw on the Reserve Policy.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of securing separate series of Bonds or Parity Debt or for holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt. The Reserve Policy will be held in a sub-account as security solely for the Series 2015 Bonds.

(a) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Series 2015 Term Bonds, the Trustee shall withdraw from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Series 2015 Bonds or other Parity Debt to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Series 2015 Bonds or other Parity Debt upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

(b) Equal Rights. It is the intention of the Successor Agency that the Series 2015 Bonds and Parity Debt shall be secured by and payable from all moneys deposited in the Redevelopment Obligation Retirement Fund on an equal basis but subordinate to the Housing Bonds. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the Series 2015 Bonds and Parity Debt as it becomes due, the Series 2015 Bonds and Parity Debt shall be payable on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Retirement Fund. Additionally, any moneys which remain in the Debt Service Fund after payment of principal of and interest on the Bonds shall be used to pay AGM for any other unpaid advances under the Reserve Policy and other amounts as provided by the Indenture.

In the event that the Successor Agency fails to make the deposits required pursuant to (a), (b) or (c) above, the Trustee shall immediately notify the Successor Agency.

Investment of Moneys in Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account shall be invested by the Trustee in Permitted Investments specified in the Request of the Successor Agency (which Request shall be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; provided, however, that in the absence of any such direction from the Successor Agency, the Trustee shall hold any such moneys uninvested. Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Successor Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; provided, however, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. No Permitted Investment of moneys in the Reserve Account shall have a maturity in excess of five (5) years following the date of its acquisition. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the Successor Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment, may utilize the investment departments of its affiliates to complete each transaction and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. The Successor Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Successor Agency the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Successor Agency further understands 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. The Trustee shall furnish to the Successor Agency periodic statements which include detail of all investment transactions made by the Trustee. Upon the Successor Agency's election, such statements will be delivered by the Trustee via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

Valuation and Disposition of Investments

Except as otherwise provided in the Indenture, the Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Indenture or the Tax Code) at Fair Market Value. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Certificate or Request of the Successor Agency.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof, as determined by the Successor Agency, within the meaning of Section 148 of the Tax Code); provided that the Successor Agency shall inform the Trustee which funds are subject to a yield restriction.

Except as provided in the Indenture, with respect to a yield restriction, for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually at the market value thereof. For purposes of valuation, the Trustee shall be entitled to utilize any pricing services it considers reliable. The Trustee may sell in any commercially reasonable manner, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from sale or redemption of any such Permitted Investment.

Provisions Relating to Reserve Policy

So long as the Reserve Policy remains in force and effect, or any amounts are owed to AGM, the following provisions shall govern and control notwithstanding anything to the contrary set forth in the Indenture.

(a) The Successor Agency shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late Payment Rate. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by AGM, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and AGM had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of Policy Costs shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate Policy Costs related to such draw.

The Successor Agency shall take all actions required by the Dissolution Act to ensure that Policy Costs are paid to AGM when due, including the submittal of Recognized Obligation Payment Schedules providing for Policy Costs that are payable to AGM.

Amounts in respect of Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on the Pledged Tax Revenues (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Account shall be transferred to the Interest Account, the Principal Account and the Sinking Account for payment of debt service on the Series 2015 Bonds before any drawing may be made on the Reserve Policy or any other Credit Facility. Payment of Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Upon a failure to pay Policy Costs when due or any other breach of terms of the Indenture, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Series 2015 Bonds or (ii) remedies which would adversely affect owners of the Series 2015 Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to AGM shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the Series 2015 Bonds.

(d) The Successor Agency shall include any Policy Costs then due and owing AGM in the calculation of the additional bonds test in the Indenture.

(e) The prior written consent of AGM shall be a condition precedent to the deposit of any Credit Facility credited to the Reserve Account established for the Series 2015 Bonds in lieu of a cash deposit into the Reserve Account. Amounts drawn under the Reserve Policy shall be available only for the payment of scheduled principal and interest on the Series 2015 Bonds when due.

(f) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the Indenture and provide notice to AGM in accordance with the terms of the Reserve Policy at least four (4) Business Days prior to each date upon which interest or principal is due on the Series 2015 Bonds. Where deposits are required to be made by the Successor Agency with the Trustee to the Interest Account and the Principal Account for the Series 2015 Bonds more often than semi-annually, the Trustee shall be instructed to give notice to AGM of any failure of the Successor Agency to make timely payment in full of such deposits within two (2) Business Days of the date due.

(g) The Successor Agency will pay or reimburse AGM any and all charges, fees, costs, losses, liabilities and expenses which AGM may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any Related Documents, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Successor Agency) relating to the Indenture or any other Related Document, any party to the Indenture or any other Related Document or the transactions contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other Related Document, if any, or the pursuit of any remedies under the Indenture or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver, or other action with respect to, or related to the Indenture, the Reserve Policy or any other Related Document whether or not executed or completed, or (v) any action taken by AGM to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or any other Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of AGM spent in connection with the actions described in clauses (ii) through (v) above. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. Amounts payable by the Successor Agency shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by AGM until the date AGM is paid in full.

(h) The obligation of the Successor Agency to pay all amounts due to AGM shall be an absolute and unconditional obligation of the Successor Agency and will be paid or performed strictly in accordance with the provisions of the Indenture, irrespective of: (i) any lack of validity or enforceability of or any amendment or modifications of, or waiver with respect to the Series 2015 Bonds, the Indenture or any other Related Document; (ii) any amendment or other modification of, or waiver with respect to the Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the Series 2015 Bonds, the Indenture or any other Related Documents; (iv) whether or not such Series 2015 Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the Reserve Policy, the Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Successor Agency may have at any time against the Trustee or any other person or entity other than AGM, whether in connection with the transactions contemplated in the Indenture or in any other Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection

with the Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by AGM under the Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the Reserve Policy.

(i) The Successor Agency shall fully observe, perform and fulfill each of the provisions (as each of these provisions may be amended, supplemented, modified or waived with the prior written consent of AGM) of the Indenture applicable to it. No provision of the Indenture or any other Related Document shall be amended, supplemented, modified or waived, without the prior written consent of AGM, in any material respect or otherwise in a manner that could adversely affect the payment obligations of the Successor Agency under the Indenture or the priority accorded to the reimbursement of Policy Costs under the Indenture. AGM is expressly made a third party beneficiary of the Indenture and each other Related Document.

(j) The Successor Agency covenants to provide to AGM, promptly upon request, any information regarding the Series 2015 Bonds or the financial condition and operations of the Successor Agency as reasonably requested by AGM. The Successor Agency will permit AGM to discuss the affairs, finances and accounts of the Successor Agency or any information AGM may reasonably request regarding the security for the Series 2015 Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable AGM to have access to the facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice.

(k) Notices and other information to AGM shall be sent to the following address (or such other address as AGM may designate in writing): Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director —Surveillance, Re: Policy No. 216962-S.

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Punctual Payment

The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Series 2015 Bonds and Parity Debt in strict conformity with the temis of the Series 2015 Bonds and of the Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures. Nothing contained in the Indenture shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to in the Indenture.

Continuing Disclosure

The Successor Agency covenants and agrees by the Indenture that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, if any, executed and delivered by the Successor Agency. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under the Indenture.

Limitation on Additional Indebtedness

The Successor Agency covenants by the Indenture that so long as any of the Series 2015 Bonds remain Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations which are otherwise

secured on a basis which is senior to the pledge and lien which secures the Series 2015 Bonds. The Successor Agency covenants by the Indenture that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, excepting only the Series 2015 Bonds and Parity Debt, any Subordinate Debt and any obligations entered into pursuant to the Indenture.

Extension of Payment of Series 2015 Bonds

The Successor Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Successor Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Payment of Claims

The Successor Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Pledged Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant to the Indenture, or which might impair the security of the Bonds or any Parity Debt. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements

The Successor Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the County, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Pledged Tax Revenues and the Redevelopment Obligation Retirement Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Successor Agency will cause to be prepared and delivered to the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Pledged Tax Revenues, all disbursements from the Redevelopment Obligation Retirement Fund and the financial condition of the Redevelopment Projects, including the balances in all funds and accounts relating to the Redevelopment Projects, as of the end of such Fiscal Year. In accordance with the Indenture, the Trustee shall not be responsible for reviewing such financial statements. The Successor Agency shall furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner. In addition, the Successor Agency shall deliver the Successor Agency's annual budget to any Owner upon the written request of such Owner.

Protection of Security and Rights of Owners

The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Successor Agency.

Payments of Taxes and Other Charges

The Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, when the same shall become due. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and confoun with all valid requirements of any governmental authority relative to the Redevelopment Projects or any part thereof.

Disposition of Property

Except as otherwise required by the Dissolution Act, the Successor Agency will not participate in the disposition of any land or real property in the Project Areas to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property that, as of the date of the Indenture, has been dedicated for public right-of-way or is planned for public ownership or use) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Areas unless such disposition is permitted as provided in the Indenture. If the Successor Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Successor Agency may thereafter make such disposition. If such report concludes that such security will be materially adversely impaired by the proposed disposition, the Successor Agency shall not approve the proposed disposition.

Maintenance of Pledged Tax Revenues

The Successor Agency shall comply with all requirements of the Redevelopment Law to ensure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The Successor Agency shall not enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Pledged Tax Revenues available to the Successor Agency for payment of the Bonds. The Successor Agency shall not undertake proceedings for amendment of the Redevelopment Plans or any one or more of the Redevelopment Plans if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless the Successor Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Successor Agency's ability to pay the Series 2015 Bonds and all Parity Debt. Nothing in the Indenture is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Successor Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Series 2015 Bonds and all Parity Debt.

Compliance with the Redevelopment Law;
Recognized Obligation Payment Schedules

The Successor Agency shall comply with all of the requirements of the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Series 2015 Bonds and any Parity Debt, as well as any amount required under the Indenture to replenish the Reserve Accounts of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the San Diego County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's

Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture and to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due under the Indenture in the following six-month period.

Tax Covenants Relating to the Series 2015A Bonds

Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the Series 2015A Bonds are not so used as to cause the Series 2015A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(a) Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2015A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(b) No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2015A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Series 2015A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(c) Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the Series 2015A Bonds from the gross income of the Owners of the Series 2015A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of the Series 2015A Bonds pursuant to the Indenture.

(d) Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with section 148(1) of the Tax 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 Series 2015A Bonds.

The Trustee shall have no duty to monitor the compliance by the Successor Agency with any of the covenants contained in the Indenture.

Plan Limitations; Annual Review of Pledged Tax Revenues

The Successor Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Pledged Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Successor Agency to pay the principal of and interest and premium (if any) on the Series 2015 Bonds and any Parity Debt when due.

Additionally, the Successor Agency covenants by the Indenture that, if it is determined that the Plan Limitations apply to the Successor Agency, it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Successor Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, any obligations of the Successor Agency payable from tax increment revenues that are senior to the Series 2015 Bonds, and payments on obligations that are subordinate to the Series 2015 Bonds. If, based on such review, the allocation of tax increment revenues to

the Successor Agency in any of the next three succeeding Fiscal Years will cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) any obligations of the Successor Agency payable from tax increment revenues that are senior to the Series 2015 Bonds, and (iii) payments on obligations that are subordinate to the Series 2015 Bonds, the Successor Agency shall either (1) defease Series 2015 Bonds or Parity Debt by depositing an amount of Pledged Tax Revenues equal to the amount that is required to ensure continuing compliance with the Indenture in a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Series 2015 Bonds or Parity Debt, which escrow shall be invested in Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds or Parity Debt or (2) adopt a plan approved by an Independent Redevelopment Consultant which demonstrates the Successor Agency's continuing ability to pay debt service on the Series 2015 Bonds and Parity Debt. In determining the amount to be deposited in escrow with the Trustee, the Successor Agency may consider actual interest earnings on the amounts so deposited.

The Trustee shall not be responsible for monitoring or enforcing the requirements of the Indenture.

Further Assurances

The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners the rights and benefits provided in the Indenture.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or

notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) 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 the Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and 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 in the Indenture; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Successor Agency 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 the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency 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, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Successor Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the addresses shown on the Registration Books. If the Successor Agency 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 Successor Agency.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall (i) be a company or bank having trust powers, (ii), shall have an office in the State of California or such other state as shall be acceptable to the Successor Agency, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least Seventy Fifty Million Dollars ($75,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank or 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 the Indenture the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall promptly resign in the manner and with the effect specified in the Indenture.

Merger or Consolidation

Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything to the contrary in the Indenture notwithstanding.

Liability of Trustee

(a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of any offering memorandum, the Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for

its own negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority of the principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Successor Agency.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Successor Agency, accompanied by an opinion of Bond counsel, or in accordance with direction of the Owners of not less than a majority of the principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until a responsible officer of the Trustee shall have actual knowledge thereof, or the Trustee shall have received written notice thereof at its Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default under the Indenture. The Trustee shall not be responsible for the Successor Agency's payment of principal and interest on the Bonds, the observance or performance by the Successor Agency of any other covenants, conditions or terms contained in the Indenture, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to the Indenture and may rely conclusively on the Written Certificate of the Successor Agency accompanying such financial statements to establish the Successor Agency's compliance with its financial covenants under the Indenture, including, without limitation, its covenants regarding the deposit of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

(f) No provision in the Indenture shall require the Trustee to risk, expend, or advance its own funds or otherwise incur any financial liability under the Indenture. However, if the Trustee elects to advance funds, it shall be entitled to receive interest on any moneys advanced by it under the Indenture, at the maximum rate permitted by law.

(g) The Trustee may establish additional accounts or subaccounts of the funds established under the Indenture as the Trustee deems necessary or prudent in furtherance of its duties under the Indenture.

(h) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(i) Before taking any action under the Indenture at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to

which it may put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(j) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture 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 facsimile transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents

The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion 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, including, without limitation, Bond Counsel or other counsel of or to the Successor Agency, 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 the Trustee under the Indenture in accordance therewith.

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 is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Fiscal Consultant appointed by the Successor Agency.

Preservation and Inspection of Documents

All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing.

Compensation and Indemnification

The Successor Agency shall pay to the Trustee from time to time compensation for all services rendered under the Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Pledged Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture.

The Successor Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents affiliates and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability and of enforcing any remedies under the Indenture and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents affiliates or employees. The obligations of the Successor Agency under the Indenture shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Accounting Records and Financial Statements

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Appointment of Co-Trustee or Agent

It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted in the Indenture to the Trustee or hold title to the properties, in trust, as granted in the Indenture, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-Trustee. The provisions of the Indenture are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-Trustee but only to the extent necessary to enable such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them, provided that in the event of any conflict, the co-Trustee shall defer to the Trustee.

Should any instrument in writing from the Successor Agency be required by the separate Trustee or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be

executed, acknowledged and delivered by the Successor Agency. In case any separate Trustee or co-Trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-Trustee.

The Trustee may perform any of its obligations or duties under the Indenture and under any related documents through agents or attorneys and shall not be responsible for the acts of any such agents or attorneys appointed by it with due care.

No Liability for Successor Agency Performance

The Trustee shall have no liability or obligation to the Bond Owners with respect to the payment of debt service by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants, and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held, or maintained by the Successor Agency pursuant to the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Authorized Amendments

The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, but without the consent of any Owners, 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 Successor Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the Successor Agency in the Indenture provided such addition, limit, or surrender shall not materially adversely effect the interest of the Owners as determined by the Successor Agency and certified to the Trustee; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt pursuant to the Indenture, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or

(d) to amend any provision of the Indenture to assure the exclusion from gross income of interest on the Series 2015A Bonds for federal income tax purposes, in the opinion of Bond Counsel filed with the Successor Agency and the Trustee; or

(e) to comply with the requirements of the provider, if any, of a Credit Facility.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority of the principal amount of

the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture

From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment

After the effective date of any amendment or modification of the Indenture pursuant to the Indenture, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Successor Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

Amendment by Mutual Consent

The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Trustee's Reliance

The Trustee may conclusively rely, and shall be protected in relying, upon an opinion of counsel stating that all requirements of the Indenture relating to the amendment or modification of the Indenture have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

EVENTS OF DEFAULT AND REMEDIES

Events of Default and Acceleration of Maturities

Each of the following events shall constitute an Event of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Successor Agency by the Trustee; provided, however, if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within such thirty (30) day period and the Successor Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Successor Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Pledged Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, *ex parte*, and without notice, and the Successor Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Successor Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under the Indenture at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with the Indenture.

Promptly upon obtaining actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided in the Indenture for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This 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, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, 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 Owners of a majority of the principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on

behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, 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.

Application of Funds Upon Acceleration

All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority of the principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the principal amount of the Bonds then Outstanding opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in the Indenture.

Limitation on Owners' Right to Sue

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority of the principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) 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 declared by the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being

understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the provisions of the Indenture.

Non-waiver

Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Pledged Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners when due and payable as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner or the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee and Owners by the Redevelopment Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

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

Actions by Trustee as Attorney-in-Fact

Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed by the Indenture (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of the Indenture.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or Owners in the Indenture is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or thereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

MISCELLANEOUS

Benefits Limited to Parties

Nothing in the Indenture, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee, AGM and the Owners, any right, remedy, claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee, AGM and the Owners.

Successor is Deemed Included in All References to Predecessor

Whenever in the Indenture or any Supplemental Indenture either the Successor Agency 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 the Indenture contained by or on behalf of the Successor Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Defeasance of Bonds

If the Successor Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

(i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

(iii) by irrevocably depositing with the Trustee or another fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Successor Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (A) the obligations of the Successor Agency under the Indenture, (B) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (C) the obligation of the Successor Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (D) the obligations of the Successor Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency.

Execution of Documents and Proof of Ownership by Owners

Any request, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Indenture, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Successor Agency or the Trustee in good faith and in accordance therewith.

Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Successor Agency (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided however that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Successor Agency unless the Successor Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is the owner or is holding for the account of the Successor Agency.

Waiver of Personal Liability

No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Destruction of Canceled Bonds

Whenever in the Indenture provision is made for the surrender to the Successor Agency of any Bonds which have been paid or canceled pursuant to the provisions of the Indenture, upon receipt by the Trustee of the Request of the Successor Agency a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Partial Invalidity

If any Section, paragraph, sentence, clause or phrase of the Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of the Indenture. The Successor Agency and the Trustee declare by the Indenture that they would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase of the Indenture and authorized the issue

of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of the Indenture may be held illegal, invalid or unenforceable.

Unclaimed Moneys

Anything contained to the contrary in the Indenture notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Successor Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECOND SUPPLEMENTAL INDENTURE OF TRUST

Authority for the Second Supplemental Indenture

The Second Supplemental Indenture is entered into pursuant to the provisions of the Existing Indenture, the Refunding Law and the Redevelopment Law.

Amendment of Indenture

The Second Supplemental Indenture amends and supplements the Existing Indenture for the purpose of providing for the issuance, execution, authentication and delivery of the Series 2025A Bonds as Parity Debt (as defined in the Existing Indenture) and for the purpose of amending the definition of the term Pass-Through Agreements in the Existing Indenture. Regardless of the specific provisions of the Indenture, and except as specifically provided in the Second Supplemental Indenture, the terms "Bonds" as used in the Indenture shall refer and be applicable, to the same extent and with the same effect, to the Outstanding Parity Bonds and the Series 2025A Bonds and the term "Owner" shall refer and be applicable, to the same extent and with the same effect, to the Owners of the Outstanding Parity Bonds and the Owners of the Series 2025A Bonds. Unless specifically defined in the Second Supplemental Indenture, words and terms used in the Second Supplemental Indenture with initial letters capitalized have the meanings given to them in the Indenture. Except as provided below, the definitions of words and terms set forth in the Indenture are applicable for all purposes of the Second Supplemental Indenture. If a word or term used in the Second Supplemental Indenture and in the Indenture with initial letters capitalized is defined in the Second Supplemental Indenture and in the Indenture, the definition contained in the Second Supplemental Indenture shall amend and supersede the definition contained in the Indenture.

Definitions

Unless the context otherwise requires, the terms defined in the Second Supplemental Indenture shall, for all purposes of the Second Supplemental Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document mentioned in the Second Supplemental Indenture, have the meanings specified therein.

"Bond Year" means, with respect to the Series 2025A Bonds, any twelve-month period beginning on October 2 in any year and extending to the next succeeding October 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on October 1, 2025.

"Closing Date" means, with respect to the Series 2025A Bonds, the date on which the Series 2025A Bonds are delivered by the Successor Agency to the Original Purchaser.

"Credit Facility" is amended to mean (i) [the Reserve Policy, (ii) the Series 2025A Reserve Policy or (iii)] an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the provisions of the Indenture, provided that all of the following requirements are met by the Successor Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is in one of the three highest rating categories by S&P; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the provisions of the Indenture; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond, at the direction of the Successor Agency, to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the provisions of the Indenture; and (e) prior written notice is given to the Trustee before the effective date of any such Credit Facility.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of July 1, 2025, by and between the Successor Agency and the Escrow Bank pertaining to the Prior Bonds.

"Escrow Bank" means U.S. Bank Trust Company, National Association, acting in its capacity as the escrow bank pursuant to the Escrow Agreement.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of December 1, 2017, by and between the Successor Agency and the Trustee, pursuant to and in order to amend and supplement the Original Indenture.

"**Insurer**" means Build America Mutual Assurance Company.

"Interest Payment Date" means, with respect to the Series 2025A Bonds, each April 1 and October 1, commencing [April 1, 2026], for so long as any of the Series 2025A Bonds remain unpaid.

"Late Payment Rate" is amended to mean the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then-applicable highest rate of interest on the Outstanding Parity Bonds (with respect to the Reserve Policy) and the Series 2025A Bonds (with respect to the Series 2025A Reserve Policy) and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify.

"Office" is amended to mean, with respect to the Trustee, the designated corporate trust office of the Trustee at which at any time its corporate trust business shall be administered, which is at 1 California Street, Ste 1000, San Francisco, CA 94111, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency, or the designated corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time in writing to the Successor Agency), provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

"Original Purchaser" means, with respect to the Series 2025A Bonds, Stifel, Nicolaus & Company, Incorporated, as the original purchaser of the Series 2025A Bonds.

"Outstanding Parity Bonds" mean the Series 2015B Bonds and the Series 2017 Bonds.

"Parity Debt" is amended to mean any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency on parity with the Outstanding Parity Bonds and the Series 2025A Bonds pursuant to the Indenture.

"Pass-Through Agreements" is amended to mean certain contractual and statutory obligations secured by a pledge or lien on tax increment revenues superior to the lien securing the Bonds, as set forth in the agreements listed below:

(a) Amended and Restated Agreement regarding Redevelopment Project Areas 1, 2 and 3, dated as of December 12, 2000, by and among Palomar Community College District, the City and the Former Agency;

(b) Agreement for Cooperation, dated as of July 25, 1989, by and among the San Diego County Office of Education, the City and the Former Agency;

(c) Amended Agreement for Cooperation, dated as of April 10, 1990, by and among the County of San Diego, the City and the Former Agency;

(d) Agreement for Cooperation, dated as of August 13, 1985, by and among Olivenhain Municipal Water District, the City and the Former Agency;

(e) Agreement for Cooperation, dated as of May 28, 1985, by and among Palomar Community College District, the City and the Former Agency;

(f) Agreement for Cooperation, dated as of May 14, 1985, by and among the San Marcos Fire Protection District, the City and the Former Agency;

(g) Agreement for Cooperation, dated as of May 14, 1985, by and among San Marcos County Water District (now Vallecitos Water District), the City and the Former Agency;

(h) Settlement Agreement and Mutual Release of Claims, dated as of July 8, 1998, by and among the County of San Diego, the City and the Former Agency;

(i) Agreement for Cooperation, dated as of March 13, 1990, by and among North County Cemetery District, the City and the Former Agency;

(j) Agreement for Cooperation, dated as of February 13, 1991, by and among Palomar Community College District, the City and the Former Agency;

(k) Agreement for Cooperation, dated as of June 13, 1989, by and among Palomar Community College District, the City and the Former Agency;

(l) Agreement for Cooperation, dated as of June 13, 1989, by and among San Marcos Fire Protection District, the City and the Former Agency;

(m) Agreement for Cooperation, dated as of June 13, 1989, by and among Vallecitos Water District, the City and the Former Agency;

(n) Agreement for Cooperation, dated as of June 13, 1989, by and between among the San Marcos Unified School District, the City and the Former Agency, and

(o) Agreement and Cooperation Agreement, dated as of March 14, by and between the San Marcos Unified School District, the City and the Former Agency.

"Pledged Tax Revenues" means all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the California Health and Safety Code, including all amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Former Agency's Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law, but excluding (i) amounts of such taxes required to be paid by the Successor Agency to pay Pass-Through Agreements, including any amounts pledged to repay the Series 2018 Bonds, or pursuant to Section 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Series 2025A Bonds and any Parity Debt, as applicable, and (ii) amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County auditor-controller. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of

tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution, subject to the exclusions set forth above.

"Policy Costs" is amended to mean, collectively, repayment of draws on the Reserve Policy, the Series 2025A Reserve Policy and payment of expenses and accrued interest thereon as provided by the Indenture (with respect to the Reserve Policy) and the Second Supplemental Indenture (with respect to the Series 2025A Reserve Policy) at the Late Payment Rate.

"Recognized Obligation Payment Schedule" means a Recognized Obligation Payment Schedule, prepared by the Successor Agency and approved by the Oversight Board and Department of Finance from time to time pursuant to subdivision (o) of Section 34177 of the California Health and Safety Code.

"Redevelopment Property Tax Trust Fund" or **"RPTTF"** means the fund by that name established pursuant to Health & Safety Code Sections 34170.5(b) and 34172(c) and administered by the County auditor-controller.

"Reserve Requirement" means, with respect to the Series 2025A Bonds, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the Series 2025A Bonds, (ii) Maximum Annual Debt Service with respect to the Series 2025A Bonds, or (iii) 125% of average Annual Debt Service on the Series 2025A Bonds; provided that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Credit Facility.

"RPTTF Disbursement Period" means the six month fiscal period beginning each January 2 and June 1 of each year.

"Series 2015A Bonds" means the Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2015A, issued in the initial principal amount of $84,710,000.

"Series 2015B Bonds" means the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2015B, issued in the initial principal amount of $139,285,000.

"Series 2017 Bonds" means the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017, issued in the initial principal amount of $47,800,000.

"Series 2018 Bonds" means the Successor Agency to the San Marcos Redevelopment Agency 2018 Pass-Through Tax Revenue Refunding Bonds (Project Area No. 3 – San Marcos Unified School District), issued in the initial principal amount of $39,815,000.

"Series 2025A Bonds" means the Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2025A, issued in the initial principal amount of $[_____].

"Series 2025A Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate executed and delivered by the Successor Agency for the benefit of the Owners of the Series 2025A Bonds and any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2025A Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2025A Bonds for federal income tax purposes, and in order to assist the Original Purchaser in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2025A Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Successor Agency and related to the authorization, sale and issuance of the Series 2025A Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding

documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Trustee including its first annual administration fee, expenses incurred by the Successor Agency in connection with the issuance of the Series 2025A Bonds, fees, expenses, and charges of the Trustee for paying and redeeming the Prior Bonds, underwriter's discount, original issue discount, legal fees, expenses and charges, including Bond Counsel, Trustee counsel's, and financial consultant's fees and expenses, costs of cash flow verification, premiums for any reserve policy the Successor Agency may purchase, rating agency fees, charges for execution, transportation and safekeeping of the Series 2025A Bonds and other costs, charges and fees in connection with the original issuance of the Series 2025A Bonds.

"Series 2025A Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Second Supplemental Indenture.

"Series 2025A Reserve Sub-Account" means the sub-account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2025A Reserve Policy" means the municipal bond debt service reserve insurance policy issued by the Insurer deposited into the Series 2025A Reserve Sub-Account securing the Series 2025A Bonds.

Series 2025A Reserve Sub-Account

Pursuant to the Indenture, there is created and established by the Second Supplemental Indenture in the Reserve Account to be maintained by the Trustee, the Series 2025A Reserve Sub-Account. The Reserve Requirement for the Series 2025A Bonds will be satisfied by the delivery of the Series 2025A Reserve Policy by the Insurer on the Closing Date with respect to the Series 2025A Bonds. The Successor Agency will have no obligation to replace the Series 2025A Reserve Policy or to fund the Series 2025A Reserve Sub-Account with cash if, at any time that the Series 2025A Bonds are Outstanding any rating assigned to the Insurer is downgraded, suspended or withdrawn or amounts are not available under the Series 2025A Reserve Policy other than in connection with a draw on the Series 2025A Reserve Policy. The Series 2025A Reserve Policy will be held in the Series 2025A Reserve Sub-Account as security solely for the Series 2025A Bonds.

Series 2025A Costs of Issuance Fund

There is established by the Second Supplemental Indenture a separate fund to be known as the "Series 2025A Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Series 2025A Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Series 2025A Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date six months following the Closing Date, or upon the earlier Written Request of the Successor Agency stating that all known Series 2025A Costs of Issuance have been paid, all amounts, if any, remaining in the Series 2025A Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund and the Series 2025A Costs of Issuance Fund shall be closed.

Provisions Relating to Series 2025A Reserve Policy

So long as the Series 2025A Reserve Policy remains in force and effect, or any amounts are owed to the Insurer, the following provisions shall govern and control notwithstanding anything to the contrary set forth in the Indenture.

(a) The Successor Agency shall repay any draws under the Series 2025A Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any

other laws applicable to the indebtedness created in the Second Supplemental Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied to principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Second Supplemental Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and Policy Costs shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate Policy Costs related to such draw.

The Successor Agency shall take all actions required by the Dissolution Act to ensure that Policy Costs are paid to the Insurer when due, including the submittal of Recognized Obligation Payment Schedules providing for Policy Costs that are payable to the Insurer.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Series 2025A Reserve Policy will be increased by a like amount, subject to the terms of the Series 2025A Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on the Pledged Tax Revenues (subject only to the priority of payment provisions set forth under).

All cash and investments in the Series 2025A Reserve Sub-Account, if any, shall be transferred to the Interest Account, the Principal Account and the Sinking Account for payment of debt service on the Series 2025A Bonds before any drawing may be made on the Series 2025A Reserve Policy or any other Credit Facility deposited to the Series 2025A Reserve Sub-Account. Payment of Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Series 2025A Reserve Policy) on which there is available coverage shall be made on a *pro rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Series 2025A Reserve Sub-Account. Payment of Policy Costs shall be made prior to replenishment of any cash amounts. Draws on all Credit Facilities (including the Series 2025A Reserve Policy) on which there is available coverage shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Series 2025A Reserve Sub-Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Draws under the Series 2025A Reserve Policy may only be used to make payments on Bonds covered under the 2025A Reserve Policy.

(c) Upon a failure to pay any Policy Costs as provided in the Second Supplemental Indenture, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Series 2025A Bonds or (ii) remedies which would adversely affect owners of the Series 2025A Bonds.

(d) The Indenture shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the Series 2025A Bonds.

(e) The 2025A Reserve Policy shall expire and terminate in accordance with the terms and provisions of the Series 2025A Reserve Policy and Debt Service Reserve Agreement.

(f) The prior written consent of the Insurer shall be a condition precedent to any amendment, supplement, modification to or waiver of the Indenture that requires the consent of the Owners of the Bonds or adversely affects the rights or interest of the Insurer.

(g) The Insurer is recognized as and shall be deemed to be a third party beneficiary of the Indenture and may enforce the provision of the Indenture as if it were a party thereto.

(h) Policy Costs due and owning shall be included in debt service requirements for purposes of calculation of the additional bonds test in the Indenture.

(i) The Trustee shall ascertain the necessity for a claim upon the Series 2025A Reserve Policy in accordance with the provisions of the Second Supplemental Indenture and provide notice to the Insurer in accordance with the terms of the Series 2025A Reserve Policy at least five (5) Business Days prior to each date upon which interest or principal is due on the Series 2025A Bonds. Where deposits are required to be made by the Successor Agency with the Trustee to the Interest Account and the Principal Account for the Series 2025A Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Successor Agency to make timely payment in full of such deposits within two (2) Business Days of the date due.

(j) The Successor Agency will pay or reimburse the Insurer any and all reasonable charges, fees, costs, losses, liabilities and expenses which the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers, and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense or preservation of any rights in respect of the Indenture or any Related Documents (the "Administrative Expenses"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

(k) The obligation of the Successor Agency to pay all amounts due to the Insurer shall be an absolute and unconditional obligation of the Successor Agency and will be paid or performed strictly in accordance with the provisions of the Second Supplemental Indenture, irrespective of: (i) any lack of validity or enforceability of or any amendment or modifications of, or waiver with respect to the Series 2025A Bonds, the Indenture or any other Related Document; (ii) any amendment or other modification of, or waiver with respect to the Series 2025A Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the Series 2025A Bonds, the Indenture or any other Related Documents; (iv) whether or not such Series 2025A Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the Series 2025A Reserve Policy, the Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Successor Agency may have at any time against the Trustee or any other person or entity other than the Insurer, whether in connection with the transactions contemplated in the Second Supplemental Indenture or in any other Related Documents or

any unrelated transactions; (vii) any statement or any other document presented under or in connection with the Series 2025A Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the Insurer under the Series 2025A Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the Series 2025A Reserve Policy.

(l) In order to secure the Successor Agency's payment obligations with respect to Policy Cost, there is granted and perfected by the Second Supplemental Indenture in favor of the Insurer a security interest (subordinate only to that of the owners of the Bonds) in all revenues and collateral pledged as security for the Series 2025A Bonds. Policy Costs shall be paid to the Insurer immediately following the payment of principal of and interest on the Series 2025A Bonds, including following the occurrence of a default or event of default.

(m) The Successor Agency covenants to provide to the Insurer, promptly upon request, any information regarding the Series 2025A Bonds or the financial condition and operations of the Successor Agency as reasonably requested by the Insurer. The Successor Agency will provide the Insurer with all notices and other information it is obligated to provide (1) under its Continuing Disclosure Certificate, and (2) to holders of the Series 2025A Bonds or the Trustee under the Indenture. Additionally, the Successor Agency shall provide the insurer with the following notices and other information: (1) notice of any draw upon the Series 2025A Reserve Sub-Account within 2 business days after knowledge thereof, other than in connection with withdrawals of amounts in excess of the Reserve Requirement, and (2) prior written notice of the advance refunding or redemption of any of the Series 2025A Bonds including the principal amount, maturities and CUSIP numbers thereof. The Successor Agency will permit the Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information the Insurer may reasonably request regarding the security for the Series 2025A Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice.

(n) The Successor Agency shall provide the Insurer with copies of all Recognized Obligation Payment Schedules submitted and any and all correspondence received from the Department of Finance ("DOF") upon receipt (documents posted by the DOF under their existing procedures shall meet this requirement). IN the event that the Successor Agency is a party to a meet and confer with the DOF that relates to the payment of or security for Series 2025A Bonds or Policy Costs, the Successor Agency shall notify the Insurer and, if the subject of the meet and confer could impact the payment of or security of the Series 2025A Bonds or Policy Costs, the Insurer shall have the right to participate in the meet and confer process either by appearance with the Successor Agency at the meet and confer or through written submission as the Insurer determines in its discretion. In the event the Successor Agency receives a denial of its Recognized Obligation Payment Schedules, whether relating to the Series 2025A Bonds or not, and such denial could delay the receipt of tax revenues necessary to pay debt services on the Series 2025A Bonds, the Successor Agency agrees to cooperate in good faith with the Insurer and the Insurer shall receive prompt notice of any such event and shall be permitted to attend any meeting with the Successor Agency and the DOF and to discuss such matters with the DOF directly.

(o) Notices and other information to the Insurer shall be sent to the following address (or such other address as the Insurer may designate in writing):

Build America Mutual Assurance Company
200 Liberty Street, 27th Floor
New York, NY 10281
Attention: Surveillance, Re: Policy No. [_____]
Telephone: (212) 235-2500
Telecopier: (212) 962-1710
Email: notices @buildamerica.com

In each case in which notice or other communication refers to an event of default or a claim on the Series 2025A Reserve Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buiildamerica.com or at Telecopier: (212) 962-1524 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

AMENDMENTS TO THE INDENTURE

Amendments to the Indenture

The Indenture is amended to read as follows:

"Section 4.01. Pledge of Pledged Tax Revenues. Except as provided in Section 6.06, the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt, shall be secured by a first and exclusive pledge of, security interest in and lien on all of the Pledged Tax Revenues. In addition, the Outstanding Parity Bonds, the Series 2025A Bonds and any other Parity Debt, shall, subject to Section 8.02, be secured by a pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account. Additionally, the Series 2025A Bonds shall be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Series 2025A Reserve Sub-Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Outstanding Parity Bonds and the Series 2025A Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Outstanding Parity Bonds and the Series 2025A Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Outstanding Parity Bonds and the Series 2025A Bonds without preference, priority or distinction as to security or otherwise of any of the Outstanding Parity Bonds or the Series 2025A Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein."

The Indenture is amended to read as follows:

"Section 4.02. Redevelopment Obligation Retirement Fund; Deposit of Pledged Tax Revenues. There has been established a special trust fund known as the "Redevelopment Obligation Retirement Fund," which shall be held by the Successor Agency pursuant to Section 34170.5(b) of the California Health and Safety Code. There is hereby established a special trust fund known as the "Debt Service Fund" and the accounts therein referred to below which shall be held by the Trustee in accordance with this Indenture.

The Successor Agency shall (i) deposit all of the Pledged Tax Revenues received from each distribution of Pledged Tax Revenues in any Bond Year commencing on the first day of such Bond Year in accordance with the Dissolution Act, for the purpose of paying debt service on the Outstanding Parity Bonds, the Series 2025A Bonds and any other Parity Debt, in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and (ii) promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and held under this Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to Section 4.03 of this Indenture and for deposit in the funds and accounts established with respect to other Outstanding Parity Bonds, as provided in any Supplemental Indenture. Any monies remaining in the Debt Service Fund on October 2 of each Bond Year not required for the payment of debt service on the Series 2025A Bonds or any other Outstanding Parity Bonds or any payments required hereunder or required under any Outstanding Parity Bonds instrument may be transferred back to the Successor Agency and used for any legally permissible purposes."

The Indenture is amended to read as follows:

"Section 4.03(f). Equal Rights. It is the intention of the Successor Agency that the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt shall be secured by and payable from all moneys deposited in the Redevelopment Obligation Retirement Fund on an equal basis. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt as it becomes due, the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt shall be payable on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Retirement Fund. Additionally, any moneys which remain in the Debt Service Fund after payment of principal of and interest on the Bonds shall be used to pay AGM and the Insurer for any other unpaid advances under the Reserve Policy and the Series 2025A Reserve Policy and other amounts as provided by Section 4.06 of the Indenture and Section 3.05 of the Second Supplemental Indenture."

AMENDMENT TO OTHER COVENANTS OF THE SUCCESSOR AGENCY

Amendment to the Indenture

The Indenture is amended to read as follows:

> "Section 5.01. Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt in strict conformity with the terms of the Outstanding Parity Bonds, the Series 2025A Bonds and of this Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein."

Continuing Disclosure

The Successor Agency covenants and agrees by the Second Supplemental Indenture that it will comply with and carry out all of the provisions of the Series 2025A Continuing Disclosure Certificate. Notwithstanding any other provision of the Second Supplemental Indenture, failure of the Successor Agency to comply with such Series 2025A Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that the Original Purchaser or any Owner or beneficial owner of the Series 2025A Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under the Second Supplemental Indenture.

Amendments to the Indenture

The Indenture is amended to read as follows:

> "Section 5.10. Maintenance of Pledged Tax Revenues. The Successor Agency shall comply with all requirements of the Redevelopment Law to ensure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The Successor Agency shall not enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Pledged Tax Revenues available to the Successor Agency for payment of the Bonds. The Successor Agency shall not undertake proceedings for amendment of the Redevelopment Plans or any one or more of the Redevelopment Plans if such amendment shall result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless the Successor Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Successor Agency's ability to pay the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Successor Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Outstanding Parity Bonds, the Series 2025A Bonds and all other Parity Debt.

Amendment to the Indenture

The Indenture is amended to read as follows:

"Section 5.11. Compliance with the Redevelopment Law; Recognized Obligation Payment Schedules. The Successor Agency shall comply with all of the requirements of the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Outstanding Parity Bonds, the Series 2025A Bonds and any other Parity Debt, as well as any amount required under this Indenture to replenish the Reserve Account and the subaccounts therein of the Debt Service Fund, in Recognized Obligation Payment Schedules so as to enable the San Diego County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective RPTTF Disbursement Period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with this Indenture and to provide for the payment of principal and interest under this Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under this Indenture for the next payment due thereunder and hereunder in the following six-month period.

In order to accomplish the foregoing, not later than February 1 of each year, so long as any Series 2025A Bonds or Parity Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the San Diego County Auditor-Controller that provides for the distribution of the following amounts:

(a) for distribution on June 1, half of the amount of annual debt service coming due and payable in the following fiscal year on all Outstanding Series 2025A Bonds and all other Outstanding Parity Bonds;

(b) for distribution on January 2, the remaining amount of annual debt service coming due and payable in the following fiscal year on all Outstanding Series 2025A Bonds and all other Outstanding Parity Bonds;

(c) any amounts required to replenish the Reserve Account (and the subaccounts therein) and any reserve accounts established pursuant to any Outstanding Parity Bonds instrument; and

(d) any amounts due and owing to any provider of a municipal bond insurance policy, financial guaranty insurance policy or debt service

reserve policy with respect to the Series 2025A Bonds or any other Parity Debt, including AGM and the Insurer.

With respect to Recognized Obligation Payment Schedules, if any amounts payable to AGM or the Insurer are not included on the then-current Recognized Obligation Payment Schedule, the Successor Agency shall amend such Recognized Obligation Payment Schedule to the extent permitted by law. The Successor Agency will not submit the final amendment to a "last and final" Recognized Obligation Payment Schedule without the consent of AGM and the Insurer unless all amounts that could become due to AGM and the Insurer are included as a line item on the Last and Final Recognized Obligation Payment Schedule, as amended."

Tax Covenants Relating to the Series 2025A Bonds

(a) Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the Series 2025A Bonds are not so used as to cause the Series 2025A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2025A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2025A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Series 2025A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the Series 2025A Bonds from the gross income of the Owners of the Series 2025A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of the Series 2025A Bonds pursuant to the Second Supplemental Indenture.

(e) Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax 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 Series 2025A Bonds.

The Trustee shall have no duty to monitor the compliance by the Successor Agency with any of the covenants contained in the Second Supplemental Indenture.

MISCELLANEOUS

Benefit of Second Supplemental Indenture

Nothing in the Second Supplemental Indenture, expressed or implied, is intended to give any person other than the Successor Agency, the Trustee and the Owners of the Series 2025A Bonds, any right, remedy or claim under or by reason of the Second Supplemental Indenture. Any covenants, stipulations, promises or

agreements in the Second Supplemental Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Owners of the Series 2025A Bonds and Trustee.

Waiver of Personal Liability

No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Series 2025A Bonds; but nothing contained in the Second Supplemental Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Amendment to the Indenture

The Indenture is amended to read as follows:

> "Section 9.07. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Successor Agency of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, a certificate of disposal duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the disposal of any such Bonds therein referred to."

Partial Invalidity

If any Section, paragraph, sentence, clause or phrase of the Second Supplemental Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of the Second Supplemental Indenture. The Successor Agency and the Trustee declare by the Second Supplemental Indenture that they would have entered into the Second Supplemental Indenture and each and every other Section, paragraph, sentence, clause or phrase of the Second Supplemental Indenture and authorized the issue of the Series 2025A Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of the Second Supplemental Indenture may be held illegal, invalid or unenforceable.

Governing Law

The Second Supplemental Indenture shall be construed and governed in accordance with the laws of the State.

Execution in Counterparts

The Second Supplemental Indenture 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. The exchange of copies of the Second Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of the Second Supplemental Indenture as to the parties to the Second Supplemental Indenture and may be used in lieu of the original Second Supplemental Indenture and signature pages for all purposes.

Trustee Disclaimer

The Trustee accepts the amendments of the Original Indenture and First Supplemental Indenture effected by the Second Supplemental Indenture, but on the terms and conditions set forth in the Original Indenture and First Supplemental Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee. Without limiting the generality of the foregoing, the Trustee shall

not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained in the Second Supplemental Indenture, all of which recitals or statements are made solely by the Successor Agency, or for or with respect to (i) the validity or sufficiency of the Second Supplemental Indenture or any of the terms or provisions of the Second Supplemental Indenture, (ii) the proper authorization of the Second Supplemental Indenture by the Successor Agency by action or otherwise, (iii) the due execution of the Second Supplemental Indenture by the Successor Agency or (iv) the consequences of any amendment provided for in the Second Supplemental Indenture, and the Trustee makes no representation with respect to any such matters.

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APPENDIX B

CERTAIN INFORMATION REGARDING THE PROJECT AREAS

This Appendix B contains certain information regarding each of Project Area No. 1, Project Area No. 2 and Project Area No. 3 which has been provided by the Fiscal Consultant. For further information regarding each of the Project Areas, see the captions "PROJECT AREA NO. 1," "PROJECT AREA NO. 2" and "PROJECT AREA NO. 3" in this Official Statement. For further information regarding the Project Areas in the aggregate, see the captions "THE REDEVELOPMENT PLANS" and "PLEDGED TAX REVENUE PROJECTIONS AND DEBT SERVICE COVERAGE" in this Official Statement.

Historical Assessed Valuations

The following tables show historical assessed valuations of the Agency for each of Project Area Nos. 1, 2 and 3 for the current and four prior Fiscal Years. See the caption "THE REDEVELOPMENT PLANS—Historical Assessed Valuations" for the combined historical assessed valuations of the Agency for the Project Areas.

TABLE B-1
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 1
HISTORICAL ASSESSED VALUATIONS

Fiscal Year	*2020-2021*	*% Change*	*2021-2022*	*% Change*	*2022-2023*	*% Change*	*2023-2024*	*% Change*	*2024-2025*	*% Change*
Secured	$2,594,767,050	4.61%	$2,678,693,505	3.23%	$2,848,403,749	6.34%	$2,992,552,717	5.06%	$3,164,130,365	5.73%
State Utility	0	-	0	-	0	-	0	-	0	-
Unsecured	233,603,622	8.51	192,146,901	(17.75)	223,101,502	16.11	262,160,534	17.51	270,292,109	3.10
Total Assessed Value [1]	2,828,370,672	4.92	2,870,840,406	1.50	3,071,505,251	6.99	3,254,713,251	5.96	3,434,422,474	5.52
Less Base Year	(223,970,420)	-	(223,970,420)	-	(223,970,420)	-	(223,970,420)	-	(223,970,420)	-
Incremental Assessed Value	2,604,400,252	5.37	2,646,869,986	1.63	2,847,534,831	7.58	3,030,742,831	6.43	3,210,452,054	5.93

[1] Net of non-homeowner exemptions and includes public utility values.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-2
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 2
HISTORICAL ASSESSED VALUATIONS

Fiscal Year	*2020-2021*	*% Change*	*2021-2022*	*% Change*	*2022-2023*	*% Change*	*2023-2024*	*% Change*	*2024-2025*	*% Change*
Secured	$1,594,023,171	2.96%	$1,650,369,789	3.53%	$1,771,474,331	7.34%	$1,934,810,134	9.22%	$2,068,569,784	6.91%
State Utility	0	-	0	-	0	-	0	-	0	-
Unsecured	49,323,011	19.11	36,417,426	(26.17)	$45,636,638	25.32	$52,115,015	14.20	69,426,705	33.22
Total Assessed Value [1]	1,643,346,182	3.38	1,686,787,215	2.64	1,817,110,969	7.73	1,986,925,149	9.35	2,137,996,489	7.60
Less Base Year	(133,367,243)	-	(133,367,243)	-	(133,367,243)	-	(133,367,243)	-	(133,367,243)	-
Incremental Assessed Value	1,509,978,939	3.69	1,553,419,972	2.88	1,683,743,726	8.39	1,853,557,906	10.09	2,004,629,246	8.15

[1] Net of non-homeowner exemptions and includes public utility values.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-3
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 3
HISTORICAL ASSESSED VALUATIONS

Fiscal Year	*2020-2021*	*% Change*	*2021-2022*	*% Change*	*2022-2023*	*% Change*	*2023-2024*	*% Change*	*2024-2025*	*% Change*
Secured	$5,928,255,551	5.65%	$6,171,085,290	4.10%	$6,595,312,764	6.87%	$6,968,938,782	5.67%	$7,343,004,401	5.37%
State Utility	0	-	0	-	0	-	0	-	0	-
Unsecured	65,643,068	-9.29	46,068,740	(29.82)	71,687,520	55.61	91,793,427	28.05	109,253,923	19.02
Total Assessed Value [1]	5,993,898,619	5.46	6,217,154,030	3.72	6,667,000,284	7.24	7,060,732,209	5.91	7,452,258,324	5.55
Less Base Year	(361,417,171)	-	(361,417,171)	-	(361,417,171)	-	(361,417,171)	-	(361,417,171)	-
Incremental Assessed Value	5,632,481,448	5.83	5,855,736,859	3.96	6,305,583,113	7.68	6,699,315,038	6.24	7,090,841,153	5.84

[1] Net of non-homeowner exemptions and includes public utility values.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Largest Taxpayers

Set forth in the tables below are the ten largest secured and unsecured taxpayers within each of Project Area Nos. 1, 2 and 3 for Fiscal Year 2024-25. See the caption "THE REDEVELOPMENT PLANS—Largest Taxpayers" for the combined ten largest secured and unsecured taxpayers within the Project Areas.

TABLE B-4
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 1
FISCAL YEAR 2024-25 TOP TEN SECURED AND UNSECURED TAXPAYERS

#	*Taxpayer*	*# of Parcels*	*Land Use(s)*	*Assessed Value*[1]	*% of Total Assessed Value*
1	MG Marc Apartments LLC[2]	2	Residential	$ 155,576,372	4.50%
2	WPI-Grand Plaza San Marcos LLC, UAP Grand Plaza LLC	9	Commercial, Recreational	88,107,848	2.55
3	Block C LLC[3]	3	Commercial	75,009,661	2.17
4	G S A A San Marcos Owner LLC	2	Residential	74,412,542	2.15
5	Palomar Station DJT Phase 1 LLC, Palomar Station PLT LLC, Et Al[2]	2	Commercial, Residential, Vacant	66,443,259	1.92
6	Barham Evergreen SPE LCC	1	Residential	57,205,499	1.65
7	Columbia California Pacific Industrial LLC[2]	1	Industrial	44,782,977	1.29
8	Urban Villages San Marcos LLC[4]	44	Industrial, Commercial, Recreational, Residential	44,575,488	1.29
9	Edwards Theaters Inc[2]	1	Commercial	39,918,080	1.15
10	B T-O H L L C	2	Commercial, Industrial	36,413,753	1.05
Total		67		$ 682,445,479	19.73%
Total Project Area Assessed Value				$ 3,434,422,474	

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
(2) Taxpayers identified above have pending assessment appeals as of March 2025.
(3) Block C LLC," "Block C Wrap LLC," and "Block C One LLC" are grouped under Block C LLC.
(4) Urban Villages San Marcos LLC," "Urban Villages San Marcos L L C," and "Urban Villages San Marcos" are grouped under Urban Villages San Marcos LLC.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-5
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 2
FISCAL YEAR 2024-25 TOP TEN SECURED AND UNSECURED TAXPAYERS

#	*Taxpayer*	*# of Parcels*	*Land Use(s)*	*Assessed Value[1]*	*% of Total Assessed Value*
1	Ralphs Grocery Company[2]	1	Commercial	$ 89,231,598	4.17%
2	Prominence Willmark Communities Inc	1	Residential	67,261,868	3.14
3	North City Community Partners LLC	30	Commercial	52,082,640	2.43
4	Kaiser Foundation Hospitals	3	Commercial, Residential	47,000,814	2.20
5	Store S P E S T Augustine 2013-2 L L C[2]	2	Commercial	43,777,573	2.05
6	Pavillion Park Inc	1	Residential	41,365,608	1.93
7	Weignarten Nostat Inc	8	Commercial	26,184,351	1.22
8	P S I P Pacific Street LP	1	Commercial, Industrial	25,430,927	1.19
9	Providence Royal Oaks San Marcos LLC	1	Residential	22,761,935	1.06
10	San Marcos Village LLC[2]	11	Commercial	22,164,794	1.04
Total		59		$ 437,262,108	20.43%
Total Project Area Assessed Value				$ 2,137,996,489	

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
(2) Taxpayers identified above have pending assessment appeals as of March 2025.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-6
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 3
FISCAL YEAR 2024-25 TOP TEN SECURED AND UNSECURED TAXPAYERS

#	*Taxpayer*	*# of Parcels*	*Land Use(s)*	*Assessed Value[1]*	*% of Total AV*
1	Hunter Industries Inc[3]	9	Industrial, Recreational	$ 114,051,197	1.54%
2	B R E Bosstick-Norman Owner LLC	4	Industrial	40,617,134	0.55
3	La Costa BC LLC[2]	2	Industrial	36,540,652	0.49
4	Alva Gardens LP[2]	1	Residential	32,295,014	0.44
5	AG EHC II (LEN) CA 2 LP	1	Residential	30,500,000	0.41
6	830 R S F Road L L C	1	Residential	30,002,616	0.41
7	Northwoods Apartments Homes L P	2	Residential	24,619,942	0.33
8	Albertsons Stores SUB LLC[2]	1	Commercial	21,355,787	0.29
9	Gildred Development Company	1	Industrial	17,708,073	0.24
10	Bella Angel Properties LLC	2	Industrial	17,236,122	0.23
Total		24		$ 364,926,537	4.94%
Total Project Area Assessed Value				$ 7,452,258,324	

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
(2) Taxpayers identified above have pending assessment appeals as of March 2025.
(3) "Hunter Industries Inc.," "Hunter Industries LP," and "Hunter Industries" are grouped under Hunter Industries Inc.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Secured Assessed Value by Land Use Category

The following tables summarize the Fiscal Year 2024-25 secured assessed value by land use category for each of Project Area Nos. 1, 2 and 3. See the caption "THE REDEVELOPMENT PLANS—Secured Assessed Value by Land Use Category" for the combined secured assessed value by land use category for the Project Areas.

TABLE B-7
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 1
ASSESSED VALUE BY LAND USE

Land Use	*# of Parcels*	*Secured Assessed Value*[(1)]	*% of Secured Assessed Value*
Residential	1,232	$ 1,015,348,364	32.13%
Commercial	515	1,188,146,600	37.60
Industrial	424	863,878,260	27.34
Miscellaneous	259	45,126,774	1.43
Institutional	16	40,275,605	1.27
Recreational	14	7,430,562	0.24
Vacant	151	0	0.00
Agricultural	0	0	0.00
Total	2,611	$ 3,160,206,165	100.00%

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-8
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 2
ASSESSED VALUE BY LAND USE

Land Use	*# of Parcels*	*Secured Assessed Value*[(1)]	*% of Secured Assessed Value*
Residential	2,197	$ 1,387,411,646	67.30%
Commercial	210	471,228,281	22.86
Industrial	147	195,945,636	9.50
Miscellaneous	0	0	0.00
Institutional	8	1,872,986	0.09
Recreational	65	735,361	0.04
Vacant	66	4,433,274	0.22
Agricultural	0	0	0.00
Total	2,693	$ 2,061,627,184	100.00%

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-9
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 3
ASSESSED VALUE BY LAND USE

Land Use	*# of Parcels*	*Secured Assessed Value*[(1)]	*% of Secured Assessed Value*
Residential	9,629	$ 6,627,511,624	90.82%
Commercial	883	120,622,405	1.65
Industrial	118	311,914,462	4.27
Miscellaneous	1,599	227,774,885	3.12
Institutional	8	2,387,699	0.03
Recreational	338	386,680	0.01
Vacant	130	3,249,907	0.04
Agricultural	9	3,917,139	0.05
Total	12,714	$ 7,297,764,801	100.00%

(1) The assessed values represented above are net of all exemptions except the homeowner's exemption.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Assessment Appeals

The following tables summarize assessment appeals for each of Project Area Nos. 1, 2 and 3 for the current and four prior Fiscal Years. See the caption "THE REDEVELOPMENT PLANS—Assessment Appeals" for a summary of the combined assessment appeals for the Project Areas for the current and four prior Fiscal Years See also the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES—Assessment Appeals."

TABLE B-10
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 1
ASSESSMENT APPEAL HISTORY

					Assessed Value of All Appeals		*Requested Reductions[1]*		*Granted Reductions[2]*			*Pending Reductions[3]*		
Fiscal Year	*Stipulated/ Reduced*	*Withdrawn/ Denied/No Change*	*Pending*	*Total*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Average Reduction*	*$ Amount*	*% of Project Area*	*Total Project Area Value*
2020-21	8	39	0	47	$213,282,833	7.54%	$ 79,802,309	2.82%	$ 13,319,911	0.47%	$ 283,402	$ 0	0.00%	$2,828,370,672
2021-22	8	36	3	47	208,774,722	7.27	73,440,409	2.56	7,948,063	0.28	169,108	631,474	0.02	2,870,840,406
2022-23	9	29	2	40	303,650,486	9.89	138,253,632	4.50	10,152,487	0.33	253,812	4,638,763	0.15	3,071,505,251
2023-24	6	44	33	83	664,334,484	20.41	331,545,394	10.19	21,394,961	0.66	257,771	132,066,756	4.06	3,254,713,251
2024-25	0	0	40	40	507,737,108	14.78	244,820,990	7.13	0	0.00	0	244,820,990	7.13	3,434,422,474
Total	31	148	78	257			$867,862,734		$ 52,815,422		$ 964,093	$ 382,157,983		
Historical Rate of Stipulated/Reduced Appeals for Project Area No. 1						17.32%								
Granted Reduction as a Percentage of Requested Reduction for Project Area No. 1[4]						10.82%								

(1) Reflects total requested reductions for all stipulated/reduced appeals.
(2) Assumed no reduction in assessed value for those appeals for which the board value was 0.
(3) Pending appeals are those appeals that did not display a Final Action Code and where the Board value was zero.
(4) Reflects the total granted reduction as a percentage of total requested reduction for all appeals.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-11
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 2
ASSESSMENT APPEAL HISTORY

					Assessed Value of All Appeals		*Requested Reductions[1]*		*Granted Reductions[2]*			*Pending Reductions[3]*		
Fiscal Year	*Stipulated/ Reduced*	*Withdrawn/ Denied/No Change*	*Pending*	*Total*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Average Reduction*	*$ Amount*	*% of Project Area*	*Total Project Area Value*
2020-21	2	22	0	24	$102,424,938	6.23%	$ 48,636,949	2.96	$ 169,306	0.01%	$ 7,054	$ 0	0.00%	$1,643,346,182
2021-22	6	28	0	34	150,483,117	8.92	74,796,276	4.43	7,265,600	0.43	213,694	0	0.00	1,686,787,215
2022-23	10	20	0	30	71,431,321	3.93	35,103,447	1.93	6,406,099	0.35	213,537	0	0.00	1,817,110,969
2023-24	3	8	26	37	90,862,930	4.57	45,211,794	2.28	4,722,098	0.24	127,624	24,939,527	1.26	1,986,925,149
2024-25	0	0	30	30	169,309,444	7.92	81,658,833	3.82	0	0.00	0	81,658,833	3.82	2,137,996,489
Total	21	78	56	155			$285,407,299		$ 18,563,103		$ 561,909	$ 106,598,360		
Historical Rate of Stipulated/Reduced Appeals for Project Area No. 2						21.21%								
Granted Reduction as a Percentage of Requested Reduction for Project Area No. 2[4]						10.38%								

(1) Reflects total requested reductions for all stipulated/reduced appeals.
(2) Assumed no reduction in assessed value for those appeals for which the board value was 0.
(3) Pending appeals are those appeals that did not display a Final Action Code and where the Board value was zero.
(4) Reflects the total granted reduction as a percentage of total requested reduction for all appeals.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-12
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 3
ASSESSMENT APPEAL HISTORY

					Assessed Value of All Appeals		*Requested Reductions*[1]		*Granted Reductions*[2]			*Pending Reductions*[3]		
Fiscal Year	*Stipulated/ Reduced*	*Withdrawn/ Denied/No Change*	*Pending*	*Total*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Amount*	*% of Project Area*	*Average Reduction*	*$ Amount*	*% of Project Area*	*Total Project Area Value*
2020-21	2	14	0	16	$58,402,144	0.97%	$ 24,456,061	0.41%	$ 888,619	0.01%	$ 55,539	$ 0	0.00%	$5,993,898,619
2021-22	2	5	0	7	12,996,526	0.21	4,563,526	0.07	144,895	0.00	20,699	0	0.00	6,217,154,030
2022-23	1	9	0	10	13,539,777	0.20	4,043,286	0.06	225,000	0.00	22,500	0	0.00	6,667,000,284
2023-24	8	18	8	34	69,913,533	0.99	25,658,261	0.36	4,046,616	0.06	119,018	13,576,797	0.19	7,060,732,209
2024-25	0	0	21	21	125,430,900	1.68	58,192,199	0.78	0	0.00	0	58,192,199	0.78	7,452,258,324
Total	13	46	29	88			$116,913,333		$5,305,130		$ 217,756	$ 71,768,996		
Historical Rate of Stipulated/Reduced Appeals for Project Area No. 3						22.03%								
Granted Reduction as a Percentage of Requested Reduction for Project Area No. 3[4]						11.75%								

(1) Reflects total requested reductions for all stipulated/reduced appeals.
(2) Assumed no reduction in assessed value for those appeals for which the board value was 0.
(3) Pending appeals are those appeals that did not display a Final Action Code and where the Board value was zero.
(4) Reflects the total granted reduction as a percentage of total requested reduction for all appeals.

Source: San Diego County and 30 Three Sixty Public Finance, Inc.

Pledged Tax Revenue Projections

The Agency has retained the Fiscal Consultant to provide projections of taxable valuation and Pledged Tax Revenues from the Project Areas. The following tables show projected total Pledged Tax Revenues for each of Project Area No. 1, Project Area No. 2 and Project Area No. 3, assuming approximately 2.00% annual growth in tax increment revenues through the maturity of the 2025A Bonds. The projections assume no reductions in tax increment revenues as a result of pending assessment appeals. See the caption "THE REDEVELOPMENT PLANS—Assessment Appeals" and Tables B-10, B-11 and B-12.

The Agency believes that the assumptions (set forth in the footnotes below) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See the caption "RISK FACTORS AND LIMITATIONS ON PLEDGED TAX REVENUES." Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections, and such variations may be material.

TABLE B-13
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 1
PLEDGED TAX REVENUE PROJECTIONS

							Senior Pass-Through Payments			
Fiscal Year	*Assessed Valuation*[1]	*Incremental Assessed Valuation*	*Estimated Tax Increment Revenues*	*Unitary Utility Revenue*	*Total Gross Revenue*	*County Administrative Fees*[2]	*Senior Statutory Pass-Through Amounts*	*Senior Negotiated Pass-Through Agreements*	*Total Senior Statutory and Negotiated Pass-Through Payments*	*Pledged Tax Revenues*[3]
2024-25	$3,434,422,474	$3,210,452,054	$32,104,521	$406,070	$32,510,591	$299,425	$1,693,780	$795,160	$2,488,939	$29,722,227
2025-26	3,503,110,923	3,279,140,503	32,791,405	414,191	33,205,596	305,413	1,753,183	812,214	2,565,397	30,334,786
2026-27	3,573,173,142	3,349,202,722	33,492,027	422,475	33,914,502	311,521	1,812,539	829,610	2,642,149	30,960,832
2027-28	3,644,636,605	3,420,666,185	34,206,662	430,925	34,637,587	317,752	1,875,174	847,353	2,722,527	31,597,308
2028-29	3,717,529,337	3,493,558,917	34,935,589	439,543	35,375,132	324,107	1,938,776	865,452	2,804,228	32,246,798
2029-30	3,791,879,924	3,567,909,504	35,679,095	448,334	36,127,429	330,589	2,003,555	883,912	2,887,467	32,909,373
2030-31	3,867,717,522	3,643,747,102	36,437,471	457,301	36,894,772	337,201	2,068,106	902,742	2,970,847	33,586,724
2031-32	3,945,071,873	3,721,101,453	37,211,015	466,447	37,677,461	343,945	2,133,948	921,948	3,055,895	34,277,621
2032-33	4,023,973,310	3,800,002,890	38,000,029	475,776	38,475,805	350,824	2,201,106	941,538	3,142,644	34,982,337
2033-34	4,104,452,776	3,880,482,356	38,804,824	485,291	39,290,115	357,840	2,269,608	961,520	3,231,128	35,701,146

(1) Reflects growth of 2.00% per annum.
(2) Fiscal Year 2024-25 County administrative fees are based on actual amounts for the first five months of Fiscal Year 2024-25 and a projection for the remaining seven months of Fiscal Year 2024-25, and are projected to increase 2.00% annually beginning in Fiscal Year 2025-26.
(3) Certain net revenue amounts may not equal gross tax increment revenues less County administrative fees and senior pass-through amounts due to rounding.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-14
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 2
PLEDGED TAX REVENUE PROJECTIONS

							Senior Pass-Through Payments			
Fiscal Year	*Assessed Valuation*[1]	*Incremental Assessed Valuation*	*Estimated Tax Increment Revenues*	*Unitary Utility Revenue*	*Total Gross Revenue*	*County Administrative Fees*[2]	*Senior Statutory Pass-Through Amounts*	*Senior Negotiated Pass-Through Agreements*	*Total Senior Statutory and Negotiated Pass-Through Payments*	*Pledged Tax Revenues*[3]
2024-25	$2,137,996,489	$2,004,629,246	$20,046,292	$208,657	$20,254,950	$194,977	$615,174	$5,907,162	$6,522,336	$13,537,636
2025-26	2,180,756,419	2,047,389,176	20,473,892	212,830	20,686,722	198,877	642,563	6,028,973	6,671,537	13,816,308
2026-27	2,224,371,547	2,091,004,304	20,910,043	217,087	21,127,130	202,855	670,773	6,153,221	6,823,994	14,100,282
2027-28	2,268,858,978	2,135,491,735	21,354,917	221,429	21,576,346	206,912	699,383	6,279,953	6,979,336	14,390,098
2028-29	2,314,236,158	2,180,868,915	21,808,689	225,857	22,034,546	211,050	727,743	6,409,220	7,136,963	14,686,534
2029-30	2,360,520,881	2,227,153,638	22,271,536	230,374	22,501,911	215,271	756,669	6,541,072	7,297,741	14,988,898
2030-31	2,407,731,298	2,274,364,055	22,743,641	234,982	22,978,622	219,576	786,174	6,675,562	7,461,736	15,297,310
2031-32	2,455,885,924	2,322,518,681	23,225,187	239,681	23,464,868	223,968	816,269	6,812,741	7,629,010	15,611,890
2032-33	2,505,003,643	2,371,636,400	23,716,364	244,475	23,960,839	228,447	846,966	6,952,664	7,799,630	15,932,762
2033-34	2,555,103,716	2,421,736,473	24,217,365	249,365	24,466,729	233,016	878,277	7,095,385	7,973,662	16,260,051

(1) Reflects growth of 2.00% per annum.
(2) Fiscal Year 2024-25 County administrative fees are based on actual amounts for the first five months of Fiscal Year 2024-25 and a projection for the remaining seven months of Fiscal Year 2024-25, and are projected to increase 2.00% annually beginning in Fiscal Year 2025-26.
(3) Certain net revenue amounts may not equal gross tax increment revenues less County administrative fees and senior pass-through amounts due to rounding.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

TABLE B-15
SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY
PROJECT AREA NO. 3
PLEDGED TAX REVENUE PROJECTIONS

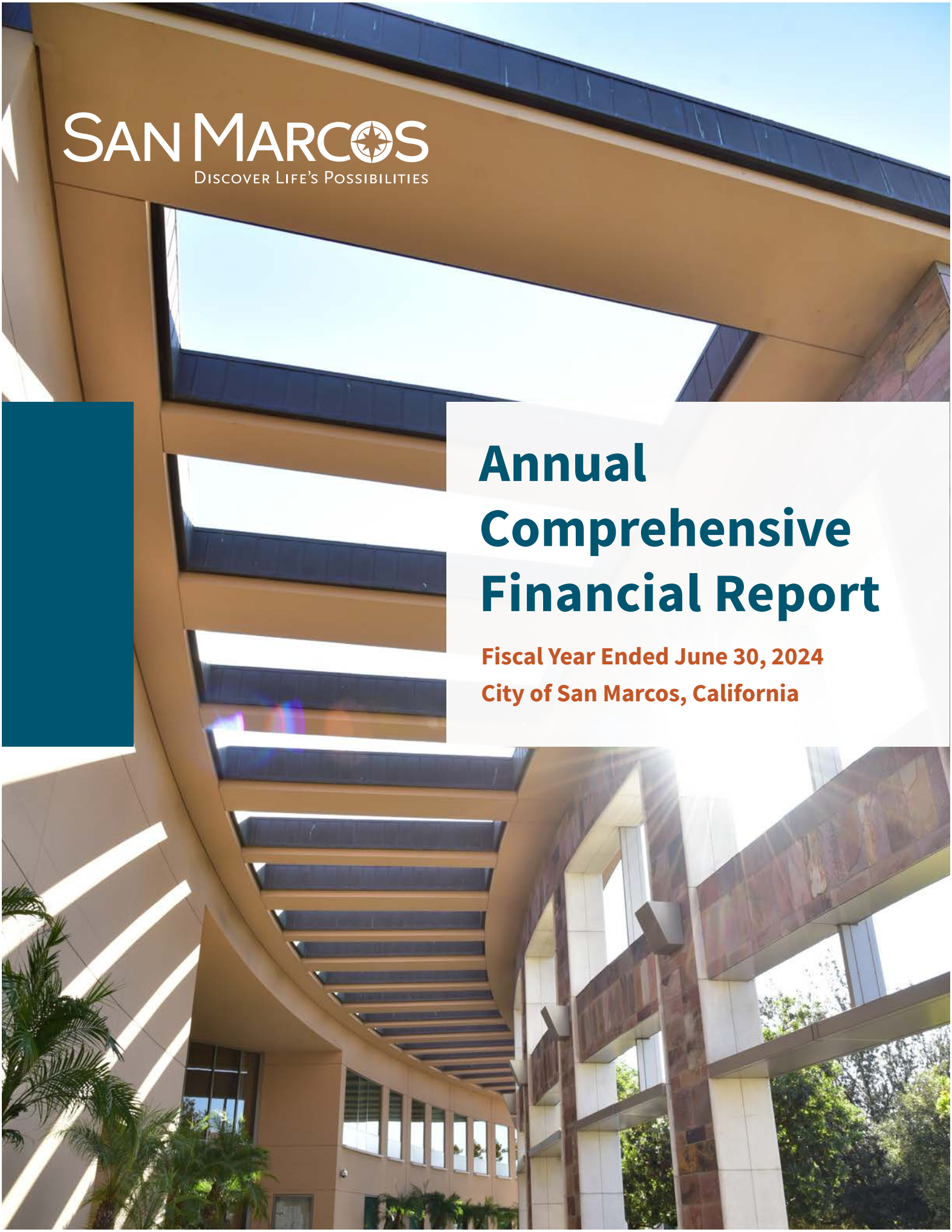
							Senior Pass-Through Payments			
Fiscal Year	*Assessed Valuation*[1]	*Incremental Assessed Valuation*	*Estimated Tax Increment Revenues*	*Unitary Utility Revenue*	*Total Gross Revenue*	*County Administrative Fees*[2]	*Senior Statutory Pass-Through Amounts*	*Senior Negotiated Pass-Through Agreements*	*Total Senior Statutory and Negotiated Pass-Through Payments*	*Pledged Tax Revenues*[3]
2024-25	$7,452,258,324	$7,090,841,153	$70,908,412	$701,071	$71,609,483	$636,854	$1,926,445	$22,332,703	$24,259,148	$46,713,481
2025-26	7,601,303,490	7,239,886,319	72,398,863	715,093	73,113,956	649,591	2,021,763	22,788,162	24,809,925	47,654,440
2026-27	7,753,329,560	7,391,912,389	73,919,124	729,395	74,648,519	662,583	2,118,988	23,257,433	25,376,421	48,609,515
2027-28	7,908,396,151	7,546,978,980	75,469,790	743,983	76,213,772	675,834	2,218,157	23,736,090	25,954,247	49,583,691
2028-29	8,066,564,075	7,705,146,904	77,051,469	758,862	77,810,331	689,351	2,319,310	24,224,320	26,543,630	50,577,351
2029-30	8,227,895,356	7,866,478,185	78,664,782	774,039	79,438,821	703,138	2,422,485	24,722,315	27,144,800	51,590,883
2030-31	8,392,453,263	8,031,036,092	80,310,361	789,520	81,099,881	717,201	2,527,724	25,230,269	27,757,993	52,624,687
2031-32	8,560,302,328	8,198,885,157	81,988,852	805,311	82,794,162	731,545	2,635,068	25,748,382	28,383,451	53,679,167
2032-33	8,731,508,375	8,370,091,204	83,700,912	821,417	84,522,329	746,176	2,744,559	26,276,858	29,021,417	54,754,736
2033-34	8,906,138,542	8,544,721,371	85,447,214	837,845	86,285,059	761,099	2,856,240	26,815,904	29,672,143	55,851,816

(1) Reflects growth of 2.00% per annum.
(2) Fiscal Year 2024-25 County administrative fees are based on actual amounts for the first five months of Fiscal Year 2024-25 and a projection for the remaining seven months of Fiscal Year 2024-25, and are projected to increase 2.00% annually beginning in Fiscal Year 2025-26.
(3) Certain net revenue amounts may not equal gross tax increment revenues less County administrative fees and senior pass-through amounts due to rounding.
Source: San Diego County and 30 Three Sixty Public Finance, Inc.

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024

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Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024

City of San Marcos, California



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2024

City Manager: Michelle Bender
Finance Director: Donna Apar

Prepared by the Finance Department

SAN MARCOS
DISCOVER LIFE'S POSSIBILITIES

1 Civic Center Drive | San Marcos, CA 92069-2918 | (760)744-1050 | www.san-marcos.net



MISSION STATEMENT

The City of San Marcos strives to improve the quality of life for those who live, work or visit San Marcos by providing a safe, family-oriented atmosphere that is rich and diverse in cultural and natural resources while promoting economic and educational opportunities.

SAN MARCOS
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City of San Marcos, California

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Prepared by the San Marcos Finance Department

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City of San Marcos

Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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SAN MARCOS
DISCOVER LIFE'S POSSIBILITIES

Transmittal Letter……

December 20, 2024

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2023-24 Annual Comprehensive Financial Report (ACFR). This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, if any, and evaluating the overall financial statement presentation. The auditors concluded that there was a reasonable basis for rendering an unmodified (clean) opinion. The independent auditors' report is presented as the first component of the financial section of this report.

The ACFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management asserts that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

GAAP requires that a narrative introduction, overview, and analysis be provided along with the financial statements in the form of Management's Discussion and Analysis (MD&A). The City's MD&A can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction.

CITY OF SAN MARCOS PROFILE

The City was incorporated in 1963 and chartered on July 4, 1994. According to historical legends, the Spaniards, while pursuing the Native Americans in the late 18th century, came upon a fertile valley, which was named Los Vallecitos de San Marcos. Today, often nicknamed still as "Valley of Discovery", the City offers rugged beautiful rolling hills, bustling commercial districts, and leading educational institutions. The City is located approximately twenty-four miles north of downtown San Diego and ninety miles south of Los Angeles, in the northern coastal/inland region of San Diego County (County). The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features.

The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles counties. It is situated along the State Highway 78 corridor (78 Corridor) and is bordered by Escondido to the east, Vista to the north and west, Carlsbad to the south and west and unincorporated areas of the San Diego County to the north and south. The City's sphere of influence covers approximately thirty-three square miles. The City continues to be the smallest yet fastest growing population along the 78 Corridor and is one of the highest in median household income along the 78 corridor. The most current population and income for the City can be found in the Community Profile on the City's Economic Development website.

The City delivers a full range of municipal services under the Council-Manager form of government, and offers an outstanding quality of life for its residents. Public facilities include an expanding citywide trail system, a variety of parks, recreational facilities and a County library. The City provides a diverse array of services for seniors and youth, extensive continuing educational programs, concerts, team sports, and special events.

The City Council is comprised of five council members for a term of four years, on a staggered basis. The Mayor is directly elected, at large, for a four-year term. The City Council appoints the City Manager and the City Attorney. The City Council, the City's chief policy-making body, enacts laws known as ordinances, sets policies known as resolutions, and adopts an annual Operations and Capital Improvement Program budget. The City Council also oversees a variety of advisory commissions, such as the Traffic Commission and Planning Commission, to address specific issues. These advisory commission members are appointed by the City Council.

ECONOMIC CONDITIONS AND OUTLOOK

Education & Employment

The City is home to several academic institutions with the second highest educational attainment among the five 78 corridor cities. The City is home to the San Marcos Unified School District (SMUSD), which has achieved local and state recognition for excellence. Several higher education institutions, including California State University San Marcos and Palomar College, also have established campuses in the City. The growth of these academic institutions contributes to the creation, support and sustainability of a professional workforce within the City.

The City is home to a diverse and well-balanced base of employers including wholesale trade, retail trade, food services, healthcare, and manufacturing. The City is home to a labor force of 43,100 and over 4,200 businesses. Though post-pandemic staffing and supply chain issues have improved, the unemployment rate has reportedly increased at 4.7% in October 2024, still lower than the 5.4% reported for the entire State for the same month.

Real Estate Market

Median home prices in the City have seen an average annual increase of 4.6% over the last 20 years with median home prices increasing to a reported $940,000 in September 2024. This is slightly higher than the median listing home price in the County, which was reported to be $880,000 during the same time. The City has potential for new development in the future and continues to see a steady stream of housing stock construction at a stable rate compared to other cities throughout the region.

Local Trends

The City continues to create interest in infill development opportunities with new commercial, residential and mixed-use development projects to produce additional revenue streams. The City is currently experiencing an exceptional rate of growth and development, including the mixed-use North City development, with additional housing being developed in the surrounding area as well.

Property tax revenue receipts are expected to increase upwards of 10% over prior year due to new housing construction in the City. Sales tax revenue is estimated to remain steady in fiscal year 2024-25 compared to prior year receipts. Subsequent fiscal year sales tax revenue outlook is currently optimistic after the passage of the City's Measure Q for a one-cent Transactions and Use Tax, which will bring in additional sales tax revenue to fund critical City services and infrastructure as well as maintain the City's quality of life.

Future Capital & Infrastructure Improvements

As North San Diego County grows, the challenges of increased traffic and congestion, affordable housing, and demand for services intensifies. The City Council is focused on balancing these competing priorities within the framework of their strategic themes of dynamic and responsive service delivery, economic development, good governance, quality of life, and planning for the future through the Capital Improvement Program (CIP).

The CIP budget reflects the City's foreseeable needs over the next five years and is developed in accordance with the City Council adopted policies and priorities in mind. The FY 2024-25 CIP budget appropriation was $16.9 million. Most of the total CIP budget is in the "Creek District" projects, which are intended to mitigate traffic congestion, provide recreational opportunities, and additional services for the community.

Long Range Financial Forecast

A five-year general fund financial forecast is developed as part of the budgeting process, which serves to guide the long-range fiscal planning and budget development process. This forecast details the City's major revenue and expenditure items to provide long-term trend analysis and projections. While cost of goods and services is expected to increase and outpace the increase in revenue over the next five years, the passage of Measure Q will provide needed funding. On November 5, 2024, City of San Marcos voters passed Measure Q, a one-cent transactions and use tax, that will provide local funding for general government use including public safety and infrastructure improvements. It is anticipated that the City will start to receive funding from Measure Q in April 2025, which will allow for a continued focus on maintaining an exceptional quality of life for San Marcos residents.

The measure is estimated to bring in $20 million of additional revenue per year over 10 years and will fund community needs such as: maintaining fire protection, cleaning and maintaining local parks, fixing potholes, and cleaning and maintaining local lakes, creeks and waterways. The City will allocate the funds to prioritize deferred maintenance of essential City facilities and delayed improvements like a new fire station to address the City's growing population.

The FY 2024-25 Operating budget was approximately $93.4 million, an increase of 3.1% from the prior year adopted budget. While the City is expected to experience increases in general fund expenditure in future years, staff will remain diligent to ensure revenues are sufficient to cover expenses while also maintaining investments in the City's infrastructure funds. To ensure fiscal health, the City continues to proactively take steps to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan, capping the City's share of employee healthcare expenses, engaging in best value analysis to economically deliver services, as well as explore other revenue sources. In addition to these adjustments, the City and its collective bargaining groups, through negotiations, work collaboratively toward solutions to help relieve the City's growing operational obligations and pension burden in the coming years.

The City's Budget Amendment and Transfer Policy authorizes the City Manager to transfer budgeted amounts between departments or functions as long as the total City Council approved budget is not exceeded. Any budget adjustments that include transfers at the fund level or that result in an increase or decrease that directly affects the service level and/or project scope to the originally approved budget require City Council approval. The City Council's adoption of the Fiscal Management Policy provides for a general fund contribution to the City's Infrastructure, City Facility, and City Vehicles and Equipment funds to plan for the future and for rehabilitation and replacement of City infrastructure.

The City is committed to maintaining the General Fund Reserve Policy, which requires unassigned fund balance (liquid, spendable assets) to be divided into three categories designated as the Catastrophic/Emergency Reserve, One-time Recurring Savings/Opportunity Reserve and Economic Contingency/Pension Stabilization Reserve. At year-end, the unassigned general fund balance shall be maintained at a minimum of forty percent of the annual operating expenditures. This figure is then allocated between the Catastrophic/Emergency Reserve (33.3 percent), One-time Recurring Savings/Opportunity Reserve (33.3 percent), and Economic Contingency/Pension Stabilization Reserve (33.3 percent).

The City continues to focus on the City Council strategic goals such as: comprehensive planning and action in land use and transportation, infrastructure funding, economic development and the development of fiscal policies to provide financial resilience and prosperity.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Awards and Recognitions

The City is dedicated to meeting the social, recreational, educational, cultural, commercial, retail, and public service needs of the community. The City's efforts to continually meet the needs of its citizens have resulted in a variety of awards and recognitions, as follows:

- The City received an award from the Government Finance Officers Association (GFOA) for "Excellence in Financial Reporting" for the FY 2022-23 ACFR
- The City's Creek Project was awarded one of Engineering News-Record California's Best Projects
- The City scored an A+ from Citizens Take Action for Campaign Finance Laws and Transparency for Cities in San Diego County
- The City, as part of the Innovate78 partnership, received an Award of Merit for Programs and Promotions
- The City received the City-County Communications and Marketing Association (3CMA) Savvy Award for the "Let's Face It. Together." Graphic Design
- The City received an Excellence in Public Information and Communications Award for the "Let's Face It. Together." mental health campaign in partnership with San Marcos Unified School District from the California Association of Public Information Officials (CAPIO)
- The City was a finalist for the San Diego County Taxpayer Association Golden Watchdog Award for outstanding achievements in transparency, fiscal stewardship, and commitment to positive community impact

Acknowledgments

Management wishes to express appreciation to staff for their dedication and contribution throughout the year and assistance with the preparation of the ACFR. Special acknowledgement must be given to the City Council for their dedication to directing the City's finances in a responsible, professional and progressive manner.

Respectfully submitted,

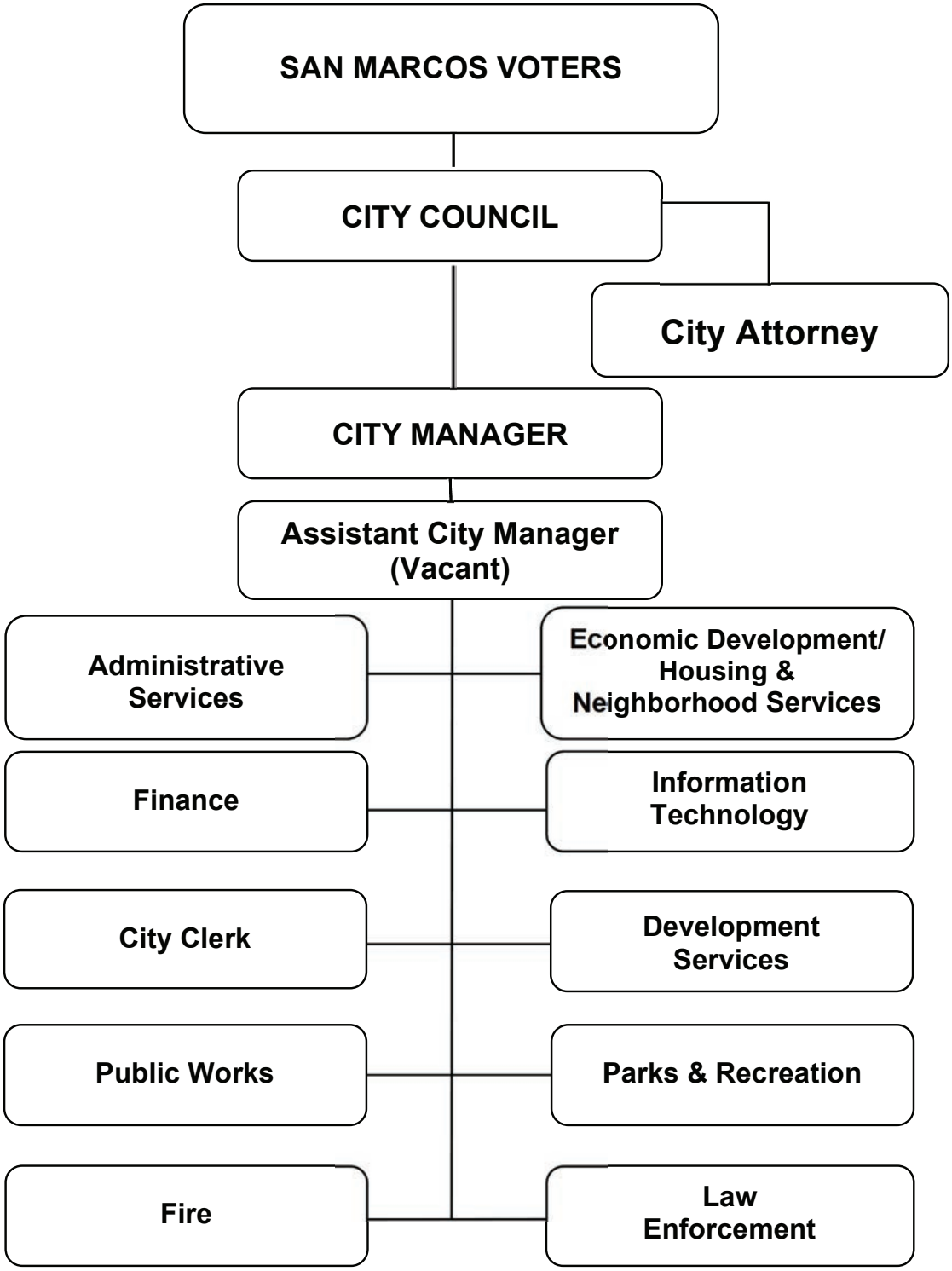
Donna Apar
Finance Director

Michelle Bender
City Manager

City of San Marcos

Organizational Chart

June 30, 2024



City of San Marcos

List of Principal Officials

June 30, 2024

City Council

Mayor	Rebecca Jones
Deputy Mayor	Sharon Jenkins
Council Member	Ed Musgrove
Council Member	Maria Nunez
Council Member	Mike Sannella

Administration

City Manager/Treasurer	Michelle Bender
Assistant City Manager	Vacant
City Attorney	Helen Holmes Peak
City Clerk	Phillip Scollick

Department/Division Heads

Administrative Services Director	Janelle Laughlin
Development Services Director	Isaac Etchamendy
Economic Development Director	Tess Sangster
Finance Director	Donna Apar
Fire Chief	Daniel Barron
Information Technology Director	John Palmer
Parks and Recreation Director	Mark Olson
Planning Division Director	Joseph Farace
Public Works Director	Darren Chamow
Sheriff Station Captain	Kevin Ralph

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Marcos
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
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Independent Auditor's Report

To the Honorable City Council
City of San Marcos
San Marcos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Marcos, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the entity, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the entity's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering entity's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 20, 2024

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The management of the City of San Marcos (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found beginning on page i of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $1,093,187,125 (net position). Of this amount, $131,781,421 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position increased $12,018,753 from the prior fiscal year due to an increase in charges for services and property tax revenues, despite a significant decrease in capital contributions and grants.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $229,833,782, an increase of $3,273,930 in comparison with the prior year. Approximately 5.5% of this amount or $12,144,880 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was $38,375,322, or approximately 39.45% of total General Fund expenditures.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The discussion and analysis provided here is intended to serve as an introduction to the City of San Marcos' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community development, public safety, highways, streets, and parks, and culture and recreation. The business-type activities of the City include Creekside Marketplace.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following component units: the San Marcos Community Foundation (Foundation), the San Marcos Public Facilities Authority (Facilities Authority), the California Mobile Home Financing Authority (CAMPFA), and the San Marcos Public Financing Authority (Financing Authority), for which the City is financially accountable. The Foundation, Facilities Authority, CAMPFA, and the Financing Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a governments near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the San Marcos Affordable Housing Fund, and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget, as noted in the table of contents.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the activity of Creekside Marketplace, a City-owned shopping center and other non-municipal use leased space.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for these business-type activities, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Custodial Funds account for funds held in trust for specific purposes and the Private-Purpose Trust Fund account for the City of San Marcos Successor Agency.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 30-89 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's schedule of changes in the net pension liability and related ratios (miscellaneous employees), schedule of City's proportionate share of the net pension liability and related ratios as of the measurement date (safety employees), schedules of plan contributions (both miscellaneous and safety employees), schedule of changes in the net OPEB liability and related ratios, and General Fund and major special revenue funds' budgetary schedules.

Required supplementary information can be found on pages 90-98 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 102-107 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by $1,093,187,125, at the close of the most recent fiscal year.

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 498,101,079	$ 490,481,999	$ 87,726,135	$ 95,974,968	$ 585,827,214	$ 586,456,967
Capital assets, net	643,595,601	629,072,987	-	-	643,595,601	629,072,987
Total assets	1,141,696,680	1,119,554,986	87,726,135	95,974,968	1,229,422,815	1,215,529,954
Deferred outflows of resources	30,045,728	31,351,950	-	-	30,045,728	31,351,950
Non-current liabilities	98,679,846	93,156,566	-	-	98,679,846	93,156,566
Other liabilities	42,190,355	42,237,164	1,195,345	1,599,294	43,385,700	43,836,458
Total Liabilities	140,870,201	135,393,730	1,195,345	1,599,294	142,065,546	136,993,024
Deferred inflows of resources	24,215,872	28,720,508	-	-	24,215,872	28,720,508
Net position						
Net investment in capital assets	640,830,413	625,379,612	-	-	640,830,413	625,379,612
Restricted	320,575,291	317,716,138	-	-	320,575,291	317,716,138
Unrestricted	45,250,631	43,696,948	86,530,790	94,375,674	131,781,421	138,072,622
Total net position	$ 1,006,656,335	$ 986,792,698	$ 86,530,790	$ 94,375,674	$ 1,093,187,125	$ 1,081,168,372

By far, the largest portion of the City's net position (58.62%) reflects its investment in capital assets (e.g., land, buildings, furniture, infrastructure, and right-to-use assets), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (29.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $131,781,421 is unrestricted, however, that amount represents the majority of investments in real estate and joint venture.

At the end of the current fiscal year, the City is able to report positive balances for both the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

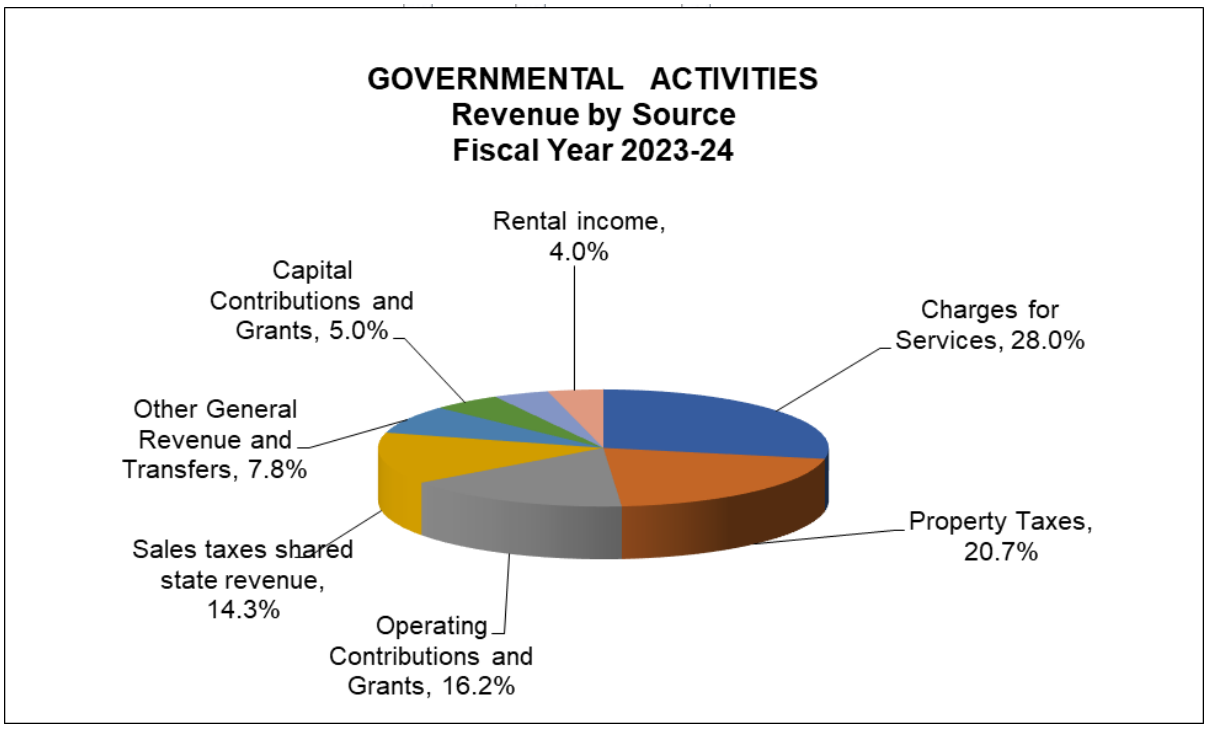
The City's overall net position increased $12,018,753 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased $19,863,637 from the prior fiscal year for an ending balance of $1,006,656,335. The increase in the overall net position of governmental activities is the result of regular current year operating activities along with an increase in investment income, unrestricted, related to improved earnings rates.

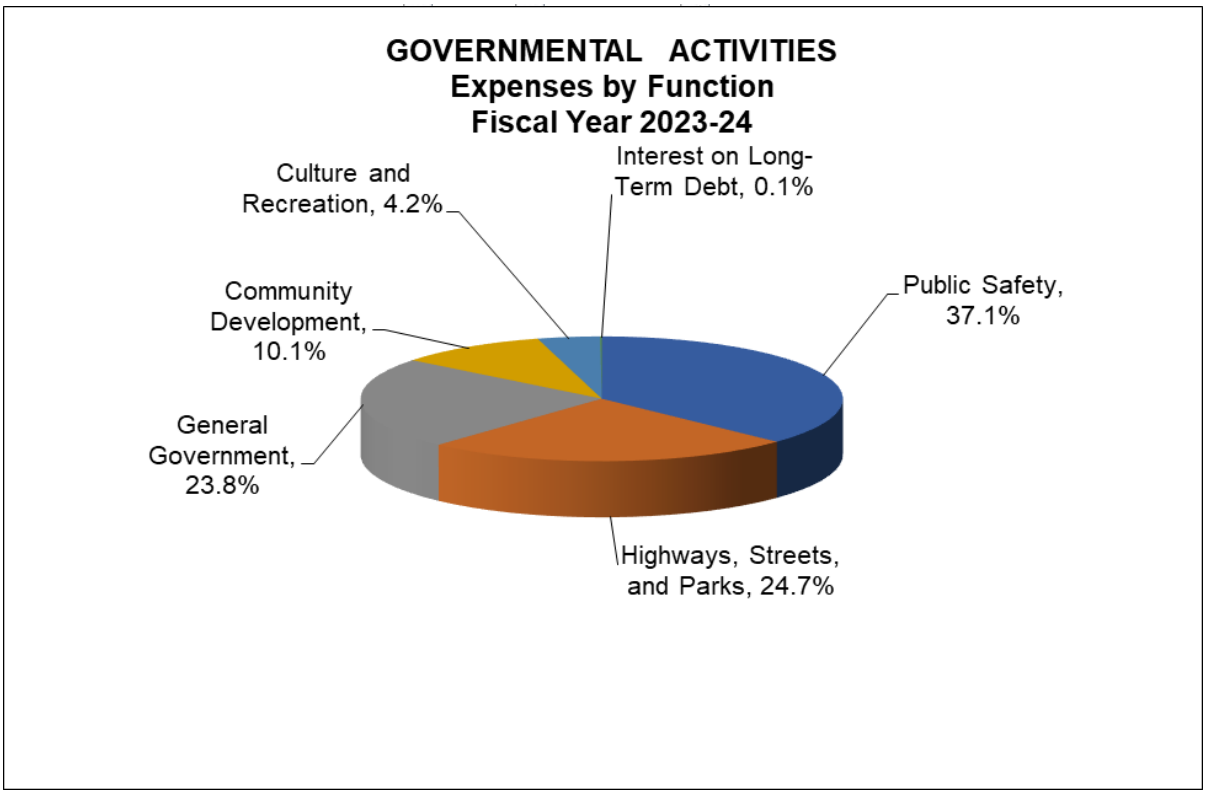
City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	$ 42,260,426	$ 39,597,259	$ 5,907,754	$ 7,075,704	$ 48,168,180	$ 46,672,963
Operating contributions and grants	24,490,215	31,864,335	-	-	24,490,215	31,864,335
Capital contributions and grants	7,504,803	23,338,882	-	-	7,504,803	23,338,882
General revenues:						
Property taxes	31,183,549	28,629,629	-	-	31,183,549	28,629,629
Transient occupancy taxes	1,728,507	1,615,411	-	-	1,728,507	1,615,411
Business license tax	233,690	242,260	-	-	233,690	242,260
Motor vehicle license	119,411	96,966	-	-	119,411	96,966
Franchise fees	5,825,364	5,256,055	-	-	5,825,364	5,256,055
Rental income	6,084,709	5,866,922	-	-	6,084,709	5,866,922
Sales taxes shared state revenue, unrestricted	21,567,605	21,935,697	-	-	21,567,605	21,935,697
Investment income, restricted	129,061	109,305	-	-	129,061	109,305
Investment income, unrestricted	5,999,119	3,574,830	(5,543,590)	3,560	455,529	3,578,390
Gain (loss) on disposal of capital assets	373,652	4,155,018	-	-	373,652	4,155,018
Miscellaneous	732,805	632,894	16,772	6,509	749,577	639,403
Total Revenues	148,232,916	166,915,463	380,936	7,085,773	148,613,852	174,001,236
Expenses						
General government	31,242,559	34,816,393	-	-	31,242,559	34,816,393
Community development	13,171,260	12,813,037	-	-	13,171,260	12,813,037
Public safety	48,504,380	44,417,299	-	-	48,504,380	44,417,299
Highways, streets, and parks	32,345,449	35,825,013	-	-	32,345,449	35,825,013
Culture and recreation	5,486,692	5,060,347	-	-	5,486,692	5,060,347
Interest on long-term debt	118,939	137,987	-	-	118,939	137,987
Creekside Marketplace	-	-	5,725,820	4,392,110	5,725,820	4,392,110
Total Expenses	130,869,279	133,070,076	5,725,820	4,392,110	136,595,099	137,462,186
Increase in Net Position Before Transfers	17,363,637	33,845,387	(5,344,884)	2,693,663	12,018,753	36,539,050
Transfers	2,500,000	1,000,000	(2,500,000)	(1,000,000)	-	-
Change in Net Position	19,863,637	34,845,387	(7,844,884)	1,693,663	12,018,753	36,539,050
Net Position, Beginning	986,792,698	951,947,311	94,375,674	92,682,011	1,081,168,372	1,044,629,322
Net Position, Ending	$ 1,006,656,335	$ 986,792,698	$ 86,530,790	$ 94,375,674	$ 1,093,187,125	$ 1,081,168,372

Revenue Source	2024	Percent of Total	Increase (Decrease) From 2023	Percent Increase (Decrease)
Charges for services	$ 42,260,426	28.0%	$ 2,663,167	6.3%
Operating contributions and grants	24,490,215	16.2%	(7,374,120)	-30.1%
Capital contributions and grants	7,504,803	5.0%	(15,834,079)	-211.0%
Property taxes	31,183,549	20.7%	2,553,920	8.2%
Franchise fees	5,825,364	4.0%	569,309	9.8%
Rental income	6,084,709	4.0%	217,787	3.6%
Sales taxes shared state revenue	21,567,605	14.3%	(368,092)	-1.7%
Other general revenue and transfers	11,816,245	7.8%	389,561	3.3%
Total revenue	$ 150,732,916	100.0%	$ (17,182,547)	**-11.4%**



Function	2024	Percent of Total	Increase (Decrease) From 2023	Percent Increase (Decrease)
General government	$ 31,242,559	23.8%	$ (3,573,834)	-11.4%
Community development	13,171,260	10.1%	358,223	2.7%
Public safety	48,504,380	37.1%	4,087,081	8.4%
Highways, streets, and parks	32,345,449	24.7%	(3,479,564)	-10.8%
Culture and recreation	5,486,692	4.2%	426,345	7.8%
Interest on long-term debt	118,939	0.1%	(19,048)	-16.0%
Total expenses	$ 130,869,279	100.0%	$ (2,200,797)	**-1.7%**



Business-type Activities. For the City's business-type activities, the results for the current fiscal year were negative. Overall net position decreased to an ending balance of $86,530,790. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center. The total decrease in net position for business-type activities was $7,844,884 or 8.31% from the prior fiscal year, mainly due to recent appraisals which includes a vacant ground lease.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of San Marcos' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

On June 30, 2024, the City's governmental funds reported combined fund balances of $229,838,831, an increase of $3,273,930 in comparison to the prior year. Approximately 5.3% or $12,144,880 of this amount constitutes an *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable, restricted, or assigned* to indicate that it is 1) not in spendable form $81,216,522, 2) restricted for particular purposes $125,826,682, or 3) assigned for particular purposes $10,650,747.

Intergovernmental revenues decreased $10,305,336, or 18.9% from the prior year, largely due to a decrease in federal and state grant funding.

Revenue from developer fees decreased $11,048,413, or 80.9% from the prior year, due to developer deferrals and decreased project volume.

Capital outlay expenditures decreased by $17,675,927 or 39.2% mostly due to less work performed on the Via Vera Cruz Bridge, Discovery St., and San Marcos Blvd. intersection improvement projects over the prior year.

Major Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $27,724,575, while the total fund balance increased by $2,663,810 or 2.2% to $122,319,587 largely resulting from decreased general government expenditures and increased transfers from the Enterprise Fund during the Fiscal Year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 28.5% of total General Fund expenditures, while total fund balance represents approximately 125.7% of that same amount.

The San Marcos Affordable Housing Special Revenue Fund accounts for funds intended to improve or preserve the community's supply of affordable housing. This Fund ended the year with a fund balance of $49,682,353. To assist with the construction of affordable housing projects, an additional $4,356,494 was loaned to housing developers during the fiscal year. The additional loaned amount is less than the prior year loaned amount as current year revenues are lower.

The Capital Improvement Capital Projects Fund accounts for capital projects funded with Federal and other grants and developer contributions. This fund ended the year with a deficit fund balance of ($11,526,145), improving over the prior fiscal year due to continued grant reimbursements as well as less work performed across various projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund, as presented in the ACFR and for purposes of financial reporting in conformity with generally accepted accounting principles (GAAP), is comprised of four funds including the General Operating Fund, and the Infrastructure Replacement/Rehabilitation Fund, Facilities Replacement/Rehabilitation Fund, and the Vehicle & Equipment Acquisition/ Replacement Fund (Rehabilitation and Replacement Funds). However, in the City's approved budget document, these funds are separately presented.

During the year, amendments to the original budgeted appropriations were authorized by the City Council and minor amendments to reallocate appropriations among departments took place. The movement of the appropriations between departments was not significant and did not increase the overall operating budget. Due to continuing post-pandemic economic uncertainty, the City adopted a budget for FY 2023-2024 projecting a deficit of $3.8M. At the time of approval of the mid- year budget adjustments, departments continued to find efficiencies in operations and certain revenue categories were exhibiting better than anticipated performance, leading to a reduction in the anticipated deficit to $2.1M. However, the General Fund expenditure budget came in lower than the amended budget in large part due to delays in some services that were not completed during the Fiscal Year. Additionally, the General Fund revenues exceeded amended budgeted due in part to higher franchise agreement fees and higher property tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to $643,595,601 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and equipment, infrastructure, and right-to-use assets. The total increase in capital assets for the current fiscal year was $14,522,614 or approximately 2.31% due to an increase in construction in progress offset by capital asset dispositions and depreciation.

City of San Marcos' Capital Assets
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and Improvements	$ 300,489,984	$ 300,489,984	$ -	$ -	$ 300,489,984	$ 300,489,984
Construction in progress	154,776,305	127,976,312	-	-	154,776,305	127,976,312
Buildings	34,499,560	35,962,115	-	-	34,499,560	35,962,115
Furniture and Equipment	7,097,939	7,919,054	-	-	7,097,939	7,919,054
Infrastructure	146,549,097	156,506,198	-	-	146,549,097	156,506,198
Right-to-use subcription assets	182,716	219,324	-	-	182,716	219,324
Total	$ 643,595,601	$ 629,072,987	$ -	$ -	$ 643,595,601	$ 629,072,987

The progress and completion of several capital asset & infrastructure improvements during the fiscal year including ongoing construction of the San Marcos Creek Specific Plan project.

Additional information on the City's capital assets can be found in Note 7 on page 54 of this report.

Non-Current Liabilities. At the end of the current fiscal year, the City had total non-current outstanding liabilities of $98,592,151. Of this amount, $1,565,000 is debt backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises pension-related debt, OPEB debt, note and loans payables, worker's compensation claims, compensated absences, leases and subscriptions.

City of San Marcos' Non-Current Outstanding Liabilities

	Governmental Activities		
	2024	2023	Net Change
Loans payable - Safety Center	$ 1,565,000	$ 1,910,000	$ (345,000)
Loans payable - CEC	332,696	425,627	(92,931)
Compensated absences	5,071,693	5,008,697	62,996
Claims payable	1,100,778	1,084,617	16,161
Leases payable	757,123	1,192,311	(435,188)
Subscriptions payable	145,458	200,526	(55,068)
Net pension liability	82,314,508	76,290,352	6,024,156
Total OPEB liability	7,392,590	7,044,436	348,154
Total	$ 98,679,846	$ 93,156,566	$ 5,523,280

The City's total liabilities increased by $5,523,280, or 5.9% during the current fiscal year. The increase was due to change in net pension liability offset principal reduction as result of on-going debt service payments. Additional information on the City's long-term liabilities can be found in Note 8, on pages 55-58 of this report and also at Notes 11 and 12.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the City is discussed in the accompanying Transmittal Letter.

At the creation and preparation of the FY 2024-25 budget, the inflation rate returned to an average of 3.5% by March 2024, and the City still managed to increase expenditures at a rate under that amount at 3% over adopted FY 2023-24 expenditure budget. However, ongoing consumer concern around cost of goods and continued economic uncertainty at the state and federal level remained a significant factor behind the City's conservative approach to revenue budgeting, resulting in anticipated sales tax and charges for services budgets to remain flat to Fiscal Year 2023-2024 adopted budget. While all other revenue categories were anticipated to see increased revenue, it was not sufficient to outpace the deficit observed in the Fiscal Year 2023-24 adopted budget, resulting in the need to use one-time revenue to ensure a balanced budget for Fiscal Year 2024-25.

The City continues to diligently monitor costs of delivering services to the community and remains agile and willing to change methods of service delivery when more efficient methods are available. After a series of best value analyses, several services were shifted from contracted vendors to in-house and vice versa to ensure maximum cost savings. The City also has annually increased employee contributions to CalPERS and capping the City's share of employee healthcare expenses. While the City still manages to deliver essential services in the wake of the economic impacts created by the global pandemic, it was at the cost of deferring contributions to the City's infrastructure funds and utilizing one-time revenue opportunities to ensure a balanced budget, which was not sustainable in the long term. Long-term revenue trends continue to remain a significant unknown variable, with the revenue outlook being especially tempered by the City receiving 40% less property tax revenue share than the next lowest City in the north county region.

Therefore, to mitigate the ongoing post-pandemic economic uncertainty, ensure continued investments in City infrastructure, and ensure the long-term fiscal health of the City, the City Council proceeded to place a 1% sales tax measure on the ballot for the November 5, 2024 election, which passed with a majority vote. The revenue related to this measure is anticipated to be received in FY 26 and future years, and the City looks forward to maintaining and enhancing the high quality of life in the community.

Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the budget preparation, can be obtained from the City's FY 2024-25 budget book, available on the City's website or through the Finance Department.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Civic Center Drive, San Marcos, California, 92069.

Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	$ 164,486,631	$ 1,160,894	$ 165,647,525	$ 26,672
Cash and investments with fiscal agent (note 2)	871,821	-	871,821	-
Pension trust cash and investments (note 2)	2,727,743	-	2,727,743	-
Investments in real estate (note 2)	67,150,000	86,780,000	153,930,000	-
Investment in joint venture (note 14)	7,374,224	-	7,374,224	-
Receivables:				
Taxes and special assessments	3,920,127	-	3,920,127	-
Accounts	4,322,505	107,668	4,430,173	-
Interest	685,014	7,411	692,425	-
Notes (note 3)	206,202,066	-	206,202,066	-
Leases	19,015,039	-	19,015,039	-
Other (note 4)	1,096,691	602,660	1,699,351	-
Due from other governments	8,075,332	-	8,075,332	-
Advances to Successor Agency (note 17)	-	-	-	-
Deposits	6,251,704	4,367,502	10,619,206	1,307,308
Prepaids	-	-	-	-
Internal balances	5,300,000	(5,300,000)	-	-
Land held for resale	622,182	-	622,182	-
Capital assets, not depreciated (note 7)	455,266,289	-	455,266,289	-
Capital assets, net of depreciation (note 7)	188,329,312	-	188,329,312	-
Total Assets	1,141,696,680	87,726,135	1,229,422,815	1,333,980
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	28,491,687	-	28,491,687	-
Loss on defeasance of debt	35,089	-	35,089	-
OPEB related	1,518,952	-	1,518,952	-
Total Deferred Outflows of Resources	30,045,728	-	30,045,728	-
LIABILITIES				
Accounts payable	20,408,752	912,532	21,321,284	18,162
Accrued liabilities	3,411,027	4,399	3,415,426	-
Due to other governments	4,173,385	-	4,173,385	-
Unearned revenue (note 6)	3,194,474	182,357	3,376,831	-
Deposits payable	11,002,717	96,057	11,098,774	-
Noncurrent liabilities:				
Due within one year (note 8)	4,540,926	-	4,540,926	-
Due in more than one year (note 8)	4,431,822	-	4,431,822	-
Net pension liability, due in more than one year	82,314,508	-	82,314,508	-
Total OPEB liability, due within one year	235,000	-	235,000	-
Total OPEB liability, due in more than one year	7,157,590	-	7,157,590	-
Total Liabilities	140,870,201	1,195,345	142,065,546	18,162
DEFERRED INFLOWS OF RESOURCES				
Lease related	17,930,525	-	17,930,525	-
Pension related	2,235,358	-	2,235,358	-
OPEB related	4,049,989	-	4,049,989	-
Total Deferred Inflows of Resources	24,215,872	-	24,215,872	-
NET POSITION (NOTE 10)				
Net investment in capital assets	640,830,413	-	640,830,413	-
Restricted for:				
Affordable housing	244,273,429	-	244,273,429	-
Transportation	16,132,948	-	16,132,948	-
Lighting and landscape	21,146,015	-	21,146,015	-
Public facilities	30,116,438	-	30,116,438	-
Other purposes	8,906,461	-	8,906,461	1,315,818
Unrestricted	45,250,631	86,530,790	131,781,421	-
Total Net Position	$ 1,006,656,335	$ 86,530,790	$ 1,093,187,125	$ 1,315,818

The accompanying notes are an integral part of these financial statements.

Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 31,242,559	$ 8,212,662	$ 503,159	$ 1,091,855
Community development	13,171,260	4,199,876	10,990,095	314,445
Public safety	48,504,380	14,901,259	1,145,249	-
Highways, streets, and parks	32,345,449	12,089,341	11,437,151	6,098,503
Culture and recreation	5,486,692	2,857,288	414,561	-
Interest on long-term debt	118,939	-	-	-
Total governmental activities	130,869,279	42,260,426	24,490,215	7,504,803
Business-type activities:				
Creekside Marketplace	5,725,820	5,907,754	-	-
Total Primary Government	$ 136,595,099	$ 48,168,180	$ 24,490,215	$ 7,504,803
Component Unit:				
Permanent Fund Community Foundation	$ 76,347	$ -	$ -	$ -
Total Component Unit	$ 76,347	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Governmental activities:				
General government	$ (21,434,883)	$ -	$ (21,434,883)	$ -
Community development	2,333,156	-	2,333,156	-
Public safety	(32,457,872)	-	(32,457,872)	-
Highways, streets, and parks	(2,720,454)	-	(2,720,454)	-
Culture and recreation	(2,214,843)	-	(2,214,843)	-
Interest on long-term debt	(118,939)	-	(118,939)	-
Total governmental activities	(56,613,835)	-	(56,613,835)	-
Business-type activities:				
Creekside Marketplace	-	181,934	181,934	-
Total Primary Government	(56,613,835)	181,934	(56,431,901)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(76,347)
Total Component Unit	-	-	-	(76,347)
General revenues:				
Taxes:				
Property taxes	31,183,549	-	31,183,549	-
Transient occupancy taxes	1,728,507	-	1,728,507	-
Business license tax	233,690	-	233,690	-
Motor vehicle license tax	119,411	-	119,411	-
Franchise fees	5,825,364	-	5,825,364	-
Rental income	6,084,709	-	6,084,709	-
Sales taxes shared state revenue, unrestricted	21,567,605	-	21,567,605	-
Investment income, restricted	129,061	-	129,061	133,384
Investment income, unrestricted	5,999,119	(5,543,590)	455,529	-
Gain on disposal and sale of capital assets	373,652	-	373,652	-
Miscellaneous income	732,805	16,772	749,577	-
Transfers (note 5)	2,500,000	(2,500,000)	-	-
Total general revenues and transfers	76,477,472	(8,026,818)	68,450,654	133,384
Change in Net Position	19,863,637	(7,844,884)	12,018,753	57,037
Net Position				
Beginning	986,792,698	94,375,674	1,081,168,372	1,258,781
Ending	$ 1,006,656,335	$ 86,530,790	$ 1,093,187,125	$ 1,315,818

City of San Marcos

Balance Sheet
Governmental Funds
June 30, 2024

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
ASSETS					
Cash and investments (note 2)	$ 44,129,472	$ 46,715,415	$ 2,948,524	$ 70,693,220	$ 164,486,631
Cash and investments with fiscal agents (note 2)	-	-	-	871,821	871,821
Pension trust cash and investments (note 2)	2,727,743	-	-	-	2,727,743
Investments in real estate (note 2)	67,150,000	-	-	-	67,150,000
Investment in joint venture (note 14)	7,374,224	-	-	-	7,374,224
Receivables:			-		
Taxes and special assessments	3,883,832	-	-	36,295	3,920,127
Accounts	3,438,290	811,128	-	73,087	4,322,505
Interest	124,246	197,120	32,703	330,945	685,014
Notes, net (note 3)	10,935,482	193,350,624	-	1,915,960	206,202,066
Leases	17,085,393	-	-	1,929,646	19,015,039
Other, net (note 4)	976,175	-	-	120,516	1,096,691
Due from other governments	7,157,776	-	146,036	771,520	8,075,332
Advances to other funds (note 5)	-	995,282	-	6,300,000	7,295,282
Due from other funds (note 5)	3,875,235	902,562	-	-	4,777,797
Deposits	6,251,704	-	-	-	6,251,704
Land held for resale	440,594	181,588	-	-	622,182
Total Assets	$ 175,550,166	$ 243,153,719	$ 3,127,263	$ 83,043,010	$ 504,874,158
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 7,440,442	$ 32,039	$ 11,730,431	$ 1,205,840	$ 20,408,752
Accrued liabilities	2,874,990	43,893	24,043	461,082	3,404,008
Due to other governments	-	-	-	4,173,385	4,173,385
Advances from other funds (note 5)	1,995,282	-	-	-	1,995,282
Due to other funds (note 5)	902,562	-	-	3,875,235	4,777,797
Unearned revenue (note 6)	892,170	-	2,302,304	-	3,194,474
Deposits payable	10,361,200	34,498	596,630	10,389	11,002,717
Total Liabilities	24,466,646	110,430	14,653,408	9,725,931	48,956,415
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	12,713,957	193,360,936	-	2,073,494	208,148,387
Lease related	16,049,976	-	-	1,880,549	17,930,525
Total Deferred Inflows or Resources	28,763,933	193,360,936	-	3,954,043	226,078,912
Fund Balances (note 9)(deficit):					
Nonspendable:					
Land held for resale	440,594	-	-	-	440,594
Deposits	6,251,704	-	-	-	6,251,704
Investments in real estate (note 2)	67,150,000	-	-	-	67,150,000
Investment in joint venture (note 2)	7,374,224	-	-	-	7,374,224
Restricted:					
Affordable housing	-	49,682,353	-	-	49,682,353
Transportation	-	-	-	16,131,503	16,131,503
Lighting and landscape	-	-	-	21,126,817	21,126,817
Pension trust	2,727,743	-	-	-	2,727,743
Capital improvements	-	-	-	1,077,482	1,077,482
Public facilities	-	-	-	29,979,548	29,979,548
Other purposes	-	-	-	5,101,236	5,101,236
Assigned	10,650,747	-	-	-	10,650,747
Unassigned	27,724,575	-	(11,526,145)	(4,053,550)	12,144,880
Total Fund Balances	122,319,587	49,682,353	(11,526,145)	69,363,036	229,838,831
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 175,550,166	$ 243,153,719	$ 3,127,263	$ 83,043,010	$ 504,874,158

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Fund balances of governmental funds		$ 229,838,831
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Capital assets, not depreciated	$ 455,266,289	
Capital assets, being depreciated	488,291,907	
Less: accumulated depreciation	(299,962,595)	643,595,601
Deferred loss on defeasance of debt is deferred and amortized over the life of bonds in the Statement of Net Position.		35,089
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. Therefore, interest payable is not reported as a liability in governmental funds.		(7,019)
Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds.		
Pension related deferred outflows of resources	28,491,687	
Pension related deferred inflows of resources	(2,235,358)	26,256,329
Deferred inflows and outflows of resources related to OPEB have not been reported in the governmental funds.		
OPEB related deferred outflows of resources	1,518,952	
OPEB related deferred inflows of resources	(4,049,989)	(2,531,037)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(5,071,693)	
Claims payable	(1,100,778)	
Lease liability	(757,123)	
Subscription liability	(145,458)	
Loans payable	(1,897,696)	
Net pension liability	(82,314,508)	
Total OPEB liability	(7,392,590)	(98,679,846)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		208,148,387
Net position of governmental activities		$1,006,656,335

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
REVENUES					
Taxes and special assessments	$ 33,145,747	$ -	$ -	$ 11,262,828	$ 44,408,575
Licenses and permits	7,196,130	-	-	-	7,196,130
Intergovernmental	24,473,942	-	11,459,482	8,172,266	44,105,690
Charges for services	21,237,059	-	-	-	21,237,059
Developer fees	25,216	758,869	-	1,822,406	2,606,491
Fines and forfeitures	430,052	-	800,000	-	1,230,052
Investment and rental income	10,814,875	3,075,576	341,907	4,201,368	18,433,726
Miscellaneous	869,596	1,603,574	-	92,373	2,565,543
Total Revenues	98,192,617	5,438,019	12,601,389	25,551,241	141,783,266
EXPENDITURES					
Current:					
General government	29,040,637	756,564	-	-	29,797,201
Community development	7,818,022	4,541,334	-	320,963	12,680,319
Public safety	44,563,590	-	-	-	44,563,590
Highways, streets, and parks	10,719,687	-	-	10,218,188	20,937,875
Culture and recreation	4,625,758	-	-	393,835	5,019,593
Capital outlay	-	-	27,298,128	92,377	27,390,505
Debt service:					
Principal	435,189	-	-	437,932	873,121
Interest and fiscal charges	75,571	-	-	45,214	120,785
Total Expenditures	97,278,454	5,297,898	27,298,128	11,508,509	141,382,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	914,163	140,121	(14,696,739)	14,042,732	400,277
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	152,340	221,313	-	-	373,653
Transfers in (note 5)	3,273,271	190,062	19,854,469	831,000	24,148,802
Transfers out (note 5)	(1,675,964)	-	-	(19,972,838)	(21,648,802)
Total Other Financing Sources (Uses)	1,749,647	411,375	19,854,469	(19,141,838)	2,873,653
Net Change in Fund Balances	2,663,810	551,496	5,157,730	(5,099,106)	3,273,930
FUND BALANCES (DEFICIT)					
Beginning	119,655,777	49,130,857	(16,683,875)	74,462,142	226,564,901
Ending	$ 122,319,587	$ 49,682,353	$ (11,526,145)	$ 69,363,036	$ 229,838,831

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds		$ 3,273,930
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset expenditures capitalized	$ 27,555,868	
Depreciation expense, net of deletions to capital assets	(13,033,254)	14,522,614
Certain revenues in the governmental funds are deferred inflows of because they are measurable but not available under the modified basis of accounting. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents change during the year.		
Long-term loans receivable		6,075,997
The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on long-term debt	928,187	
Changes in pension related items	(4,907,870)	
Changes in OPEB related items	48,090	(3,931,593)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	(62,996)	
Change in claims payable	(16,161)	
Change in accrued interest	1,846	(77,311)
Change in net position of governmental activities		$ 19,863,637

The accompanying notes are an integral part of these financial statements.

Statement of Net Position
Proprietary Funds
June 30, 2024

	Enterprise Fund Creekside Marketplace
ASSETS	
Current Assets:	
Cash and investments (note 2)	$ 1,160,894
Investments in real estate (note 2)	86,780,000
Receivables:	
Accounts	107,668
Interest	7,411
Deposits	4,367,502
Total Current Assets	92,423,475
Noncurrent Assets:	
Other receivable (note 4)	602,660
Total Noncurrent Assets	602,660
Total Assets	93,026,135
LIABILITIES	
Current Liabilities:	
Accounts payable	912,532
Interest payable	4,399
Unearned revenue	182,357
Deposits payable	96,057
Advances from other funds (note 5)	5,300,000
Total Liabilities	6,495,345
NET POSITION	
Unrestricted	86,530,790
Total Net Position	$ 86,530,790

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Fund Creekside Marketplace
OPERATING REVENUES	
Rental income	$ 4,964,418
Common area maintenance charges	943,336
Total Operating Revenues	5,907,754
OPERATING EXPENSES	
Property management	726,410
Janitorial	221,152
Repairs and maintenance	4,778,258
Total Operating Expenses	5,725,820
Operating Income	181,934
NON-OPERATING REVENUES	
Investment income	(5,543,590)
Other revenues	16,772
Total Non-Operating Revenues	(5,526,818)
Income Before Transfers	(5,344,884)
TRANSFERS	
Transfers out (note 5)	(2,500,000)
Total Transfers	(2,500,000)
Change in Net Position	(7,844,884)
NET POSITION	
Beginning	94,375,674
Ending	$ 86,530,790

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Fund Creekside Marketplace
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 7,455,033
Payments to suppliers for goods and services	(5,725,820)
Net cash provided by (used for) operating activities	1,745,985
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	19,493
Transfer to general fund	(2,500,000)
Net cash provided by (used for) noncapital financing activities	(2,480,507)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	(21,001)
Net cash provided by (used for) investing activities	(21,001)
Net (decrease) in cash and cash equivalents	(755,523)
Cash and cash equivalents, beginning	1,916,417
Cash and cash equivalents, ending	$ 1,160,894
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 181,934
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other revenues	16,772
(Increase) decrease in operating receivables:	
Accounts receivable	(30,915)
Deposits	1,982,143
Increase (decrease) in operating liabilities:	
Accounts payable	(226,736)
Due to other funds	4,399
Deposits payable	9,589
Unearned revenue	(191,201)
Net cash provided by (used for) operating activities	$ 1,745,985

The accompanying notes are an integral part of these financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	$ -	$ 3,976
Receivables:		
Special assessments	-	32,062
Interest	481	84
Direct financing lease	1,186,294	-
Prepaid expenses	218,403	-
Restricted Assets:		
Cash and investments with fiscal agent	39,048,860	8,309,573
Total Assets	40,454,038	8,345,695
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt	7,016,922	-
LIABILITIES		
Accounts payable	4,205	171,249
Accrued liabilities	8,272	-
Accrued interest payable	1,997,038	-
Due to other governments	6,652,313	11,744
Noncurrent Liabilities:		
Due within one year	13,765,000	-
Due in more than one year	193,284,683	-
Total Liabilities	215,711,511	182,993
NET POSITION (DEFICIT)		
Restricted for:		
Other taxing entities and other agencies	$(168,240,551)	$ 8,162,702

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2024

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Tax and special assessments	$ 21,587,605	$ 7,638,623
Income from property and investments	1,718,407	250,550
Tax collections for other agencies	-	18,641,270
Other revenue	148,732	-
Total Additions	23,454,744	26,530,443
DEDUCTIONS		
General and administrative	7,122,702	799,494
Interest expense and fees	8,547,924	-
Payments to fiscal agent on behalf of other agencies	-	27,353,303
Total Deductions	15,670,626	28,152,797
Change in Net Position	7,784,118	(1,622,354)
NET POSITION (DEFICIT)		
Beginning	(176,024,669)	9,785,056
Ending	$ (168,240,551)	$ 8,162,702

The accompanying notes are an integral part of these financial statements.

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For the Year Ended June 30, 2024

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The City of San Marcos, California (the City) was incorporated on January 25, 1963 and became a Charter City on July 4, 1994. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, community development, public safety, highways, streets and parks, public works, and culture and recreation.

These financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units

Component units are entities for which the City is considered to be financially accountable, in accordance with generally accepted accounting principles. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and data from these units are combined with data of the primary government. Based on the criteria above, the City has four component units, one discretely presented component unit and three blended component units. These component units are described as follows:

Discretely Presented Component Unit

- The *San Marcos Community Foundation* (Foundation) was established, and by-laws were adopted on October 27, 1987. On June 10, 1988, the San Marcos Community Foundation was incorporated and organized under the California Nonprofit Public Benefit Corporation Law for public and charitable purposes. As part of the by-laws, the City of San Marcos is to provide financial and investment services to the Foundation at no cost. The Foundation provides financial and other assistance to worthy programs which benefit the City and residents of San Marcos. Assets of the Foundation are reported in a Permanent Fund as only the interest earnings on the original principal of $1,000,000 can be spent on Foundation activity. The amount that is available for spending is the balance over the original endowment and is reported on the balance sheet as restricted fund balance. No less than 4% or more than 5% of total assets may be distributed in any one year as long as total assets do not fall below the original principal.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A) Description of Reporting Entity, (continued)

Blended Component Units

- The *San Marcos Public Facilities Authority* (Facilities Authority) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Facilities Authority exists under a Joint Exercise of Power Agreement dated June 1989, between the City of San Marcos and the former Redevelopment Agency of the City of San Marcos (now the Successor Agency). Its purpose is to facilitate financing for public capital improvements of the City and the Agency.

- The *California Mobilehome Financing Authority* (CAMPFA) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. CAMPFA exists under a Joint Exercise of Powers Agreement dated May 9, 1995, between the City of San Marcos and the former Redevelopment Agency of the City of San Marcos (now the Successor Agency). Its purpose is to facilitate financing for public capital improvements to be owned by its members and to establish a vehicle which may reduce local borrowing costs and promote the greater use of existing and new financial instruments and mechanisms.

- The *San Marcos Public Financing Authority* (Financing Authority) was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, a subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, each by and between the City and the Fire Protection District (FPD). The Financing Authority was created for the purpose of financing and refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City or the FPD, through the construction and/or acquisition by the Financing Authority of such public capital improvements and/or by the Financing Authority of bonds of the City, FPD or any other local agency pursuant the bond purchase agreements and/or the lending of funds by the Financing Authority to the City, the FPD or any other local agency. The Financing Authority is governed by a board of five directors, which is composed of the member of the City Council. The Executive Director of the Financing Authority is the City Manager of the City. The Financing Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or negotiated sale. The Financing Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Financing Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

Separate financial statements are not prepared for these entities.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B) Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not classified as program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions has not been eliminated in the statement of activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-Wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Custodial funds use the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, (continued)

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements under state and federal grants are accrued if received within 180 days. Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise fees, vehicle license fees, highway users' tax, interest, and some state and federal grants.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D) Fund Classifications

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

San Marcos Affordable Housing Fund

The San Marcos Affordable Housing Fund accounts for the in-lieu revenue received from developers to provide for affordable housing. The fund also accounts for the low and moderate income housing receivables of the former City of San Marcos Redevelopment Agency.

Capital Improvements Fund

The Capital Improvements Fund is used to account for capital projects funded with Federal and other grants and developer contributions.

The City reports the following major proprietary fund:

Creekside Marketplace Fund

The Creekside Marketplace Fund accounts for the activities of a City-owned shopping center.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

Private-Purpose Trust Fund

The Private-Purpose Trust Fund accounts for the activities of the Redevelopment Obligation Retirement Funds, which accumulates resources for obligations previously incurred by the former City of San Marcos Redevelopment Agency.

Custodial Funds

The Custodial Funds account for assets held by the City in a custodial capacity. These funds include refundable deposits and also account for the collection of special assessments levied on various Assessment Districts and Community Facilities Districts property owners for the payment of debt service on no commitment debt.

E) Financial Statement Elements

(1) Cash and Investments

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(3) Prepaid Items

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

(4) Land Held for Resale

Land held for resale is valued at the lower of cost or market once such amount becomes determinable upon entering into a contract for sale. Land held for resale is reflected as nonspendable or restricted fund balance in the fund financial statements to indicate that the asset does not constitute available, spendable resources.

(5) Notes Receivable

The accompanying financial statements reflect the recording of certain notes receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property.

(6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net assets or fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(7) Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources, such as taxes, are reported as general revenues rather than program revenues.

(8) Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego (the County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of assessed value. The assessed value can only increase each year by inflation with a maximum of 2%. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

(9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services and lease revenue. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for the enterprise funds include the cost of sales and services, and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(10) Capital and Intangible Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the enterprise funds in the fund financial statements. Capital assets are defined by the government as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at the time of acquisition. Intangible assets are recorded at the value of the liability recognized and amortized on a straight-line basis over the life of the liability.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Depreciation starts the year following acquisition.

	Years
Buildings	50
Furniture and Equipment	3-10
Infrastructure	20-50

(11) Compensated Absences

Vacation pay is payable to employees at the time used or upon termination of employment. Sick leave accrued but unused is cumulative from year to year. Employees are allowed to cash out sick leave hours over certain balances once a year and upon termination. All vacation pay and applicable sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All compensated absences are liquidated in the General Fund.

(12) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that the expenses are reported only once in the function in which they are allocated.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(13) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(14) Postemployment Benefits other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

GASB Statement No. 75, which was implemented in the current year, requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 1899
Measurement Period	July 1, 1899 to June 30, 1899

(15) Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 1899
Measurement Date (MD)	June 30, 1899
Measurement Period (MP)	July 1, 1899 to June 30, 1899

(16) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

(17) Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in physical form (such as inventory) or that are legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by external legal requirements imposed by other governments, external resource providers, or creditors. Restrictions imposed by the City Council do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City Council considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the City Council or by persons to whom the City Council has delegated the authority to assign amounts for specific purposes. The City Council has not delegated such authority to others in the City, and therefore retains its authority to assign fund balance.

Unassigned Fund Balance – this includes negative fund balance in governmental funds and the remaining spendable amounts which are not included in one of the other classifications in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

(18) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(19) New Accounting Pronouncements

During the fiscal year ended June 30, 2024, the City implemented the following GASB standard:

GASB Statement No. 100 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement provides guidance on the accounting and financial reporting for the effects of changes in accounting policies and corrections of errors within the financial statements.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 165,647,525
Cash and investments with fiscal agents	871,821
Pension trust cash and investments	2,727,743
Investments in real estate	153,930,000
Investment in joint venture	7,374,224
Statement of fiduciary net position:	
Private-Purpose Trust Fund	
Cash and investments with fiscal agents	39,048,860
Custodial Funds	
Cash and investments	3,976
Cash and investments with fiscal agents	8,309,573
Total Cash and Investments	$ 377,913,722

Cash and investments at June 30, 2024 consisted of the following:

Demand deposits	$ 11,230,043
Federal Agency Securities	11,200,862
U.S. Treasury Obligations	22,111,365
U.S. Corporate	18,170,528
Asset-Backed Securities	5,384,448
Collateralized Mortgage Obligations	7,022,684
Supranational	1,394,250
Money Market Mutual Funds	46,443,322
Local Agency Investment Fund (LAIF)	40,623,264
California Asset Management Program (CAMP)	53,028,732
Real Estate	153,930,000
Joint Venture	7,374,224
Total Cash and Investments	$ 377,913,722

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the California Government Code and the City's investment policy. In addition to the table below, the investment policy specifies that the City may invest in other investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the City Council. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investment Type Authorized by State Law	Authorized By City Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Municipal Obligations	Yes	5 years	30%	5%
Supranationals	Yes	5 years	30%	10%
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
US Corporate Medium Term Notes	Yes	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	10%	5%
Asset-Backed Securities	Yes	5 years	10%	None
Collateralized Mortgage Obligations	Yes	5 years	10%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	$75 million per entity
California Asset Management Program (CAMP)	Yes	N/A	None	None
County Pooled Investment Funds	No	N/A	None	None

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Repurchase Agreements	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$75 million per entity
Investment Contracts	None	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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2) CASH AND INVESTMENTS, (continued)

Interest Rate Risk, (continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	N/A
Federal Agency Securities	$ 11,200,862	$ 2,328,270	$ 5,029,113	$ 3,843,479	$ -
U.S. Treasury Obligations	21,814,999	700,142	8,421,643	12,693,214	-
U.S. Corporate	18,170,528	1,857,966	6,170,610	10,141,952	-
Asset-Backed Securities	5,384,448	343,866	3,174,419	1,866,163	-
Collateralized Mortgage Obligations	7,022,684	-	2,416,185	4,606,499	-
Supranational	1,394,250	-	605,469	788,781	-
Money Market Mutual Funds	128,692	128,692	-	-	-
LAIF	40,623,264	40,623,264	-	-	-
CAMP	53,028,732	53,028,732	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	46,314,630	46,314,630	-	-	-
U.S. Treasury Obligations	296,366	296,366	-	-	-
Real Estate	153,930,000	-	-	-	153,930,000
Total	$ 359,309,455	$ 145,621,928	$ 25,817,439	$ 33,940,088	$ 153,930,000

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2) CASH AND INVESTMENTS, (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Standard & Poor's Rating as of Year End
Federal Agency Securities	$ 11,200,862	N/A	AA+
U.S. Treasury Obligations	21,814,999	N/A	N/A
U.S. Corporate	18,170,528	N/A	N/A
Asset-Backed Securities	5,384,448	N/A	AAA
Collateralized Mortgage Obligations	7,022,684	N/A	A-
Supranational	1,394,250	N/A	AAA
Money Market Mutual Funds	128,692	N/A	AAA
LAIF	40,623,264	N/A	Not Rated
CAMP	53,028,732	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	46,314,630	A	AAA
U.S. Treasury Obligations	296,366	N/A	N/A
Real Estate	153,930,000	N/A	Not Rated
Total	$ 359,309,455		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer other than external investment pools and mutual funds that represent 5% or more of the total City investments (or 5% or more of any major fund or non-major funds in the aggregate) must be disclosed. There are no investments at June 30, 2024 that meet the above criteria.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

2) CASH AND INVESTMENTS, (continued)

Custodial Credit Risk, (continued)

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy requires that all securities owned by the City be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and by the City. At June 30, 2024, the City deposits (bank balances) were collateralized under California Law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The City may invest up to $75 million in LAIF funds. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at http://www.treasurer.ca.gov. Currently, LAIF does not have an investment rating. LAIF has a minimum $5,000 transaction amount in increments of $1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of $10 million or more.

The value of the City's investment in this pool is based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust.

2) CASH AND INVESTMENTS, (continued)

Investment in California Asset Management Program Pool, (continued)

The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application,* establishes a fair value hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The following table presents the balances of the assets measured at fair value on a recurring basis of June 30, 2024.

		Fair Value Measurement Using		
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Federal Agency Securities	$ 11,200,862	$ -	$ 11,200,862	$ -
U.S. Treasury Obligations	21,814,999	-	21,814,999	-
U.S. Corporate	18,170,528	-	18,170,528	-
Asset-Backed Securities	5,384,448	-	5,384,448	-
Collateralized Mortgage Obligations	7,022,684	-	7,022,684	-
Supranational	1,394,250	-	1,394,250	-
Held by bond trustees:				
U.S. Treasury Obligations	296,366	-	296,366	-
Real Estate	153,930,000	-	-	153,930,000
Total Investments by Fair Value Level	219,214,137	$ -	$ 65,284,137	$ 153,930,000
Not subject to the fair value hierarchy:				
LAIF	40,623,264			
CAMP	53,028,732			
Money Market Mutual Funds	128,692			
Held by bond trustees:				
Money Market Mutual Funds	46,314,630			
Total	$ 359,309,455			

3) NOTES RECEIVABLE

At June 30, 2024, notes receivable consisted of the following:

The City loaned $8,672,500 to AOA San Marcos LLC for construction financing of a mixed use complex. The loan agreements were undergoing renegotiation as of June 30, 2024 and bears an interest rate of 5.25% per annum. Due to the long-term nature of the loan, unavailable revenue has been recorded in the General Fund. The balance at June 30, 2024 includes accrued interest of $2,278,982.	$ 10,951,482
The City of San Marcos affordable housing program has made various loans to individuals to acquire and own property within mobile home parks. These loans are at various low simple interest rates. Principal and interest are due in 30 years from the date of the note unless the property is sold or the individual no longer qualifies under low or moderate income requirements. Due to the long-term nature of the loans, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.	779,990
The City and former City of San Marcos Redevelopment Agency made several loans to various housing developers for the acquisition, construction or rehabilitation of low and moderate housing. Upon the dissolution of the Redevelopment Agency, these loans were transferred to the City's affordable housing program. The loans were made in fiscal years 1997 through 2011 at various amounts and at interest rates ranging from 0.25% to 5.9% per annum. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. Due to the long-term nature of the loans, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.	186,617,167
In June 2001, the City loaned $1,320,000 to a developer for the acquisition, development and construction of a commercial pad. The loan has a term of thirty years and bears an interest rate of 3%. Payments from residual receipts, if any, are to be made on an annual basis beginning with May 15 of the year first following the date the project is completed. Due to the long-term nature of the loan, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2024 includes accrued interest of $631,067.	1,951,067

3) NOTES RECEIVABLE, (continued)

In December 2004, the City loaned $700,000 to Assisted Living Foundation of America (ALFA), a non-profit corporation, to assist with the development of a 120-unit senior housing project. The loan is payable in full on June 1, 2038 and bears an interest rate of 1%. Due to the long-term nature of the loan, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2024 includes accrued interest of $128,722.	$ 828,722
The City made two loans for a total amount of $1,845,625 to ALFA to assist with the development of a 100-unit affordable rental housing project. The loan is payable in full on June 1, 2040 and bears an interest rate of 3%. Due to the long-term nature of the loan, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June, 30, 2024 includes accrued interest of $817,598.	2,663,223
The City has provided loans to several individuals under a Federal (HOME) and a State (CalHOME) mortgage assistance loan programs. The loans are to be repaid in 30 years and bear an interest rate of 3%. Due to the long-term nature of these loans, unavailable revenue has been recorded in the HOME Grant and the CalHOME Grant Special Revenue Funds.	1,915,960
The former City of San Marcos Redevelopment Agency provided loans to individuals under a mortgage assistance program. The loans are to be repaid in 30 years and bear an interest of 3%. Upon the dissolution of the Redevelopment Agency, these loans were transferred to the City's affordable housing program. Due to the long-term nature of the loans, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund.	494,455
Total notes receivable	$ 206,202,066

4) OTHER RECEIVABLES

At June 30, 2024, other receivables consisted of the following:

Governmental Funds:

The City has entered into an agreement with a property owner whereby certain public facilities fees are being deferred. The revenue has been deferred in the governmental funds.	$ 120,516
Other miscellaneous receivables	976,175
Total other receivables – governmental funds	$ 1,096,691

Proprietary Funds:

In June 2004, the City entered into a Release and Settlement Agreement with a contractor whereby $974,652 is to be remitted to the City over the next fifty years as compensation for the loss of lease space. Payments of $1,624 are to be made on the fifteenth day of each month beginning on or about June 15, 2005 through May 15, 2055.	$ 602,660

Lease Receivables

During the current fiscal year, the City entered into various lease receivable agreements for the use of buildings and land. The leases range from 12-396 months in term to fiscal year 2056. Amounts collected annually range from $24,000 to $826,000. For the fiscal year ended June 30, 2024, the City recognized $2,640,638 in lease revenue and $374,364 in interest revenue.

The schedule of future payments of principal and interest for the lease receivable is as follows:

Year Ending June 30,	Principal	Interest
2025	$ 2,707,448	$ 345,242
2026	2,719,669	295,150
2027	2,602,674	245,903
2028	2,243,156	198,831
2029	1,517,665	165,779
2030-2034	5,486,639	445,468
2035-2039	1,384,630	118,159
2040-2044	241,283	21,569
2045-2049	40,385	12,674
2050-2054	49,719	6,612
2055-2056	21,771	602
	$ 19,015,039	$ 1,855,989

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2024:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	$ 902,562
General Fund	Non-Major Governmental Funds	3,875,235
		$ 4,777,797

The loans from the General Fund to the Non-Major Governmental Funds were made to eliminate short-term cash deficits.

Long term loans between funds (Advances to/Advances from) were as follows at June 30, 2024:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	$ 995,282
Non-Major Governmental Funds	General Fund	1,000,000
Non-Major Governmental Funds	Creekside Marketplace Fund	5,300,000
		$ 7,295,282

The loan from the San Marcos Affordable Housing Fund to the General Fund was made for the purchase of a proportional share of the Next Generation Regional Communications System (NextGen RCS), which provides public safety and public service radio communications to San Diego and Imperial Counties. The loan from the Public Facility Fund to the Creekside Marketplace Fund and the Real Property Management Fund (within General Fund) was made for the purpose of funding capital project obligations.

5) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

Interfund transfers were as follows:

	Transfers In				
	General Fund	San Marcos Affordable Housing	Capital Improvements	Non-Major Governmental Funds	Total Transfers Out
Transfers Out:					
General Fund	$ -	$ 190,062	$ 654,902	$ 831,000	$ 1,675,964
Non-major Governmental Funds	773,271	-	19,199,567	-	19,972,838
Creekside Marketplace Enterprise Fund	2,500,000	-	-	-	2,500,000
Total Transfers In:	$ 3,273,271	$ 190,062	$ 19,854,469	$ 831,000	$ 24,148,802

All of the transfers were made as budgeted. The transfer of $2,500,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. $654,902 from the General Fund to the Capital Improvements Fund was to fund Capital Improvement projects. The $19,199,567 of transfers from the Non-Major Governmental Funds to the Capital Improvements Fund were also to fund the CIP projects.

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6) UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenue	Unearned Revenue	Total
Revenue received prior to recognition period	$ -	$ 892,170	$ 892,170
Revenue received from developers prior to earning	-	2,302,304	2,302,304
Revenues earned but not available within 60 days after the close of the fiscal year	343,221	-	343,221
Fees receivable from property owners under various agreements	649,401	-	649,401
Long-term loans to mobile home owners	779,990	-	779,990
Long-term loans to individuals under under a mortgage assistance program	2,426,415	-	2,426,415
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	201,958,693	-	201,958,693
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,990,667	-	1,990,667
Total unavailable/unearned revenue for governmental funds	$ 208,148,387	$ 3,194,474	$211,342,861

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2024:

Governmental Activities:	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets, not depreciated:				
Land	$ 233,618,921	$ -	$ -	$ 233,618,921
Land improvements	66,871,063	-	-	66,871,063
Construction in progress	127,976,312	27,022,581	(222,588)	154,776,305
Total capital assets, not depreciated	428,466,296	27,022,581	(222,588)	455,266,289
Capital assets, being depreciated/amortized:				
Buildings	73,256,572	-	-	73,256,572
Furniture and equipment	22,101,309	690,369	(424,291)	22,367,387
Infrastructure	388,495,329	-	-	388,495,329
Right-to-use equipment	3,881,769	-	-	3,881,769
Right-to-use subscription assets	257,840	65,506	(32,496)	290,850
Total capital assets, being depreciated/amortized	487,992,819	755,875	(456,787)	488,291,907
Less accumulated depreciation/amortization for:				
Buildings	(37,294,457)	(1,462,555)	-	(38,757,012)
Furniture and equipment	(16,582,946)	(1,054,539)	424,291	(17,213,194)
Infrastructure	(231,989,131)	(9,957,101)	-	(241,946,232)
Right-to-use equipment	(1,481,078)	(456,945)	-	(1,938,023)
Right-to-use subscription assets	(38,516)	(102,114)	32,496	(108,134)
Total accumulated depreciation/amortization	(287,386,128)	(13,033,254)	456,787	(299,962,595)
Total capital assets, being depreciated/amortized, net	200,606,691	(12,277,379)	-	188,329,312
Total governmental activities	$ 629,072,987	$14,745,202	$ (222,588)	$ 643,595,601

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 861,349
Public safety	1,511,973
Highways, streets and parks	10,349,946
Culture and recreation	309,986
Total depreciation expense – governmental activities	$ 13,033,254

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Governmental Activities:					
Long-term debt					
Direct borrowing:					
Loans payable	$ 425,627	$ -	$ (92,931)	$ 332,696	$ 93,874
Safety center private placement financing	1,910,000	-	(345,000)	1,565,000	350,000
Subtotal long-term debt	2,335,627	-	(437,931)	1,897,696	443,874
Other long-term liabilities					
Compensated absences	5,008,697	3,452,594	(3,389,598)	5,071,693	3,141,324
Claims payable	1,084,617	456,377	(440,216)	1,100,778	600,000
Leases payable	1,192,311	-	(435,188)	757,123	297,965
Subscriptions payable	200,526	-	(55,068)	145,458	57,763
Subtotal other long-term liabilities	7,486,151	3,908,971	(4,320,070)	7,075,052	4,097,052
Total long-term liabilities	$ 9,821,778	$ 3,908,971	$ (4,758,001)	$ 8,972,748	$ 4,540,926

The entire net pension and total OPEB liabilities are reported as a noncurrent liabilities in the accompanying Statement of Net Position in accordance with GASB Statement Nos. 68 and 75, respectively. Net pension and total OPEB liabilities are generally liquidated by the City's General Fund. See notes 11 and 12, respectively, for more information.

Loans Payable - Direct Borrowing

In March 2014, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for a preliminarily approved amount of $1,100,000, at an annual interest rate of 1.0%. The loan is for an energy savings project consisting of retrofitting 2,000 LED streetlight fixtures throughout the City. The City receives the loan proceeds on a cost reimbursement basis. The project was completed, and the amount of the loan was finalized on May 3, 2016 at $1,049,332. The semi-annual loan repayments of $48,484 from the Community Facilities District 98-02 and the Street Light District Special Revenue Funds are due each December 22 and June 22 through year 2027. In the event annual cost savings fail to equal or exceed the amount due under the loan agreement, the agreement may be renegotiated to assure that the repayment amount does not exceed the actual energy savings or avoided costs resulting from the project.	$ 332,696

8) LONG-TERM LIABILITIES, (continued)

Loans Payable - Direct Borrowing, (continued)

The annual requirements to amortize the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 93,874	$ 3,094	$ 96,968
2026	94,815	2,153	96,968
2027	95,765	1,203	96,968
2028	48,242	242	48,484
Total	$ 332,696	$ 6,692	$ 339,388

Safety Center Private Placement Financing - Direct Borrowing

In November 2017, the San Marcos Public Financing Authority entered into a private placement financing agreement in the amount of $3,535,000 to refund the San Marcos Public Facilities Authority 2006 Lease Revenue Refunding Bonds for the construction of a safety center. The interest and principal are due semi-annually on May 1 and November 1 commencing May 1, 2018 at interest rate of 2.37%. Payments due are funded by the revenues generated from the use of the safety center from various entities. The reserve requirement was fully funded at the end of the fiscal year.	$1,565,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 350,000	$ 37,091	$ 387,091
2026	360,000	28,795	388,795
2027	370,000	20,263	390,263
2028	380,000	11,494	391,494
2029	105,000	2,488	107,488
Total	1,565,000	100,131	1,665,131

8) LONG-TERM LIABILITIES, (continued)

Compensated Absences

GASB Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The accrued liability for these vested benefits, payable in accordance with various collective bargaining agreements, totals $5,071,693 as of June 30, 2024.

Claims Payable

Claim and judgment liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City records the estimated loss, net of any insurance coverage under its self-insurance program (See note 13). The amount outstanding as of June 30, 2024 was $1,100,778.

Leases Payable

Type I Fire Engine and Tractor Down Ladder Truck Lease

On October 20, 2016, the City entered into an 84-month lease as Lessee for the use of a 2017 Pierce Type-I Fire Engine and a Pierce 100' Tractor-Drawn Ladder Truck. An initial lease liability was recorded in the amount of $1,904,493. As of June 30, 2024, the lease liability had been fully paid. The lessee was required to make monthly fixed payments of $74,276 until October 20, 2023. The lease has an interest rate of 2.47%. The equipment useful life was 84 months as of the contract commencement. The value of the asset as of June 30, 2024 was $1,904,493 with an accumulated depreciation of $1,318,064.

Type I Fire Engine – Pierce Velocity FR PUC Lease

On November 22, 2019, the City entered into an 84-month lease as Lessee for the use of a Pierce Velocity Firetruck Type-I. An initial lease liability was recorded in the amount of $1,509,757. As of June 30, 2024, the value of the lease liability was $529,375. The lessee is required to make monthly fixed payments of $61,536 until August 22, 2026. The lease has an interest rate of 4.90%. The value of the asset as of June 30, 2024 was $1,509,757 with an accumulated depreciation of $517,516.

8) LONG-TERM LIABILITIES, (continued)

Leases Payable, (continued)

Type III Fire Engine Lease

On October 29, 2020, the City entered into an 84-month lease as Lessee for the use of a Type-III Fire Engine. An initial lease liability was recorded in the amount of $467,519. As of June 30, 2024, the value of the lease liability was $227,748. The lessee is required to make monthly fixed payments of $18,336 until October 29, 2027. The lease has an interest rate of 2.63%. The value of the asset as of June 30, 2024 was $467,519 with an accumulated depreciation of $102,443.

Future lease payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 297,965	$ 21,521	$ 319,486
2026	308,280	11,206	319,486
2027	114,565	1,979	116,544
2028	36,313	359	36,672
Total	$ 757,123	$ 35,065	$ 792,188

Subscriptions Payable

The City entered into various subscription based IT arrangements (SBITA) for $257,840. The arrangements are for 12-60 months with interest rates that range from 1.710% to 2.366%. The City is required to make payments ranging between $26,559-$33,250. As of June 30, 2024, the City had $145,458 outstanding for the subscription payable. The combined value of the right to use asset, as of June 30, 2024, of $290,850 with accumulated amortization of $108,134.

Future lease payments under the leases are as follows:

June 30,	Principal	Interest	Total
2025	$ 57,764	$ 3,439	$ 61,203
2026	60,562	2,073	62,635
2027	27,132	641	27,773
Total	$ 145,458	$ 6,153	$ 151,611

9) FUND BALANCE CLASSIFICATIONS

Fund balance for governmental funds are classified as (1) nonspendable, (2) restricted, (3) assigned, or (4) unassigned. The details of the governmental fund balances as of June 30, 2024 are presented below:

	General	San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Land held for resale	$ 440,594	$ -	$ -	$ -	$ 440,594
Deposits	6,251,704	-	-	-	6,251,704
Investments in real estate	67,150,000	-	-	-	67,150,000
Investment in joint venture	7,374,224	-	-	-	7,374,224
Subtotal	81,216,522	-	-	-	81,216,522
Restricted for:					
Affordable housing	-	49,682,353	-	-	49,682,353
Transportation	-	-	-	16,131,503	16,131,503
Lighting and landscape	-	-	-	21,126,817	21,126,817
Pension trust	2,727,743	-	-	-	2,727,743
Capital improvements	-	-	-	1,077,482	1,077,482
Public facilities	-	-	-	29,979,548	29,979,548
Other purposes	-	-	-	5,101,236	5,101,236
Subtotal	2,727,743	49,682,353	-	73,416,586	125,826,682
Assigned to:					
City facilities replacement/ rehabilitation	5,626,310	-	-	-	5,626,310
City infrastructure replacement/ rehabilitation	5,024,437	-	-	-	5,024,437
Subtotal	10,650,747	-	-	-	10,650,747
Unassigned (deficit)	27,724,575	-	(11,526,145)	(4,053,550)	12,144,880
Total	$ 122,319,587	$ 49,682,353	$ (11,526,145)	$ 69,363,036	$ 229,838,831

10) NET POSITION CLASSIFICATIONS

Net position for governmental activities and business-type activities is classified as (1) net investment in capital assets, (2) restricted, or (3) unrestricted. The details of the net position as of June 30, 2024 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	$ 643,595,601	$ -	$ 643,595,601	$ -
Loss on defeasance of debt	35,089	-	35,089	-
Less capital related debt balances:				
Private placement financing	(1,565,000)	-	(1,565,000)	-
Leases payable	(757,123)	-	(757,123)	-
Subscriptions payable	(145,458)	-	(145,458)	-
Loans payable	(332,696)	-	(332,696)	-
Total Net Investment in Capital Assets	640,830,413	-	640,830,413	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	315,818
Affordable housing	244,273,429	-	244,273,429	-
Transportation	16,132,948	-	16,132,948	-
Lighting and landscape	21,146,015	-	21,146,015	-
Public facilities	30,116,438	-	30,116,438	-
Pension trust	2,727,743	-	2,727,743	-
Capital improvements	1,077,482	-	1,077,482	-
Other purposes	5,101,236	-	5,101,236	-
Total Restricted	320,575,291	-	320,575,291	1,315,818
Unrestricted	45,250,631	86,530,790	131,781,421	-
Total	$ 1,006,656,335	$ 86,530,790	$ 1,093,187,125	$ 1,315,818

11) RETIREMENT PLAN

A) General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent multiple-employer defined benefit pension plan and a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2022 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (one miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous Plan		
Hire date	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	8.00%
Required employer contribution rates	12.880%	12.880%	12.880%

	Safety Plan		
Hire date	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	14.50%
Required employer contribution rates	29.090%	24.790%	14.500%

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

Employees Covered

At June 30, 1899 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	236
Inactive employees entitled to but not yet receiving benefits	348
Active employees	185
Total	769

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process.

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2024 were $5,966,773.

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2024 were $3,502,969.

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

The actual employer payments of $3,268,116 made to CalPERS by the City during the measurement period ended June 30, 2023 differed from the City's proportionate share of the employer's contributions of $3,111,414 by $156,702, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 1899, using an annual actuarial valuation as of June 30, 1899 rolled forward to June 30, 1899 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Mortality Rate Table[(1)]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

Asset Class[1]	Current Target Allocation	Real Return[1,2]
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grate corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

[1]An expected inflation of 2.30% is used for this period.
[2] Figures are based on the 2021 Asset Liability Management study

Change of Assumptions

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The following table shows the Plan's change in net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2022 (VD)	**$ 166,227,875**	**$ 115,950,097**	**$ 50,277,778**
Changes Recognized for the Measurement Period:			
• Service Cost	2,703,714	-	2,703,714
• Interest on the Total Pension Liability	11,496,728	-	11,496,728
• Changes of Benefit Terms	154,718	-	154,718
• Differences between Expected and Actual Experience	3,456,996	-	3,456,996
• Contributions from Employers	-	5,888,165	(5,888,165)
• Contributions from Employees	-	1,460,599	(1,460,599)
• Net Investment Income	-	7,234,270	(7,234,270)
• Benefit Payments, including Refunds of Employee Contributions	(9,144,408)	(9,144,408)	-
• Administrative Expense	-	(85,264)	85,264
Net Changes during 2022-23	**8,667,748**	**5,353,362**	**3,314,386**
Balance at: 6/30/2023 (MD)	**$ 174,895,623**	**$ 121,303,459**	**$ 53,592,164**

Valuation Date (VD), Measurement Date (MD).

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

The following table shows the cost sharing, multiple-employer Plans' proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2022 (VD)	$ 99,689,726	$ 73,677,152	$ 26,012,574
Balance at: 6/30/2023 (MD)	106,800,707	78,078,363	28,722,344
Net changes during 2022-23	$ 7,110,981	$ 4,401,211	$ 2,709,770

Valuation Date (VD), Measurement Date (MD).

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the safety Plan as of the June 30, 2022 and 2023 measurement dates was as follows:

	Safety Plan
Proportion - June 30, 2022	0.37855%
Proportion - June 30, 2023	0.38425%
Change - Increase (Decrease)	0.00570%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of each Plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plans' Net Pension Liability	$ 77,029,217	$ 53,592,164	$ 34,358,748
Safety Plans' Net Pension Liability	$ 43,373,501	$ 28,722,344	$ 16,743,981

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining services lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2023 is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Plan for the measurement period ending June 30, 2023 is 2.9 years, which was obtained by dividing the total service years of 2,217 (the sum of remaining service lifetimes of the active employees) by 769 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

11) RETIREMENT PLAN, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2022), the net pension liability was $50,227,778. For the measurement period ending June 30, 2023 (the measurement date), the City incurred a pension expense of $8,546,730 for the Plan.

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2022), the net pension liability for the safety plans is $26,012,574. For the measurement period ending June 30, 2023 (the measurement date), the City incurred a pension expense of $5,830,883 for the Plan.

The aggregate amount of pension expenses for the Miscellaneous and Safety plans for the measurement period ending June 30, 2023 is $14,377,613.

As of June 30, 2024, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 2,264,928	$ (967,972)	$ 2,108,749	$ (180,531)
Changes of Assumptions	1,771,903	-	1,676,275	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,435,620	-	3,930,645	-
Change in Employer's Proportion	-	-	1,718,360	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	115,465	(1,086,855)
Pension Contributions Subsequent to Measurement Date	5,966,773	-	3,502,969	-
	$ 15,439,224	$ (967,972)	$ 13,052,463	$ (1,267,386)

These amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense. The $5,966,773 and $3,502,969 reported as deferred outflows of resources related to the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in upcoming fiscal year.

11) RETIREMENT PLAN, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2025	$ 2,937,274	$ 2,911,082
2026	1,594,809	1,993,864
2027	3,832,781	3,267,450
2028	139,615	109,712
2029	-	-
Thereafter	-	-

E) Payable to the Pension Plan

The City reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

F) Defined Contribution Pension Plan

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and the City Council has resolved to pay 1.9% for City employees of the required contribution. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2024, the City's total payroll and covered payroll for part-time employees was $2,029,574. The City made employer contributions of $38,501 (1.9% of current covered payroll), and employees contributed $113,475 (5.6% of current covered payroll).

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A) General Information about the OPEB Plans

Plan Description

Safety – Single Employer Defined Benefit Plan

Effective January 12, 1999, the City of San Marcos City Council and the San Marcos Fire Protection District (SMFPD) Board of Directors authorized the merger of the City and SMFPD contracts for the California Public Employees' Retirement System (CalPERS) for the Safety employees. For Safety retirees who retired before the merger, the City continues to contribute the amount necessary to pay the full cost of enrollment in the CalPERS Health Plan, including the enrollment of eligible family members, as passed by resolution by the SMFPD Board of Directors on April 12, 1977. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. For Safety retirees who retired after the merger, the City provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. The scheduled minimum required employer contributions for each eligible retiree under the CalPERS Health Plan are $154 per month in 2024.

Miscellaneous – Single Employer Defined Benefit Plan

For non-safety or Miscellaneous employees, the City offers retirees and eligible dependents to continue on the City's miscellaneous employee health plan until they are eligible for Medicare benefits. Retirees may participate in the health plan at their own cost.

The City does not issue any financial report for the plans. A separate financial report is not prepared for the plans.

Employees Covered

As of the June 30, 2023 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	230
Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to, but not yet receiving benefits	20
Total	281

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

A) General Information about the OPEB Plans, (continued)

Contributions

The City pays the portion of the employer related health insurance premiums for the current retirees and their spouses/dependents on a pay-as-you-go basis (no prefunding). For fiscal year ended June 30, 2024, the City paid $232,696 for other postemployment benefits.

B) Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2022 to determine the June 30, 2024 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2023 Measurement Date
Actuarial Valuation Date	June 30, 2022
Contribution Policy	No pre-funding
Discount Rate	3.65% at June 30, 2023 (Bond Buyer 20-Bond Index) 3.54% at June 30, 2022 (Bond Buyer 20-Bond Index)
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	Based on CalPERS 2000-2019 Experience Study
Salary increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare – 8.5% for 2023, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) – 7.5% for 2023, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) – 6.25% for 2023, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	3.50%
Healthcare Participation	*Current Actives:* Miscellaneous - 70% Safety - 60% *Current Retirees:* 100% if covered, 5% re-elect PEMHCA at 65, if waived

Discount Rate

A discount rate of 3.65 percent was used in the valuation for measurement date June 30, 2023.

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2023 (6/30/22 measurement date)	$ 7,044,436
Changes recognized for the measurement period:	
Service cost	420,635
Interest	260,144
Differences between expected and actual experience	-
Changes of assumptions	(99,929)
Benefit payments	(232,696)
Net changes	348,154
Balance at June 30, 2024 (6/30/23 measurement date)	$ 7,392,590

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	$ 8,381,647	$ 7,392,590	$ 6,568,967

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 6,309,095	$ 7,392,590	$ 8,759,016

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

OPEB Plan Fiduciary Net Position

As the City is not prefunding with an OPEB trust, Plan Fiduciary Net Position was $0 at the June 30, 2023 measurement date. The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the City recognized OPEB expense of $185,558. As of fiscal year ended June 30, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	$ 234,352	$ (2,345,528)
Changes of assumptions	1,050,952	(1,704,461)
Contributions to OPEB plan subsequent to the measurement date	233,648	-
Total	$ 1,518,952	$ (4,049,989)

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

The $233,648 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2025	$ (495,903)
2026	(446,903)
2027	(399,903)
2028	(318,957)
2029	(212,176)
Thereafter	(890,843)

13) INSURANCE

A) California Joint Powers Insurance Authority

(1) Description of Self-Insurance Pool Pursuant the Joint Powers Agreement

The City of San Marcos is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(2) Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $100,000 to $500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $500,000 to $50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Subsidence losses also have a $50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: https://cjpia.org/coverage/risk-sharing-pools/.

(3) Purchased Insurance

Pollution Legal Liability Insurance

The City of San Marcos participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of San Marcos. Coverage is on a claims-made basis. There is a $250,000 deductible. The Authority has an aggregate limit of $20 million.

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

Property Insurance

The City of San Marcos participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of San Marcos property is currently insured according to a schedule of covered property submitted by the City of San Marcos to the Authority. City of San Marcos property currently has all-risk property insurance protection in the amount of $226,451,245. There is a $10,000 deductible per occurrence except for non-emergency vehicle insurance which has a $2,500 deductible.

Earthquake and Flood Insurance

The City of San Marcos purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of San Marcos property currently has earthquake protection in the amount of $184,063,985. There is a deductible of 5% per unit of value with a minimum deductible of $100,000.

Crime Insurance

The City of San Marcos purchases crime insurance coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

The City of San Marcos further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of San Marcos according to a schedule. The City of San Marcos then pays for the insurance. The insurance is facilitated by the Authority.

(4) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2023-24.

13) INSURANCE, (continued)

B) Public Agency Self-Insurance System (PASIS)

Workers Compensation

The City is a member of the Public Agency Self-Insurance System (PASIS) which is a joint powers authority of nine fire districts in San Diego County and the City of San Marcos. PASIS' purpose is to provide for payment of workers' compensation claims, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses.

For claims arising prior to July 1, 2001, the City was responsible for the first $250,000 of each loss. For claims arising during the year ended June 30, 2002, the deductible amount was $400,000. For claims arising between July 1, 2002 and June 30, 2009, the deductible amount was $500,000. The deductible for claims arising after June 30, 2009 is $300,000. PASIS carries excess insurance through a commercial insurance company to cover amounts over the self-insured retention. PASIS requires the City to maintain a minimum of $300,000 cash deposit with PASIS. At June 30, 2024, the City had $799,640 on deposit with PASIS and claims payable of $1,100,779.

14) JOINT VENTURES

North County Dispatch Joint Powers Authority

The City is a member of the North County Dispatch Joint Powers Authority (the JPA). The JPA was formed on June 11, 1984, and other member agencies include the Rancho Santa Fe Fire Protection District, the North County Fire Protection District and the cities of Vista, Solana Beach, Oceanside, Encinitas, and Carlsbad. The purpose of the JPA is to provide dispatching and emergency communication services for fire protection, security, and medical services. Each member provides an annually determined contribution towards the ongoing operation. In the event of dissolution of the JPA, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement.

The activities of the JPA are supervised by a board consisting of eight directors who are appointed by each member's governing body.

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2024, the most current available information, is as follows:

Assets	$ 12,338,111
Deferred outflows	1,562,941
Liabilities	(2,669,838)
Deferred inflows	(441,279)
Net position	$ 10,789,935

Revenues	$ 7,677,058
Expenses	(7,142,315)
Change in net position	$ 534,743

The City's share of the JPA's assets, liabilities, equity, and changes therein during the year is not available and is not material to the City's financial statements. Separate financial statements of the JPA are available at 16936 El Fuego Drive (P.O. Box 410), Rancho Santa Fe, CA 92067.

Rancheros Commercial Park

The former City of San Marcos Redevelopment Agency (the Agency) entered into a Disposition and Development Agreement with LBP Partnership on March 6, 1989. In accordance with that Agreement, the Agency and LBP Partnership formed a Limited Partnership known as Rancheros Commercial Park, a Limited Partnership. The purpose of this Limited Partnership was to engage in the business of leasing, developing, constructing, maintaining and operating certain commercial/industrial property. Each of the Partners leased to the Partnership certain real property owned by the General and Limited Partners. The capital contributions to be made by Partners were to be adjusted to match, on a percentage basis, the proportionate land areas leased by the Partners to the Partnership. The net profits of the Partnership are allocated to, and net losses suffered by the Partnership are borne by, the Partners in proportion to their respective contributions of capital and real estate. On March 26, 2010, the Agency's interest in this partnership was transferred to the City. The City's equity interest in this Limited Partnership is $7,374,224 as of June 30, 2024. Separate financial statements for this joint venture are not available.

15) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT

Bonds issued to finance public improvement projects in certain assessment districts and community facilities districts are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for the collection of special assessments from the property owners and the payment of principal and interest to the bondholders. The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements. The balance in the reserve account at the end of the fiscal year for each bond issue was above the reserve requirement.

Type of Debt	Amount of Issue	Outstanding June 30, 2024
City of San Marcos Community Facilities District No. 88-1, Special Tax Refunding Bonds, Series 2012, (Improvement Area No. 1, 2, 3)	$ 22,425,000	$ 4,811,551
City of San Marcos Community Facilities District No. 99-01, Special Tax Refunding Bonds, Series 2021 (Improvement Area C2B, I1, I2)	9,720,000	8,055,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2021 (Improvement Area No. 1)	10,575,000	8,640,000
City of San Marcos Community Facilities District No. 99-01, 2018 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	16,955,000	13,470,000
City of San Marcos Community Facilities District No. 99-01, 2024 Special Tax Refunding Bonds (Improvement Area A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, V1A, CFD 91-01)	17,595,000	17,595,000
Total	$ 77,270,000	$ 52,571,551

15) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT, (continued)

The City, the Successor Agency to the former Redevelopment Agency, the San Marcos Public Facilities Authority, San Marcos Public Financing Authority, and the California Mobile Home Financing Authority have issued bonds to provide financing for the acquisition, construction and/or development of various residential dwelling units, industrial facilities, school facilities, facilities for the elderly and rental housing for low and moderate income persons. However, neither the faith and credit nor the general taxing power of the City, Successor Agency or Authorities have been pledged to the payments of the bonds. Furthermore, the City, Agency or Authorities do not have any obligations for the payments of the bonds in the case of default. Therefore, none of the following obligations are included in the accompanying financial statements.

Type of Debt	Outstanding June 30, 2024
$39,815,000 Successor Agency to the San Marcos Redevelopment Agency 2018 Pass-Through Tax Revenue Refunding Bonds Project Area #3 - San Marcos Unified School District	$ 33,645,000

16) COMMITMENTS AND CONTINGENT LIABILITIES

The City is a defendant in certain legal actions arising in the normal course of operations. The amount of loss, if any, that may result from those actions cannot be reasonably estimated at this time.

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of San Marcos that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as part of City resolution number 2012-7607.

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligation of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former Redevelopment Agency due to the City are valid enforceable obligations payable by the Successor Agency Trust under the requirements of the Bill. The ability of the Successor Agency to repay the City is dependent upon the sufficiency of available tax revenues to fund such repayment. Revenues are only available for repayment to the extent that all other obligations of the Successor Agency have been provided for in accordance with a complex computation set forth in California Assembly Bill No. 1484. The City believes that there will be sufficient tax revenue to permit eventual repayment in full to the City.

After the date of dissolution, the assets and activities of the dissolved Redevelopment Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Net Investment in Direct Financing Lease

In fiscal year 1992-93, the former San Marcos Redevelopment Agency entered into a direct financing lease with the San Marcos Unified School District whereby the Agency had agreed to lease 50% of the Public Works Yard to the School District, with a purchase option at the end of the lease. The lease was amended in fiscal year 2001-02 due to the refinancing of the Civic Center/Public Works Yard Bond issue. Upon the dissolution of the Redevelopment Agency, this lease was transferred to the Successor Agency of the former Redevelopment Agency.

The terms of the amended lease call for semi-annual payments of $98,906 including interest at 5.87% each July and January 15 commencing July 15, 2002 to July 15, 2031 and payments of $62,663 with no interest from July 15, 2002 to July 15, 2022. A net investment in direct financing lease has been recorded in the Successor Agency Trust to account for the net present value of the lease payments at June 30, 2024.

The following lists the components of the net investment in the direct financing lease as of June 30, 2024:

Total minimum lease payments to be received	$ 2,828,982
Less unearned income	(1,642,688)
Net investment in direct financing lease	$ 1,186,294

At June 30, 2024, the future minimum lease payments are as follows:

Year Ending June 30,	Amount
2025	$ 130,055
2026	137,802
2027	146,010
2028	154,706
2029	163,921
2030-2032	453,800
Total	$ 1,186,294

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Bonds payable	$191,485,000	$ -	$ (13,690,000)	$177,795,000	$ 13,765,000
Plus (less) deferred amounts:					
Issuance premium	7,587,307	-	(505,821)	7,081,486	-
Issuance discount	(1,259,541)	157,442	-	(1,102,099)	-
Total bonds payable	197,812,766	157,442	(14,195,821)	183,774,387	13,765,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos Affordable Housing Fund	2,254,663	-	(2,254,663)	-	-
Total	$223,342,725	$ 157,442	$ (16,450,484)	$207,049,683	$ 13,765,000

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Bonds Payable

In December 2017, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued $47,800,000 Tax Allocation Refunding Bonds, Series 2017, to refund the outstanding $52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010, (Taxable). The bonds consist entirely of serial bonds of $47,800,000 maturing from 2018 to 2030 in annual installments of $3,150,000 to $4,595,000. Interest is payable semi-annually on April 1 and October 1 commencing April 1, 2018 at rates ranging from 1.5% to 3.25%. Bonds maturing on or after October 1, 2028 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2027. A discount of $1,000,315 is being amortized over the life of the debt. The reserve requirement was met by the issuance of a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. at the end of the fiscal year.	$ 26,800,000
In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued $84,710,000 Tax Allocation Refunding Bonds, Series 2015A, to refund certain outstanding obligations of the Agency. The bonds consists of serial bonds of $84,710,000 maturing from 2016 to 2034 on October 1 in annual installments of $2,705,000 to $6,985,000. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 2.00% to 5.00%. Bonds maturing on and after October 1, 2026 are subject to redemption in whole or in part at the option of the Agency on any date on or after October 1, 2025. An original issue premium of $12,381,067 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.	55,425,000
In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued $139,285,000 Taxable Tax Allocation Refunding Bonds, Series 2015B, to refund certain outstanding obligations of the Agency. The bonds consist of serial bonds of $44,160,000 maturing from 2016 to 2025 in annual installments of $5,125,000 to $6,410,000 and term bonds of $95,125,000 maturing from 2024 to 2038. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 1.09% to 5.002%. Bonds maturing on or after October 1, 2026, other than the Term Bonds maturing on October 1, 2029, are subject to optional redemption, in whole or in part, on any date on or after October 1, 2025. Bonds maturing on October 1, 2024, October 1, 2027, October 1, 2029, October 1, 2034, and October 1 , 2038 are subject to redemption in whole, or in part by lot, on October 1, of each year commencing October 1, 2023. A net original discount of $747,191 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.	95,570,000
Total bonds payable	$ 177,795,000

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Bonds Payable, (continued)

In January 2011, the former Redevelopment Agency issued $52,805,000 2010 Tax Allocation Bonds to finance costs of low and moderate income housing projects, including the acquisition of land and improvements and the construction of certain infrastructure improvements. The bonds consist of serial bonds of $10,590,000 maturing from 2013 to 2021 in annual installments of $1,655,000 to $2,565,000 and term bonds of $42,215,000 maturing from 2018 to 2030. Interest is payable semi-annually on April 1 and October 1 commencing April 1, 2011 at rates ranging from 3.25% to 8.5%.

These bonds were paid in full in the current year by the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017. As a result of the current refunding, the Successor Agency decreased its debt service cash flow by $15,193,410, resulting in an economic gain of $7,052,139 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 13,765,000	$ 9,938,635	$ 23,703,635
2026	14,310,000	9,291,522	23,703,635
2027	15,210,000	8,604,097	23,601,522
2028	15,825,000	7,848,897	23,814,097
2029	15,955,000	7,058,497	23,673,897
2030-2034	68,865,000	20,072,494	88,937,494
2035-2039	33,865,000	4,516,047	38,381,047
Total	$ 177,795,000	$ 67,330,189	$ 245,815,327

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Cooperation Agreement

In fiscal year 1993-94, the former Redevelopment Agency entered into a cooperation agreement with the County of San Diego (the County) to alleviate any financial burden or detriment caused to the County as a result of amending the Redevelopment Plan for Project Area No. 1. The amount owed to the County increases each year by an annual amount equal to the County's portion of actual Agency tax revenue after deducting the housing set-aside. The unpaid principal and interest amount bears a 4% annual interest rate between fiscal year 1993-94 and the trigger year (the fiscal year in which the amount of tax revenue that has been allocated and paid to the Agency exceeds the amount of $100,000,000) and a floating interest rate thereafter. Payments consisting of 68% of the County's portion of tax increment are to be made annually beginning in the trigger year. Beginning in fiscal year 2012-13, the Agency is to annually pay the County the following percentages of gross Agency tax revenue:

2018-19 through 2022-23	30%
2023-24 through 2027-28	35%
2028-29 through 2032-33	40%
2033-34 through 2037-38	45%
2038-39 and thereafter	50%

Once the County has been fully paid all principal and interest, if the Agency is still entitled to receive Agency tax revenue, annual payments to the County will equal the County's portion after deducting the housing set-aside.	$ 23,275,296

Advance from the City of San Marcos

The San Marcos Affordable Housing Fund loaned $24,383,743 to the Fiduciary Funds to fund the fiscal years 2009-10 and 2010-11 Supplemental Educational Revenue Augmentation Fund (SERAF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid subject to Health & Safety Code Section 34176(d), under the provisions of Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California. The loan was fully repaid during the year ended June 30, 2024.

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2024, the following funds presented a deficit fund balance.

Governmental Funds - Major Funds	Amount
Capital Improvements Fund	$ (11,526,145)
Governmental Funds - Non-Major	
Special Revenue Funds	
Street Lighting District	$ (976,356)
Senior Nutrition Grant	(208,312)
Capital Projects Funds	
Transportation Sales Tax	(2,868,882)

The deficit fund balances will be remedied by requesting reimbursement of CIP expenses from various grants.

Expenditures in Excess of Appropriations

For the year ended June 30, 2024, the following funds had expenditures in excess of appropriations.

Governmental Funds - Major Fund	Final Budget	Expenditures	Excess
General Fund	$ 96,821,306	$ 97,278,454	$ (457,148)

Governmental Funds - Non-Major Fund	Final Budget	Expenditures	Excess
Special Revenue Funds:			
Congestion Management CFD	$ -	$ 175,763	$ (175,763)

REQUIRED SUPPLEMENTARY

INFORMATION

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Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years

Miscellaneous Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015	Measurement Period 6/30/2016	Measurement Period 6/30/2017	Measurement Period 6/30/2018
TOTAL PENSION LIABILITY					
Service Cost	$ 2,750,478	$ 2,559,947	$ 2,553,229	$ 2,805,674	$ 2,898,829
Interest	7,817,338	8,083,219	8,584,986	8,918,976	9,287,287
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	-	(2,717,435)	898,809	(697,183)	283,350
Changes of Assumptions	-	(2,000,140)	-	7,506,452	(933,150)
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)	(6,202,870)
Net Change in Total Pension Liability	**6,508,670**	**1,338,428**	**6,665,021**	**12,796,310**	**5,333,446**
Total Pension Liability - Beginning	**104,885,512**	**111,394,182**	**112,732,610**	**119,397,631**	**132,193,941**
Total Pension Liability - Ending (a)	**$ 111,394,182**	**$ 112,732,610**	**$ 119,397,631**	**$ 132,193,941**	**$ 137,527,387**
PLAN FIDUCIARY NET POSITION					
Net Plan to Plan Resource Movement	$ -	$ -	$ -	$ -	$ (225)
Contributions - Employer	3,469,533	4,558,184	4,385,959	9,542,711	4,278,656
Contributions - Employee	1,094,087	1,302,378	1,348,496	1,169,316	1,126,769
Net Investment Income	10,830,423	1,709,531	438,181	8,627,538	7,721,226
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)	(6,202,870)
Administrative Expense	-	(85,688)	(46,382)	(113,479)	(140,788)
Other Miscellaneous Income/(Expense)[1]	-	-	-	-	(267,358)
Net Change in Fiduciary Net Position	**11,334,897**	**2,897,242**	**754,251**	**13,488,477**	**6,515,410**
Plan Fiduciary Net Position - Beginning	**61,873,569**	**73,208,466**	**76,105,708**	**76,859,959**	**90,348,436**
Plan Fiduciary Net Position - Ending (b)	**$ 73,208,466**	**$ 76,105,708**	**$ 76,859,959**	**$ 90,348,436**	**$ 96,863,846**
Plan Net Pension Liability - Ending (a) - (b)	**$ 38,185,716**	**$ 36,626,902**	**$ 42,537,672**	**$ 41,845,505**	**$ 40,663,541**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**65.72%**	**67.51%**	**64.37%**	**68.35%**	**70.43%**
Covered Payroll	**$ 12,556,977**	**$ 14,085,514**	**$ 14,012,521**	**$ 14,219,367**	**$ 14,197,035**
Plan Net Pension Liability as a Percentage of Covered Payroll	**304.10%**	**260.03%**	**303.57%**	**294.29%**	**286.42%**

Notes to Schedule:
Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

[1] During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Report for Pensions (GASB 68).

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios (continued)
Last Ten Years

Miscellaneous Plan, (continued)

	Measurement Period 6/30/2019	Measurement Period 6/30/2020	Measurement Period 6/30/2021	Measurement Period 6/30/2022	Measurement Period 6/30/2023
TOTAL PENSION LIABILITY					
Service Cost	$ 2,938,266	$ 2,703,721	$ 2,546,641	$ 2,529,711	$ 2,703,714
Interest	9,846,868	10,335,678	10,782,695	10,925,107	11,496,728
Changes of Benefit Terms	-	-	-	-	154,718
Difference Between Expected and Actual Experience	2,125,402	1,290,024	1,095,442	(3,119,020)	3,456,996
Changes of Assumptions	-	-	-	5,709,463	-
Benefit Payments, Including Refunds of Employee Contributions	(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)	(9,144,408)
Net Change in Total Pension Liability	**8,103,562**	**6,893,615**	**6,251,987**	**7,451,324**	**8,667,748**
Total Pension Liability - Beginning	**137,527,387**	**145,630,949**	**152,524,564**	**158,776,551**	**166,227,875**
Total Pension Liability - Ending (a)	**$145,630,949**	**$152,524,564**	**$158,776,551**	**$166,227,875**	**$ 174,895,623**
PLAN FIDUCIARY NET POSITION					
Net Plan to Plan Resource Movement	$ -	$ -	$ -	$ -	$ -
Contributions - Employer	4,615,503	5,080,583	4,969,430	5,497,659	5,888,165
Contributions - Employee	1,104,152	1,102,880	946,753	1,303,526	1,460,599
Net Investment Income	6,421,470	5,149,684	24,035,409	(9,733,183)	7,234,270
Benefit Payments, Including Refunds of Employee Contributions	(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)	(9,144,408)
Administrative Expense	(69,124)	(143,977)	(105,770)	(79,459)	(85,264)
Other Miscellaneous Income/(Expense)[1]	225	-	-	-	-
Net Change in Fiduciary Net Position	**5,265,252**	**3,753,362**	**21,673,031**	**(11,605,394)**	**5,353,362**
Plan Fiduciary Net Position - Beginning	**96,863,846**	**102,129,098**	**105,882,460**	**127,555,491**	**115,950,097**
Plan Fiduciary Net Position - Ending (b)	**$102,129,098**	**$105,882,460**	**$127,555,491**	**$115,950,097**	**$ 121,303,459**
Plan Net Pension Liability - Ending (a) - (b)	**$ 43,501,851**	**$ 46,642,104**	**$ 31,221,060**	**$ 50,277,778**	**$ 53,592,164**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**70.13%**	**69.42%**	**80.34%**	**69.75%**	**69.36%**
Covered Payroll	**$ 14,148,630**	**$ 13,872,161**	**$ 11,811,814**	**$ 13,535,022**	**$ 14,370,884**
Plan Net Pension Liability as a Percentage of Covered Payroll	**307.46%**	**336.23%**	**264.32%**	**371.46%**	**372.92%**

Required Supplementary Information
Schedule of Plan Contributions – Agent Plan
Last Ten Years

Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 4,708,421	$ (4,708,421)	$ -	$ 14,085,514	33.43%
6/30/2016	3,975,080	(3,975,080)	-	14,012,521	28.37%
6/30/2017	4,499,034	(9,499,034)	(5,000,000)	14,219,367	66.80%
6/30/2018	4,274,518	(4,274,518)	-	14,197,035	30.11%
6/30/2019	4,613,016	(4,613,016)	-	14,148,630	32.60%
6/30/2020	5,024,888	(5,024,888)	-	13,872,161	36.22%
6/30/2021	6,321,721	(6,321,721)	-	11,811,184	53.52%
6/30/2022	5,497,462	(5,497,462)	-	13,535,022	40.62%
6/30/2023	5,888,164	(5,888,164)	-	14,370,884	40.97%
6/30/2024	5,966,773	(5,966,773)	-	14,829,363	40.24%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2021 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2021, Funding Valuation Report.
Asset Valuation Method	Fair value of assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Required Supplementary Information
Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last Ten Years

Safety Plan

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.234342%	$ 9,862,978	$ 6,222,192	158.51%	81.42%
6/30/2015	0.166126%	11,402,729	6,725,963	169.53%	80.23%
6/30/2016	0.171957%	14,879,594	8,996,362	165.40%	75.77%
6/30/2017	0.175583%	17,413,036	6,816,670	255.45%	75.12%
6/30/2018	0.182753%	17,610,602	6,582,579	267.53%	76.85%
6/30/2019	0.190512%	19,521,871	6,690,455	291.79%	75.78%
6/30/2020	0.200112%	21,773,049	6,854,243	317.66%	74.65%
6/30/2021	0.222720%	12,045,303	6,838,996	176.13%	86.89%
6/30/2022	0.225200%	26,012,574	7,274,045	357.61%	73.91%
6/30/2023	0.384250%	28,722,344	7,428,741	386.64%	69.36%

[1] Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

Required Supplementary Information
Schedule of Plan Contributions – Cost Sharing Plan
Last Ten Years

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 1,938,477	$ (1,938,477)	$ -	$ 6,725,963	28.82%
6/30/2016	1,976,541	(1,976,541)	-	8,996,362	21.97%
6/30/2017	1,550,376	(1,550,376)	-	6,816,670	22.74%
6/30/2018	2,179,053	(2,179,053)	-	6,582,579	33.10%
6/30/2019	2,456,542	(2,456,542)	-	6,690,455	36.72%
6/30/2020	2,639,604	(2,639,604)	-	6,854,243	38.51%
6/30/2021	2,878,444	(2,878,444)	-	6,838,996	42.09%
6/30/2022	3,121,569	(3,121,569)	-	7,274,045	42.91%
6/30/2023	3,268,116	(3,268,116)	-	7,428,741	43.99%
6/30/2024	3,502,969	(3,502,969)	-	7,753,751	45.18%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios as of the Measurement Date
Last Ten Years

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-2022	2022-2023	2023-2024
Measurement Period	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022	2022-2023
Total OPEB Liability							
Service cost	$ 600,000	$ 533,323	$ 409,539	$ 454,666	$ 616,808	$ 642,301	$ 420,635
Interest	248,000	302,110	269,366	272,594	226,597	235,445	260,144
Differences between expected and actual experience	-	(1,812,466)	-	407,944	-	(2,128,594)	-
Changes of assumptions	(815,000)	(130,218)	351,334	1,451,482	72,371	(1,818,843)	(99,929)
Benefit payments	(206,000)	(267,000)	(227,858)	(266,812)	(301,131)	(287,522)	(232,696)
Net change in total OPEB liability	(173,000)	(1,374,251)	802,381	2,319,874	614,645	(3,357,213)	348,154
Total OPEB liability - beginning	8,212,000	8,039,000	6,664,749	7,467,130	9,787,004	10,401,649	7,044,436
Net OPEB liability - ending	$ 8,039,000	$ 6,664,749	$ 7,467,130	$ 9,787,004	$ 10,401,649	$ 7,044,436	$ 7,392,590
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	$ 25,017,697	$ 24,297,000	$ 23,281,622	$ 21,370,676	$ 24,093,404	$ 23,289,922	$ 23,721,844
Total OPEB liability as a percentage of covered-employee payroll	32.1%	27.4%	32.1%	45.8%	43.2%	30.2%	31.2%

* Fiscal year 2017-18 (measurement date June 30, 2017) was the first year of implementation, therefore, only seven years are presented.

The City does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 30,992,710	$ 31,580,083	$ 33,145,747	$ 1,565,664
Licenses and permits	5,460,034	7,033,417	7,196,130	162,713
Intergovernmental	23,391,215	22,601,449	24,473,942	1,872,493
Charges for services	19,942,643	20,654,313	21,237,059	582,746
Developer fees	18,000	18,000	25,216	7,216
Fines and forfeitures	289,955	289,955	430,052	140,097
Investment and rental income	7,052,880	6,392,880	10,814,875	4,421,995
Miscellaneous	426,148	485,348	869,596	384,248
Total Revenues	87,573,585	89,055,445	98,192,617	9,137,172
EXPENDITURES				
Current:				
General government	23,978,863	26,273,122	29,040,637	(2,767,515)
Community development	7,479,383	8,595,860	7,818,022	777,838
Public safety	44,917,136	44,924,398	44,563,590	360,808
Highways, streets and parks	10,933,014	11,519,752	10,719,687	800,065
Culture and recreation	4,482,980	4,605,154	4,625,758	(20,604)
Debt service:				
Principal	435,196	435,196	435,189	7
Interest and fiscal charges	32,852	40,841	75,571	(34,730)
Total Expenditures	92,514,424	96,821,306	97,278,454	(457,148)
Excess (Deficiency) of Revenues over Expenditures	(4,940,839)	(7,765,861)	914,163	8,680,024
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	152,340	152,340
Transfers in	6,772,877	6,772,877	3,273,271	(3,499,606)
Transfers out	(4,335,177)	(12,765,657)	(1,675,964)	11,089,693
Total Other Financing Sources (Uses)	2,437,700	(5,992,780)	1,749,647	7,742,427
Net Change in Fund Balance	(2,503,139)	(13,758,641)	2,663,810	16,422,451
FUND BALANCE				
Beginning	119,655,777	119,655,777	119,655,777	-
Ending	$ 117,152,638	$ 105,897,136	$ 122,319,587	$ 16,422,451

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
San Marcos Affordable Housing
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	$ 3,000,000	$ 3,000,000	$ 758,869	$ (2,241,131)
Investment and rental income	1,695,000	1,695,000	3,075,576	1,380,576
Miscellaneous	235,000	235,000	1,603,574	1,368,574
Total Revenues	4,930,000	4,930,000	5,438,019	508,019
EXPENDITURES				
Current:				
General government	564,034	764,245	756,564	7,681
Community development	7,171,900	7,050,215	4,541,334	2,508,881
Total Expenditures	7,735,934	7,814,460	5,297,898	2,516,562
Excess (Deficiency) of Revenues Over Expenditures	(2,805,934)	(2,884,460)	140,121	3,024,581
OTHER FINANCING SOURCES				
Sale of general capital assets	-	-	221,313	221,313
Transfers in	190,100	190,100	190,062	(38)
Transfers out	-	(30,000)	-	30,000
Total Other Financing Sources	190,100	160,100	411,375	251,275
Net Change in Fund Balance	(2,615,834)	(2,724,360)	551,496	3,275,856
FUND BALANCE				
Beginning	49,130,857	49,130,857	49,130,857	-
Ending	$ 46,515,023	$ 46,406,497	$ 49,682,353	$ 3,275,856

1) BUDGETARY INFORMATION

The City adopts an operating budget annually during June to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

Budgets for all governmental type funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Annual budgets are adopted for the General, Special Revenue, Debt Service Funds. Annual budgets are not adopted for all of the Capital Projects Funds. Therefore, budget and actual financial statements have not been prepared for them because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General, Special Revenue, and Capital Projects Funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end unless City Council takes action in the form of a resolution to continue the appropriations into the following fiscal year.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Gas Tax Fund is used to account for the Highway Users Tax revenues received from the State of California under Sections 2105, 2106, 2107, & 2107.5 of the California Streets and Highways Code. These funds are used by the Public Works Street Maintenance Division and are earmarked for the maintenance, rehabilitation or improvement of public streets.

The Traffic Safety Fund is used to account for traffic safety expenditures. Financing is provided by City-assessed traffic signal fees and traffic fines collected by the State.

The Community Facilities District 98-02 Fund is used to account for the costs of providing street lighting, traffic signals, and landscape services including parks, medians, parkways and trails, to certain properties. Properties within the Community Facilities District 98-02 are assessed for a portion of the annual costs and legally required operating and capital replacement reserves.

The Street Lighting District Fund is used to account for the costs of providing street lighting and landscaping services to certain properties. The benefiting properties are assessed for a portion of the costs.

The Senior Nutrition Grant Fund is used to account for Federal grant revenues received through the County of San Diego for the operations of the Senior Nutrition Program.

The Community Development Block Grant Fund is used to account for transactions related to the Community Development Block Grant Program provided by the Federal Government. Funds are mostly utilized for capital improvement projects, fair housing services, and non-profit coordination, benefiting low-and-moderate income areas within the City.

The HOME Grant Fund is used to account for transactions related to the HOME Grant provided by the Federal Government. The grant is used to fund the San Marcos Mortgage Assistance Program.

The Center Drive Maintenance District Fund is used to account for the cost of providing street maintenance services to certain properties. The benefiting properties are assessed for a portion of the costs.

The Art in Public Places Fund is used to account for public art in-lieu fee, which was created to assist in promoting art and cultural initiatives that enrich the artistic and educational climate of the City. The City Council designated the San Marcos Community Foundation to implement a grant program, which makes available funding to eligible organizations implementing artistic and cultural events and/or activities that generally benefit the San Marcos community.

The Public, Education and Government Fund (PEG) is used to account for revenue received from local cable operators in San Marcos. PEG payments are calculated as 1 percent of gross receipts received by cable operators and may be used for capital equipment purchases that support airing public meetings on the City's PEG channel.

Special Revenue Funds, (continued)

The Congestion Management CFD Fund is used to account for the future costs of providing intra City public transportation services, facilities, and equipment. Properties within the CFD fund 2011-01 are assessed for a portion of the costs.

The CalHOME Grant Fund is used to account for transactions related to the CalHOME Grant provided by the State of California. The grant is used to help fund the San Marcos Mortgage Assistance Program.

The State CASp Fee Fund is used to account for the Certified Access Specialists (CASp) fee collected through business licenses. The CASp fee is mandated by the California SB 1186, AB 1379 and Government Code Section 4467 and its purpose is to increase disability access and compliance with construction-related accessibility requirements. The majority of the fee is retained by the City to support the CASp program and the remainder is sent to the California Department of General Services, Division of State Architect (DSA) to maintain oversight of the CASp program.

The Gas Tax RMRA Fund is used account for the Road Maintenance and Rehabilitation (RMRA) revenues received from the State of California under the California Streets and Highways Code Section 2032. These funds are earmarked for specific capital improvement program projects involving the rehabilitation or improvement of public streets.

Debt Service Funds

Debt service funds are used to account for debt service transactions including revenue collection and payments of principal and interest on long-term obligations.

The San Marcos Public Facilities Authority Fund is used to account for the accumulation of resources for and the payment of principal and interest of the various debt obligations of the San Marcos Public Facilities Authority.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Public Facility Fund is used to account for the accumulation of resources for the payment of public facility related costs. The primary funding source is developer fees.

The Community Facilities District 99-1 Fund is used to account for the proceeds of bonds issued by the City of San Marcos Community Facilities District 99-1 pursuant to the Mello-Roos Community Facilities Act of 1982. The proceeds are used to finance, refinance or provide reimbursement for the cost of land, buildings, equipment and other public capital improvements.

The Transportation Sales Tax Fund is used to account for receipts and expenditures of money associated with the widening of State Highway 78, local streets and roads maintenance, and other local public capital improvements.

Capital Projects Funds, (continued)

The Community Facilities District 02-01 Fund is used to account for the proceeds of bonds issued by the City of San Marcos Community facilities District 02-01 pursuant to the Mello-Roos Community Facilities Act of 1982. The proceeds are used to finance, refinance or provide reimbursement for the cost of land, buildings, equipment and other public capital improvements.

The Transportation Impact Fee Fund is used to account for fees collected by the County of San Diego Department of Public Works for future road improvements as a result of indirect impacts of private developments occurring in the unincorporated area within the City's boundaries. The fees will be used for qualifying congestion relief type improvements.

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2024

	Total Special Revenue Funds	Debt Service Fund: San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	$ 45,832,686	$ 884,988	$ 23,975,546	$ 70,693,220
Cash and investments with fiscal agents (note 2)	-	105,942	765,879	871,821
Receivables:				
Taxes and special assessments	36,295	-	-	36,295
Accounts	56,713	-	16,374	73,087
Interest	186,844	14,971	129,130	330,945
Notes, net (note 3)	1,915,960	-	-	1,915,960
Leases	-	1,929,646	-	1,929,646
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	771,520	-	-	771,520
Advances to other funds (note 5)	-	-	6,300,000	6,300,000
Total Assets	$ 48,800,018	$ 2,935,547	$ 31,307,445	$ 83,043,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,205,840	$ -	$ -	$ 1,205,840
Accrued liabilities	446,263	-	14,819	461,082
Due to other governments	4,164,085	-	9,300	4,173,385
Due to other funds (note 5)	1,009,099	-	2,866,136	3,875,235
Deposits payable	10,389	-	-	10,389
Total Liabilities	6,835,676	-	2,890,255	9,725,931
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	1,936,604	-	136,890	2,073,494
Lease related	-	1,880,549	-	1,880,549
Total Deferred Inflows of Resources	1,936,604	1,880,549	136,890	3,954,043
Fund Balances (Deficit):				
Restricted:				
Transportation	16,039,351	-	92,152	16,131,503
Lighting and landscape	21,126,817	-	-	21,126,817
Capital improvements	-	-	1,077,482	1,077,482
Public facilities	-	-	29,979,548	29,979,548
Other purposes	4,046,238	1,054,998	-	5,101,236
Unassigned	(1,184,668)	-	(2,868,882)	(4,053,550)
Total Fund Balances	40,027,738	1,054,998	28,280,300	69,363,036
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 48,800,018	$ 2,935,547	$ 31,307,445	$ 83,043,010

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Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Total Special Revenue Funds	Debt Service Fund: San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes and special assessments	$ 11,262,828	$ -	$ -	$ 11,262,828
Intergovernmental	5,557,640	-	2,614,626	8,172,266
Developer fees	20,398	-	1,802,008	1,822,406
Investment and rental income	1,739,049	615,683	1,846,636	4,201,368
Miscellaneous	92,373	-	-	92,373
Total Revenues	18,672,288	615,683	6,263,270	25,551,241
EXPENDITURES				
Current:				
Community development	320,963	-	-	320,963
Highways, streets and parks	10,082,984	-	135,204	10,218,188
Culture and recreation	393,835	-	-	393,835
Capital outlay	-	-	92,377	92,377
Debt service:				
Principal	92,932	345,000	-	437,932
Interest and fiscal charges	4,035	41,179	-	45,214
Total Expenditures	10,894,749	386,179	227,581	11,508,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,777,539	229,504	6,035,689	14,042,732
OTHER FINANCING SOURCES (USES)				
Transfers in (note 5)	831,000	-	-	831,000
Transfers out (note 5)	(1,017,621)	-	(18,955,217)	(19,972,838)
Total Other Financing Sources (Uses)	(186,621)	-	(18,955,217)	(19,141,838)
Net Change in Fund Balances	7,590,918	229,504	(12,919,528)	(5,099,106)
FUND BALANCES				
Beginning	32,436,820	825,494	41,199,828	74,462,142
Ending	$ 40,027,738	$ 1,054,998	$ 28,280,300	$ 69,363,036

Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2024

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments	$ 6,786,329	$ 1,247,302	$ 21,934,389	$ -	$ -	$ 457,503
Receivables:						
Taxes and special assessments	-	-	32,632	1,600	-	-
Accounts	-	-	24,991	538	-	-
Interest	28,321	5,236	93,264	-	-	-
Notes, net	-	-	-	-	-	-
Due from other governments	224,759	4,557	-	-	30,852	86,210
Total Assets	$ 7,039,409	$ 1,257,095	$ 22,085,276	$ 2,138	$ 30,852	$ 543,713
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 106,473	$ 23,400	$ 809,503	$ 162,036	$ 15,625	$ 19,997
Accrued liabilities	81	578	129,830	17,241	13,585	8,078
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	-	799,145	209,954	-
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	106,554	34,367	939,333	978,422	239,164	28,075
Deferred Inflows of Resources:						
Unavailable revenue	-	-	19,126	72	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	6,932,855	1,222,728	-	-	-	-
Lighting and landscape	-	-	21,126,817	-	-	-
Other purposes	-	-	-	-	-	515,638
Unassigned	-	-	-	(976,356)	(208,312)	-
Total Fund Balances	6,932,855	1,222,728	21,126,817	(976,356)	(208,312)	515,638
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,039,409	$ 1,257,095	$ 22,085,276	$ 2,138	$ 30,852	$ 543,713

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CASp Fee	Gas Tax RMRA	Total
$ 294,423	$ 184,158	$ 998,432	$ 1,721,938	$ 4,615,970	$ 343,722	$ 135,312	$ 7,113,208	$ 45,832,686
-	9	-	-	2,054	-	-	-	36,295
-	13	-	26,754	4,417	-	-	-	56,713
-	767	4,191	7,378	19,136	-	-	28,551	186,844
1,280,067	-	-	-	-	635,893	-	-	1,915,960
-	-	-	-	-	-	-	425,142	771,520
$ 1,574,490	$ 184,947	$ 1,002,623	$ 1,756,070	$ 4,641,577	$ 979,615	$ 135,312	$ 7,566,901	$ 48,800,018
$ -	$ 2,537	$ -	$ 889	$ 64,801	$ -	$ 579	$ -	$ 1,205,840
-	-	-	-	276,788	-	82	-	446,263
-	-	-	-	4,164,085	-	-	-	4,164,085
-	-	-	-	-	-	-	-	1,009,099
-	-	-	-	-	-	-	-	10,389
-	2,537	-	889	4,505,674	-	661	-	6,835,676
1,280,067	-	-	-	1,446	635,893	-	-	1,936,604
-	182,410	-	-	134,457	-	-	7,566,901	16,039,351
-	-	-	-	-	-	-	-	21,126,817
294,423	-	1,002,623	1,755,181	-	343,722	134,651	-	4,046,238
-	-	-	-	-	-	-	-	(1,184,668)
294,423	182,410	1,002,623	1,755,181	134,457	343,722	134,651	7,566,901	40,027,738
$ 1,574,490	$ 184,947	$ 1,002,623	$ 1,756,070	$ 4,641,577	$ 979,615	$ 135,312	$ 7,566,901	$ 48,800,018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Special Revenue Funds
For the Year Ended June 30, 2024

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	$ -	$ -	$ 9,578,970	$ 529,166	$ -	$ -
Intergovernmental	2,597,518	80,402	7,989	7,989	109,850	314,446
Developer fees	-	-	-	-	-	-
Investment and rental income	213,195	59,504	928,705	-	-	-
Miscellaneous	-	-	-	-	30,295	-
Total Revenues	2,810,713	139,906	10,515,664	537,155	140,145	314,446
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	320,077
Highways, streets and parks	378,642	144,539	7,710,163	1,659,858	-	-
Culture and recreation	-	-	-	-	377,835	-
Debt Service:						
Principal	-	-	68,491	24,441	-	-
Interest and fiscal charges	-	-	2,974	1,061	-	-
Total Expenditures	378,642	144,539	7,781,628	1,685,360	377,835	320,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,432,071	(4,633)	2,734,036	(1,148,205)	(237,690)	(5,631)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	660,000	171,000	-
Transfers out	(139,018)	(1,409)	(773,271)	-	-	(899)
Total Other Financing Sources (Uses)	(139,018)	(1,409)	(773,271)	660,000	171,000	(899)
Net Change in Fund Balances	2,293,053	(6,042)	1,960,765	(488,205)	(66,690)	(6,530)
FUND BALANCES (DEFICIT)						
Beginning	4,639,802	1,228,770	19,166,052	(488,151)	(141,622)	522,168
Ending	$ 6,932,855	$ 1,222,728	$ 21,126,817	$ (976,356)	$ (208,312)	$ 515,638

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CASp Fee	Gas Tax RMRA	Total
$ -	$ 22,287	$ -	$ 131,588	$ 1,000,817	$ -	$ -	$ -	$ 11,262,828
-	-	-	-	-	-	-	2,439,446	5,557,640
-	-	-	-	-	-	20,398	-	20,398
-	7,610	47,851	77,539	176,322	-	-	228,323	1,739,049
62,078	-	-	-	-	-	-	-	92,373
62,078	29,897	47,851	209,127	1,177,139	-	20,398	2,667,769	18,672,288
-	-	-	-	-	-	886	-	320,963
-	4,046	-	9,973	175,763	-	-	-	10,082,984
-	-	16,000	-	-	-	-	-	393,835
-	-	-	-	-	-	-	-	92,932
-	-	-	-	-	-	-	-	4,035
-	4,046	16,000	9,973	175,763	-	886	-	10,894,749
62,078	25,851	31,851	199,154	1,001,376	-	19,512	2,667,769	7,777,539
-	-	-	-	-	-	-	-	831,000
-	-	-	(67,709)	-	-	-	(35,315)	(1,017,621)
-	-	-	(67,709)	-	-	-	(35,315)	(186,621)
62,078	25,851	31,851	131,445	1,001,376	-	19,512	2,632,454	7,590,918
232,345	156,559	970,772	1,623,736	(866,919)	343,722	115,139	4,934,447	32,436,820
$ 294,423	$ 182,410	$ 1,002,623	$ 1,755,181	$ 134,457	$ 343,722	$ 134,651	$ 7,566,901	$ 40,027,738

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Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 2,699,439	$ 2,699,439	$ 2,597,518	$ (101,921)
Investment and rental income	59,000	59,000	213,195	154,195
Total Revenues	2,758,439	2,758,439	2,810,713	52,274
EXPENDITURES				
Current:				
Highways, streets and parks	382,172	644,191	378,642	265,549
Total Expenditures	382,172	644,191	378,642	265,549
Excess (deficiency) of revenues over expenditures	2,376,267	2,114,248	2,432,071	317,823
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(6,185,858)	(139,018)	6,046,840
Total other financing sources (uses)	-	(6,185,858)	(139,018)	6,046,840
Net Change in Fund Balance	2,376,267	(4,071,610)	2,293,053	6,364,663
FUND BALANCE				
Beginning	4,639,802	4,639,802	4,639,802	-
Ending	$ 7,016,069	$ 568,192	$ 6,932,855	$ 6,364,663

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 125,000	$ 125,000	$ 80,402	$ (44,598)
Investment and rental income	21,000	21,000	59,504	38,504
Total Revenues	146,000	146,000	139,906	(6,094)
EXPENDITURES				
Current:				
Highways, streets and parks	185,000	257,252	144,539	112,713
Total Expenditures	185,000	257,252	144,539	112,713
Excess (deficiency) of revenues over expenditures	(39,000)	(111,252)	(4,633)	106,619
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(71,079)	(1,409)	69,670
Total other financing sources (uses)	-	(71,079)	(1,409)	69,670
Net Change in Fund Balance	(39,000)	(182,331)	(6,042)	176,289
FUND BALANCE				
Beginning	1,228,770	1,228,770	1,228,770	-
Ending	$ 1,189,770	$ 1,046,439	$ 1,222,728	$ 176,289

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Facilities District 98-02 Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 8,802,000	$ 8,802,000	$ 9,578,970	$ 776,970
Intergovernmental	-	-	7,989	7,989
Investment and rental income	292,000	292,000	928,705	636,705
Total Revenues	9,094,000	9,094,000	10,515,664	1,421,664
EXPENDITURES				
Current:				
Highways, streets and parks	7,434,189	8,370,106	7,710,163	659,943
Debt Service:				
Principal	65,166	68,491	68,491	-
Interest and fiscal charges	6,299	6,299	2,974	3,325
Total Expenditures	7,505,654	8,444,896	7,781,628	659,943
Excess of Revenues Over Expenditures	1,588,346	649,104	2,734,036	2,084,932
OTHER FINANCING SOURCES (USES)				
Transfers out	(958,800)	(958,800)	(773,271)	185,529
Total Other Financing Sources (Uses)	(958,800)	(958,800)	(773,271)	185,529
Net Change in Fund Balance	629,546	(309,696)	1,960,765	2,270,461
FUND BALANCE				
Beginning	19,166,052	19,166,052	19,166,052	-
Ending	$ 19,795,598	$ 18,856,356	$ 21,126,817	$ 2,270,461

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Street Lighting District Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 530,000	$ 530,000	$ 529,166	$ (834)
Intergovernmental	-	-	7,989	7,989
Total Revenues	530,000	530,000	537,155	7,155
EXPENDITURES				
Current:				
Highways, streets and parks	1,566,766	1,792,562	1,659,858	132,704
Debt Service:				
Principal	23,254	23,254	24,441	(1,187)
Interest and fiscal charges	2,248	2,248	1,061	1,187
Total Expenditures	1,592,268	1,818,064	1,685,360	132,704
Excess of Revenues Over (Under) Expenditures	(1,062,268)	(1,288,064)	(1,148,205)	139,859
OTHER FINANCING SOURCES				
Transfers in	660,000	660,000	660,000	-
Total Other Financing Sources	660,000	660,000	660,000	-
Net Change in Fund Balance	(402,268)	(628,064)	(488,205)	139,859
FUND BALANCE (DEFICIT)				
Beginning	(488,151)	(488,151)	(488,151)	-
Ending	$ (890,419)	$ (1,116,215)	$ (976,356)	$ 139,859

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Senior Nutrition Grant Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 89,500	$ 89,500	$ 109,850	$ 20,350
Miscellaneous	24,000	24,000	30,295	6,295
Total Revenues	113,500	113,500	140,145	26,645
EXPENDITURES				
Current:				
Culture and recreation	411,781	411,781	377,835	33,946
Total Expenditures	411,781	411,781	377,835	33,946
Excess of Revenues (Deficiency) Over (Under) Expenditures	(298,281)	(298,281)	(237,690)	60,591
OTHER FINANCING SOURCES (USES)				
Transfers in	171,000	171,000	171,000	-
Total Other Financing Sources (Uses)	171,000	171,000	171,000	-
Net Change in Fund Balance	(127,281)	(127,281)	(66,690)	60,591
FUND BALANCE (DEFICIT)				
Beginning	(141,622)	(141,622)	(141,622)	-
Ending	$ (268,903)	$ (268,903)	$ (208,312)	$ 60,591

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 1,301,411	$ 1,301,411	$ 314,446	$ (986,965)
Total Revenues	1,301,411	1,301,411	314,446	(986,965)
EXPENDITURES				
Current:				
Community development	374,277	354,703	320,077	34,626
Total Expenditures	374,277	354,703	320,077	34,626
Excess (deficiency) of revenues over expenditures	927,134	946,708	(5,631)	(952,339)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,398,631)	(899)	1,397,732
Total other financing sources (uses)	-	(1,398,631)	(899)	1,397,732
Net Change in Fund Balance	927,134	(451,923)	(6,530)	445,393
FUND BALANCE				
Beginning	522,168	522,168	522,168	-
Ending	$ 1,449,302	$ 70,245	$ 515,638	$ 445,393

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
HOME Grant Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Miscellaneous	$ 50,000	$ 50,000	$ 62,078	$ 12,078
Total Revenues	50,000	50,000	62,078	12,078
EXPENDITURES				
Current:				
Community development	100,000	100,000	-	100,000
Total Expenditures	100,000	100,000	-	100,000
Net Change in Fund Balance	(50,000)	(50,000)	62,078	112,078
FUND BALANCE				
Beginning	232,345	232,345	232,345	-
Ending	$ 182,345	$ 182,345	$ 294,423	$ 112,078

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Center Drive Maintenance District Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 23,000	$ 23,000	$ 22,287	$ (713)
Investment and rental income	2,000	2,000	7,610	5,610
Total Revenues	25,000	25,000	29,897	4,897
EXPENDITURES				
Current:				
Highways, streets and parks	26,020	26,020	4,046	21,974
Total Expenditures	26,020	26,020	4,046	21,974
Net Change in Fund Balance	(1,020)	(1,020)	25,851	26,871
FUND BALANCE				
Beginning	156,559	156,559	156,559	-
Ending	$ 155,539	$ 155,539	$ 182,410	$ 26,871

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Art in Public Places Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	$ 50,000	$ 50,000	$ -	$ (50,000)
Investment and rental income	18,000	18,000	47,851	29,851
Total Revenues	68,000	68,000	47,851	(20,149)
EXPENDITURES				
Current:				
Culture and recreation	185,000	185,000	16,000	169,000
Total Expenditures	185,000	185,000	16,000	169,000
Net Change in Fund Balance	(117,000)	(117,000)	31,851	148,851
FUND BALANCE				
Beginning	970,772	970,772	970,772	-
Ending	$ 853,772	$ 853,772	$ 1,002,623	$ 148,851

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public, Education and Government Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 130,000	$ 130,000	$ 131,588	$ 1,588
Investment and rental income	26,000	26,000	77,539	51,539
Total Revenues	156,000	156,000	209,127	53,127
EXPENDITURES				
Current:				
Highways, streets and parks	10,000	19,085	9,973	9,112
Total Expenditures	10,000	19,085	9,973	9,112
Excess (deficiency) of revenues over expenditures	146,000	136,915	199,154	62,239
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(67,709)	(67,709)
Total other financing sources (uses)	-	-	(67,709)	(67,709)
Net Change in Fund Balance	146,000	136,915	131,445	(5,470)
FUND BALANCE				
Beginning	1,623,736	1,623,736	1,623,736	-
Ending	$ 1,769,736	$ 1,760,651	$ 1,755,181	$ (5,470)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Congestion Management CFD Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	$ 873,000	$ 873,000	$ 1,000,817	$ 127,817
Investment and rental income	61,000	61,000	176,322	115,322
Total Revenues	934,000	934,000	1,177,139	243,139
EXPENDITURES				
Current:				
Highway, streets and parks	-	-	175,763	(175,763)
Total expenditures	-	-	175,763	(175,763)
Net Change in Fund Balance	934,000	934,000	1,001,376	67,376
FUND BALANCE (DEFICIT)				
Beginning	(866,919)	(866,919)	(866,919)	-
Ending	$ 67,081	$ 67,081	$ 134,457	$ 67,376

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
CalHOME Grant Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment and rental income	$ 113,000	$ 113,000	$ -	$ (113,000)
Total Revenues	113,000	113,000	-	(113,000)
EXPENDITURES				
Current:				
Community development	200,000	200,000	-	200,000
Total Expenditures	200,000	200,000	-	200,000
Net Change in Fund Balance	(87,000)	(87,000)	-	87,000
FUND BALANCE				
Beginning	343,722	343,722	343,722	-
Ending	$ 256,722	$ 256,722	$ 343,722	$ 87,000

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
State CASp Fee Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	$ 20,000	$ 20,000	$ 20,398	$ 398
Total Revenues	20,000	20,000	20,398	398
EXPENDITURES				
Current:				
Community development	-	2,000	886	1,114
Total Expenditures	-	2,000	886	1,114
Net Change in Fund Balance	20,000	18,000	19,512	1,512
FUND BALANCE				
Beginning	-	115,139	115,139	-
Ending	$ 20,000	$ 133,139	$ 134,651	$ 1,512

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax RMRA Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 2,326,619	$ 2,326,619	$ 2,439,446	$ 112,827
Investment and rental income	70,000	70,000	228,323	158,323
Total Revenues	2,396,619	2,396,619	2,667,769	271,150
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(433,067)	(35,315)	397,752
Total other financing sources (uses)	-	(433,067)	(35,315)	397,752
Net Change in Fund Balance	2,396,619	1,963,552	2,632,454	668,902
FUND BALANCE				
Beginning	4,934,447	4,934,447	4,934,447	-
Ending	$ 7,331,066	$ 6,897,999	$ 7,566,901	$ 668,902

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
San Marcos Public Facilities Authority Debt Service Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment and rental income	$ 405,436	$ 405,436	$ 615,683	$ 210,247
Total Revenues	405,436	405,436	615,683	210,247
EXPENDITURES				
Debt service:				
Principal	340,000	340,000	345,000	(5,000)
Interest and fiscal charges	49,296	49,296	41,179	8,117
Total Expenditures	389,296	389,296	386,179	3,117
Net Change in Fund Balance	16,140	16,140	229,504	213,364
FUND BALANCE				
Beginning	825,494	825,494	825,494	-
Ending	$ 841,634	$ 841,634	$ 1,054,998	$ 213,364

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2024

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
ASSETS			
Cash and investments	$ 23,573,478	$ 5,730	$ -
Cash and investments with fiscal agents	-	765,879	-
Receivables:			
Accounts	16,374	-	-
Interest	121,395	24	6,048
Other, net	120,516	-	-
Advances to other funds	6,300,000	-	-
Total Assets	$ 30,131,763	$ 771,633	$ 6,048
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	$ 6,025	$ -	$ 8,794
Due to other governments	9,300	-	-
Due to other funds	-	-	2,866,136
Total Liabilities	15,325	-	2,874,930
Deferred Inflows of Resources:			
Unavailable revenue	136,890	-	-
Fund Balances (Deficit):			
Restricted:			
Transportation	-	-	-
Capital improvements	-	771,633	-
Public facilities	29,979,548	-	-
Unassigned	-	-	(2,868,882)
Total Fund Balances	29,979,548	771,633	(2,868,882)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 30,131,763	$ 771,633	$ 6,048

Community Facilities District 02-01	Transportation Impact Fee	Total
$ 304,571	$ 91,767	$ 23,975,546
-	-	765,879
-	-	16,374
1,278	385	129,130
-	-	120,516
-	-	6,300,000
$ 305,849	$ 92,152	$ 31,307,445
$ -	$ -	$ 14,819
-	-	9,300
-	-	2,866,136
-	-	2,890,255
-	-	136,890
-	92,152	92,152
305,849	-	1,077,482
-	-	29,979,548
-	-	(2,868,882)
305,849	92,152	28,280,300
$ 305,849	$ 92,152	$ 31,307,445

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Capital Projects Funds
For the Year Ended June 30, 2024

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
REVENUES			
Intergovernmental	$ -	$ -	$ 2,614,626
Developer fees	1,802,008	-	-
Investment and rental income	1,784,069	37,111	7,223
Total Revenues	3,586,077	37,111	2,621,849
EXPENDITURES			
Current:			
Highways, streets and parks	75	-	135,129
Capital outlay	92,377	-	-
Total Expenditures	92,452	-	135,129
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,493,625	37,111	2,486,720
OTHER FINANCING SOURCES			
Transfers out (note 5)	(13,807,403)	-	(5,147,814)
Total Other Financing Sources	(13,807,403)	-	(5,147,814)
Net Change in Fund Balances	(10,313,778)	37,111	(2,661,094)
FUND BALANCES (DEFICIT)			
Beginning	40,293,326	734,522	(207,788)
Ending	$ 29,979,548	$ 771,633	$ (2,868,882)

Community Facilities District 02-01	Transportation Impact Fee	Total
$ -	$ -	$ 2,614,626
-	-	1,802,008
14,011	4,222	1,846,636
14,011	4,222	6,263,270
-	-	135,204
-	-	92,377
-	-	227,581
14,011	4,222	6,035,689
-	-	(18,955,217)
-	-	(18,955,217)
14,011	4,222	(12,919,528)
291,838	87,930	41,199,828
$ 305,849	$ 92,152	$ 28,280,300

Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2024

	Custodial Funds				
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Community Facilities District 11-01	Total Custodial Funds
ASSETS					
Cash and investments (note 2)	$ 3,976	$ -	$ -	$ -	$ 3,976
Receivables:					
Special assessments	1,485	25,951	4,626	-	32,062
Interest	30	54	-	-	84
Cash and investments with fiscal agents (note 2)	2,828,467	4,291,799	1,189,307	-	8,309,573
Total Assets	2,833,958	4,317,804	1,193,933	-	8,345,695
LIABILITIES					
Accounts payable	171,249	-	-	-	171,249
Due to other governments	-	3,735	7,412	597	11,744
Total Liabilities	171,249	3,735	7,412	597	182,993
NET POSITION (DEFICIT)					
Restricted for:					
Other taxing entities and other agencies	$ 2,662,709	$ 4,314,069	$ 1,186,521	$ (597)	$ 8,162,702

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2024

	Custodial Funds				
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Community Facilities District 11-01	Total Custodial Funds
ADDITIONS					
Tax and special assessments	$ 1,490,033	$ 5,121,261	$ 1,027,329	$ -	$ 7,638,623
Income from property and investments	323	216,011	34,216	-	250,550
Debt proceeds collected for other agencies	-	18,641,270	-	-	18,641,270
Total Additions	1,490,356	23,978,542	1,061,545	-	26,530,443
DEDUCTIONS					
Administrative expense	201,249	526,140	72,105	-	799,494
Payments to fiscal agent on behalf of other agencies	1,245,072	25,273,498	834,733	-	27,353,303
Total Deductions	1,446,321	25,799,638	906,838	-	28,152,797
Change in Net Position	44,035	(1,821,096)	154,707	-	(1,622,354)
NET POSITION (DEFICIT)					
Beginning	2,618,674	6,135,165	1,031,814	(597)	9,785,056
Ending	$ 2,662,709	$ 4,314,069	$ 1,186,521	$ (597)	$ 8,162,702

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Statistical Section

This section of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS **Page**

Financial Trends 130

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.

Revenue Capacity 141

These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.

Debt Capacity 144

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information 150

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 154

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Governmental Activities:				
Net investment in capital assets	$ 647,192,005	$ 623,187,760	$ 607,795,162	$ 599,739,265
Restricted for:				
Affordable housing	174,239,971	182,174,655	192,984,712	197,267,954
Transportation	-	-	-	-
Lighting and landscape	11,266,533	12,073,491	12,410,105	12,833,499
Public facilities	24,998,414	32,111,994	36,384,666	3,186,646
Other purposes	7,645,829	2,187,164	2,461,175	44,845,897
Endowment	1,000,000	-	-	-
Unrestricted	3,482,542	48,523,274	60,067,467	48,322,111
Total governmental activities net position	$ 869,825,294	$ 900,258,338	$ 912,103,287	$ 906,195,372
Business-type activities:				
Net investment in capital assets	$ 34,101,091	$ -	$ -	$ -
Unrestricted	2,552,732	94,924,105	95,225,519	94,972,155
Total business-type activities net position	$ 36,653,823	$ 94,924,105	$ 95,225,519	$ 94,972,155
Component unit:				
Not expendable	$ -	$ 1,000,000	$ 1,000,000	$ 1,000,000
Expendable	-	157,923	230,885	258,593
Total component unit net position	$ -	$ 1,000,000	$ 1,230,885	$ 1,258,593
Primary Government:				
Net investment in capital assets	$ 681,293,096	$ 623,187,760	$ 607,795,162	$ 599,739,265
Restricted for:				
Affordable housing	174,239,971	182,174,655	192,984,712	197,267,954
Transportation	-	-	-	-
Lighting and landscape	11,266,533	12,073,491	12,410,105	12,833,499
Capital improvements	24,998,414	32,111,994	36,384,666	3,186,646
Other purposes	7,645,829	2,187,164	2,461,175	44,845,897
Endowment	1,000,000	-	-	-
Unrestricted	6,035,274	143,447,379	155,292,986	143,294,266
Total primary government net position	$ 906,479,117	$ 995,182,443	$ 1,007,328,806	$ 1,001,167,527
Component unit:				
Restricted	$ -	$ -	$ 1,230,885	$ 1,258,593
Total component unit net position	$ -	$ -	$ 1,230,885	$ 1,258,593

Fiscal Year						
2019	2020	2021	2022	2023	2024
$ 600,656,145	$ 594,590,985	$ 591,038,322	$ 596,923,771	$ 625,379,612	$ 640,830,413
204,874,361	214,394,691	222,040,542	227,818,434	238,874,604	244,273,429
-	-	-	-	-	16,132,948
14,734,771	15,104,188	16,803,353	17,688,560	19,185,250	21,146,015
1,008,537	1,004,808	1,005,625	43,506,990	40,430,216	30,116,438
42,359,172	51,842,888	54,134,938	19,957,186	19,226,068	8,906,461
-	-	-	-	-	-
46,006,938	35,895,754	35,934,735	46,052,370	43,696,948	45,250,631
$ 909,639,924	$ 912,833,314	$ 920,957,515	$ 951,947,311	$ 986,792,698	$ 1,006,656,335
$ -	$ -	$ -	$ -	$ -	$ -
95,293,994	96,901,655	97,147,813	92,682,011	94,375,674	86,530,790
$ 95,293,994	$ 96,901,655	$ 97,147,813	$ 92,682,011	$ 94,375,674	$ 86,530,790
$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
250,742	219,405	475,316	216,026	258,781	315,818
$ 1,250,742	$ 1,219,405	$ 1,475,316	$ 1,216,026	$ 1,258,781	$ 1,315,818
$ 600,656,145	$ 594,590,985	$ 591,038,322	$ 596,923,771	$ 625,379,612	$ 640,830,413
204,874,361	214,394,691	222,040,542	227,818,434	238,874,604	244,273,429
-	-	-	-	-	16,132,948
14,734,771	15,104,188	16,803,353	17,688,560	19,185,250	21,146,015
1,008,537	1,004,808	1,005,625	43,506,990	40,430,216	30,116,438
42,359,172	51,842,888	54,134,938	19,957,186	19,226,068	8,906,461
-	-	-	-	-	-
141,300,932	132,797,409	133,082,548	138,734,381	138,072,622	131,781,421
$ 1,004,933,918	$ 1,009,734,969	$ 1,018,105,328	$ 1,044,629,322	$ 1,081,168,372	$ 1,093,187,125
$ 1,250,742	$ 1,219,405	$ 1,475,316	$ 1,216,026	$ 1,258,781	$ 1,315,818
$ 1,250,742	$ 1,219,405	$ 1,475,316	$ 1,216,026	$ 1,258,781	$ 1,315,818

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Expenses:				
Governmental Activities:				
General government	$ 16,944,647	$ 18,256,401	$ 15,819,492	$ 19,444,881
Community development	7,094,841	12,890,498	1,679,942	6,368,611
Public safety	36,059,952	32,564,134	38,312,609	40,504,526
Highways, streets and parks	33,832,005	23,904,189	29,012,619	32,201,548
Culture and recreation	5,040,297	3,951,699	3,873,784	4,209,685
Interest on long-term debt	267,688	262,067	243,974	295,292
Total governmental activities expenses	87,352,739	99,239,430	91,828,988	88,942,420
Business-type activities:				
Creekside Marketplace	2,053,600	2,069,680	1,572,337	771,106
Total business-type activities expenses	1,061,134	2,053,600	2,069,680	1,572,337
Total primary government expenses	88,413,873	101,293,030	93,898,668	90,514,757
Component Unit:				
Permanent Fund Community Foundation	-	56,622	65,283	69,946
Total primary government expenses	$ -	$ -	$ 56,622	$ 65,283
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	$ 1,288,995	$ 1,843,724	$ 1,151,920	$ 1,038,094
Community development (2)	2,997,665	2,252,007	4,554,470	6,363,423
Public safety	8,888,703	9,103,730	10,358,412	10,979,615
Highways, streets, and parks (1) (2)	7,455,240	8,196,772	7,931,273	8,605,163
Culture and recreation (2)	2,081,035	2,364,561	2,575,892	2,100,449
Operating grants and contributions	16,811,188	11,893,755	13,919,753	11,094,309
Capital contributions and grants	9,843,740	4,294,066	3,523,253	1,345,661
Total governmental activities program revenues	60,182,243	49,366,566	39,948,615	44,014,973
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,470,369	3,335,509	4,924,764	5,188,034
Total business-type activities program revenues	4,103,722	3,470,369	3,335,509	4,924,764
Total primary government program revenues	64,285,965	52,836,935	43,284,124	48,939,737
Net (expenses) revenues:				
Governmental activities	(27,170,496)	(49,872,864)	(51,880,373)	(44,927,447)
Business-type activities	3,042,588	1,416,769	1,265,829	3,352,427
Total primary government net (expenses)/revenues	$ (24,127,908)	$ (48,456,095)	$ (50,614,544)	$ (41,575,020)
Component Unit:				
Permanent Fund Community Foundation	-	-	(56,622)	(65,283)
Total primary government net (expenses)/revenues	-	-	(56,622)	(65,283)

Notes:
(1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
(2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.

Source: City of San Marcos, Finance Department

Fiscal Year					
2019	2020	2021	2022	2023	2024
$ 24,545,665	$ 26,598,227	$24,133,604	$32,589,843	$34,816,393	$31,242,559
5,036,267	10,631,212	13,174,383	12,423,814	12,813,037	13,171,260
42,703,434	42,461,674	45,837,054	42,170,941	44,417,299	48,504,380
31,533,558	32,356,482	33,373,256	32,747,776	35,825,013	32,345,449
4,025,485	3,982,454	3,557,335	4,119,671	5,060,347	5,486,692
183,847	227,552	259,529	148,236	137,987	118,939
103,024,543	108,028,256	116,257,601	120,335,161	$133,070,076	130,869,279
969,539	1,339,226	974,272	2,391,450	4,392,110	5,725,820
771,106	969,539	1,339,226	974,272	4,392,110	5,725,820
103,795,649	108,997,795	117,596,827	121,309,433	137,462,186	136,595,099
71,223	51,361	84,837	76,844	78,320	76,347
$ 69,946	$ 71,223	$ 51,361	$ 84,837	$ 78,320	$ 76,347
$ 1,704,211	$ 1,580,692	$ 1,447,664	$ 1,384,202	$ 4,990,742	$ 8,212,662
2,485,165	1,813,367	2,499,892	5,416,289	7,786,718	4,199,876
12,001,681	11,883,120	13,464,941	14,862,440	13,752,035	14,901,259
7,860,930	9,294,971	9,658,671	8,976,054	10,506,534	12,089,341
2,466,095	1,543,846	946,994	2,466,721	2,561,230	2,857,288
17,606,841	23,979,367	24,626,457	23,654,054	31,864,335	24,490,215
4,437,779	7,053,470	22,305,574	23,424,439	23,338,882	7,504,803
41,526,714	48,562,702	57,148,833	74,950,193	94,800,476	74,255,444
5,510,983	4,808,776	4,617,947	4,713,033	7,075,704	5,907,754
5,188,034	5,510,983	4,808,776	4,617,947	7,075,704	5,907,754
46,714,748	54,073,685	61,957,609	79,568,140	101,876,180	80,163,198
(61,497,829)	(59,465,554)	(59,108,768)	(45,384,968)	(38,269,600)	(56,613,835)
4,416,928	4,541,444	3,469,550	3,643,675	2,683,594	181,934
$ (57,080,901)	$ (54,924,110)	$ (55,639,218)	$ (41,741,293)	$ (35,586,006)	$ (56,431,901)
(69,946)	(71,223)	(51,361)	(84,837)	(78,320)	(76,347)
(69,946)	(71,223)	(51,361)	(84,837)	(78,320)	(76,347)

Changes in Net Position, (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	$ 14,730,525	$ 16,627,912	$ 18,604,256	$ 19,825,953
Tax increment, net	-	-	-	-
Transient occupancy taxes	794,846	829,724	873,863	978,498
Business license	208,911	213,173	228,040	231,933
Motor vehicle license tax	-	-	-	-
Franchise fees	3,520,613	3,907,803	4,031,275	3,897,771
Rental income	6,260,337	5,790,384	5,950,030	5,556,365
Sales tax shared state revenue and in lieu, unrestricted	15,840,511	16,209,302	16,868,051	16,418,302
Investment income	1,108,705	937,647	1,731,178	1,242,804
Gain/(Loss) on sale of capital assets	(659,841)	1,810,932	187,956	227,020
Miscellaneous income	489,778	982,947	529,653	96,331
Transfers	4,250,000	(3,850,425)	4,500,000	3,317,138
Transfer to Successor Agency	-	-	-	-
Total governmental activities	37,051,614	46,544,385	43,459,399	53,504,302
Business-type activities:				
Investment income	50,190	8,184	16,289	2,855
Other	-	-	-	-
Transfers	(4,250,000)	3,850,425	(4,500,000)	(3,317,138)
Total business-type activities	(4,994,531)	(4,199,810)	3,858,609	(4,483,711)
Total primary government	32,057,083	42,344,575	47,318,008	49,020,591
Component Unit:				
Investment income, restricted	-	-	(11,645)	138,220
Other	-	-	-	25
Total primary government	-	-	-	(11,645)
Change in Net Position:				
Governmental activities	(12,821,250)	(5,335,988)	(1,468,048)	(7,993,527)
Business-type activities	(3,577,762)	(2,933,981)	7,211,036	(66,783)
Total primary government	$ (16,399,012)	$ (8,269,969)	$ 5,742,988	$ (8,060,310)
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(81,591)
Total primary government	$ -	$ -	$ -	$ (81,591)

Source: City of San Marcos, Finance Department

Fiscal Year					
2019	2020	2021	2022	2023	2024
$ 21,542,823	$ 24,982,707	$ 24,980,971	$ 26,695,907	$ 28,629,629	$ 31,183,549
-	-	-	-	-	-
1,303,446	1,068,175	871,393	1,416,495	1,615,411	1,728,507
232,733	226,950	230,340	241,640	242,260	233,690
49,502	79,818	72,985	111,588	96,966	119,411
4,042,123	4,282,862	4,220,898	4,644,009	5,256,055	5,825,364
5,477,226	5,140,403	7,290,221	5,626,286	5,866,922	6,084,709
17,274,843	19,306,999	17,308,573	21,966,581	21,935,697	21,567,605
1,305,351	10,303,109	2,031,411	10,062,092	3,684,135	6,128,180
258,282	229,032	(74,079)	191,367	4,155,018	373,652
223,593	982,103	1,026,771	549,913	632,894	732,805
5,000,000	3,500,000	3,400,000	3,500,000	1,000,000	2,500,000
-	-	-	-	-	-
51,792,115	56,709,922	70,102,158	61,359,484	73,114,987	76,477,472
6,759	1,636,309	2,483	(3,287,385)	3,560	(5,543,590)
-	1,802	-	-	6,509	16,772
(5,000,000)	(3,500,000)	(3,400,000)	(3,500,000)	(1,000,000)	(2,500,000)
(3,314,283)	(4,993,241)	(1,861,889)	(3,397,517)	(989,931)	(8,026,818)
48,477,832	51,716,681	68,240,269	57,961,967	72,125,056	68,450,654
97,654	19,998	340,748	(182,446)	121,075	133,384
-	26	-	-	-	-
138,245	97,654	20,024	340,748	121,075	133,384
(7,673,439)	(2,398,846)	24,717,190	15,974,516	34,845,387	19,863,637
1,227,161	(1,523,691)	1,781,786	246,158	1,693,663	(7,844,884)
$ (6,446,278)	$ (3,922,537)	$ 26,498,976	$ 16,220,674	$ 36,539,050	$ 12,018,753
67,022	46,293	(64,813)	255,911	42,755	57,037
$ 67,022	$ 46,293	$ (64,813)	$ 255,911	$ 42,755	$ 57,037

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Nonspendable	$ 10,451,246	$ 10,031,405	$ 66,369,312	$ 65,059,911
Restricted	-	-	-	-
Assigned	5,984,790	5,984,790	11,653,634	11,313,621
Unassigned	31,887,837	82,608,491	27,053,317	28,500,274
Total General Fund	63,054,407	48,323,873	98,624,686	105,076,263
Nonspendable	1,000,000	-	-	-
Restricted	82,000,192	82,451,468	87,132,962	98,836,674
Unassigned	(20)	(33,867)	-	(148,263)
Total all other governmental funds	81,658,373	83,000,172	82,417,601	87,132,962
Total governmental funds	$ 144,712,780	$ 131,324,045	$ 181,042,287	$ 192,209,225

Source: City of San Marcos, Finance Department

Fiscal Year					
2019	2020	2021	2022	2023	2024
$ 64,997,746	$ 62,506,999	$ 61,913,706	$ 74,313,510	$ 76,188,631	$ 81,216,522
-	2,492,150	2,889,350	2,398,726	2,517,379	2,727,743
11,059,665	10,023,351	11,864,630	11,864,630	12,552,407	10,650,747
30,443,892	32,505,397	40,069,078	31,357,566	28,397,360	27,724,575
104,873,806	106,501,303	107,527,897	116,736,764	119,655,777	122,319,587
-	-	-	-	-	-
99,243,047	110,557,067	109,842,378	120,236,691	125,297,479	123,098,939
(378,551)	(5,099,687)	(11,385,046)	(9,175,364)	(18,388,355)	(15,579,695)
98,688,411	98,864,496	105,457,380	98,457,332	106,909,124	107,519,244
$ 203,562,217	$ 205,365,799	$ 212,985,277	$ 215,194,096	$ 226,564,901	$ 229,838,831

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Revenues:				
Taxes and special assessments (3)	$ 40,746,406	$ 43,388,689	$ 28,386,492	$ 30,734,448
Licenses and permits	4,896,092	5,190,125	5,184,798	5,567,081
Intergovernmental (3)	11,705,953	8,388,620	22,446,951	24,240,158
Charges for services	14,767,944	15,644,089	15,756,224	16,391,482
Developer fees	3,085,839	5,680,240	6,770,876	10,269,151
Fines and forfeitures	378,143	492,091	632,114	592,516
Investment and rental income	9,159,541	9,887,780	9,814,976	8,625,937
Miscellaneous	1,307,048	3,003,475	1,656,344	2,170,216
Total Revenues	86,046,966	91,675,109	90,648,775	98,590,989
Expenditures:				
Current:				
General government (2)	16,082,210	15,769,553	20,232,292	17,619,187
Community development (2)	7,282,130	9,218,570	9,224,684	6,419,708
Public safety	35,743,282	33,512,449	36,449,543	37,334,894
Highways, streets, and parks (1) (2)	20,669,923	16,739,415	19,258,048	18,924,332
Culture and recreation (1)	4,904,494	3,611,161	3,814,190	3,930,935
Capital outlay	3,672,221	11,115,705	10,255,091	6,235,184
Debt service:				
Principal retirement	570,876	677,198	970,360	1,474,503
Interest and fiscal charges	260,465	259,734	286,705	246,947
Cost of issuance	-	-	-	108,311
Total expenditures	89,185,601	90,903,785	100,490,913	92,294,001
Excess/(deficiency) of Revenues Over Expenditures	(3,138,635)	771,324	(9,842,138)	6,296,988
Other financing sources (uses):				
Issuance of debt	12,752	1,036,580	-	-
Subscription acquisition	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Capital leases	125,074	432,248	2,018,392	-
Partnership contributions	(6,537,501)	-	-	-
Transfers in	5,911,842	6,441,564	5,470,561	9,820,141
Transfers out	(9,762,267)	(1,941,564)	(2,153,423)	(4,820,141)
Total other financing sources (uses)	(10,250,100)	5,968,828	5,335,530	5,000,000
Net Change in Fund Balances	$ (13,388,735)	$ 6,740,152	$ (4,506,608)	$ 11,296,988
Debt service as a percentage of noncapital expenditures	1.04%	1.05%	1.20%	2.28%

Notes:

(1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.

(2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.

(3) Beginning in fiscal year 2016-2017, all sales tax related revenue is recorded under the intergovernmental revenue category instead of taxes and special assessments revenue category.

Source: City of San Marcos, Finance Department

Fiscal Year					
2019	2020	2021	2022	2023	2024
$ 37,396,482	$ 35,074,453	$ 35,336,432	$ 38,014,722	$ 40,963,794	$ 44,408,575
4,829,046	4,982,848	5,758,317	6,229,489	6,577,183	7,196,130
22,558,222	30,208,872	50,774,854	50,768,628	54,411,026	44,105,690
16,112,574	15,608,463	17,466,496	20,530,129	19,271,585	21,237,059
5,217,642	7,775,654	7,826,185	12,959,166	13,654,904	2,606,491
498,336	389,034	257,569	68,465	1,241,181	1,230,052
11,496,722	19,363,307	8,782,267	15,259,941	12,021,546	18,433,726
1,873,724	1,556,989	1,163,325	1,617,335	3,286,479	2,565,543
99,982,748	114,959,620	127,365,445	145,447,875	151,427,698	141,783,266
21,862,137	24,474,209	22,215,742	31,048,583	33,833,175	29,797,201
4,795,779	9,921,546	13,323,540	12,240,828	12,840,820	12,680,319
37,782,655	39,103,687	42,204,560	42,816,495	43,091,788	44,563,590
18,575,680	18,682,862	18,038,640	17,536,047	25,010,953	20,937,875
3,759,978	3,416,437	3,248,975	4,084,656	4,472,130	5,019,593
19,258,698	16,762,011	31,070,090	24,629,033	45,066,432	27,390,505
860,105	907,466	1,111,330	1,042,598	999,388	873,121
155,238	219,983	225,850	144,339	134,128	120,785
-	-	-	-	-	-
107,050,270	113,488,201	131,438,727	133,542,579	165,448,814	141,382,989
(7,067,522)	1,471,419	(4,073,282)	11,905,296	(14,021,116)	400,277
-	-	-	-	-	-
-	-	-	-	257,840	-
4,521,104	1,138,302	2,427,572	396,367	8,332,418	373,653
-	1,509,757	585,414	-	-	-
-	-	-	-	-	-
11,859,523	14,722,108	17,515,183	11,302,783	20,819,402	24,148,802
(7,509,523)	(11,222,108)	(14,115,183)	(7,802,783)	(19,819,402)	(21,648,802)
8,871,104	6,148,059	6,412,986	3,896,367	9,590,258	2,873,653
$ 1,803,582	$ 7,619,478	$ 2,339,704	$ 15,801,663	$ (4,430,858)	$ 3,273,930
1.01%	1.11%	1.18%	1.12%	0.80%	0.87%

Assessed Value and Estimated Actual Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (2)
2015	$ 10,183,486,233	$ 337,507,007	$ (548,057,005)	$ 9,972,936,235	0.0883
2016	10,811,344,739	329,112,145	(559,042,771)	10,581,414,113	0.0883
2017	11,407,192,886	337,739,348	(570,825,511)	11,174,106,723	0.0883
2018	12,146,122,751	348,333,349	(595,248,906)	11,899,207,194	0.0883
2019	12,991,489,372	370,104,590	(619,191,733)	12,742,402,229	0.0883
2020	13,815,539,662	379,261,628	(579,152,010)	13,615,649,280	0.0883
2021	14,506,330,312	384,186,012	(654,981,947)	14,235,534,377	0.0883
2022	15,119,698,651	313,927,047	(753,940,771)	14,679,684,927	0.0883
2023	16,204,222,773	399,106,990	(842,763,196)	15,760,566,567	0.0883
2024	17,491,188,954	345,103,829	(1,013,865,302)	16,822,427,481	0.0883

Notes:

(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(2) Tax Rate Area 13-066.

Source: San Diego County Assessor's Office

Direct and Overlapping Property Tax Rates (1)
Last Ten Fiscal Years
(rate per $100 of assessed value)

	Allocation of 1% Ad Valorem Property Taxes						
	Direct Rate	Overlapping Rates					
Fiscal Year	City of San Marcos	San Marcos Unified School District	San Marcos Fire Protection District	San Diego County	Others	Voter Approved Debt	Total Tax Rate (2)
2015	0.0883	0.3805	0.0632	0.2481	0.2200	0.1138	1.1138
2016	0.0883	0.3805	0.0632	0.2481	0.2200	0.1180	1.1180
2017	0.0883	0.3805	0.0632	0.2481	0.2200	0.1175	1.1175
2018	0.0883	0.3805	0.0632	0.2481	0.2200	0.0910	1.0911
2019	0.0883	0.3805	0.0632	0.2481	0.2200	0.0908	1.0908
2020	0.0883	0.3805	0.0632	0.2481	0.2200	0.0970	1.0970
2021	0.0883	0.3805	0.0632	0.2481	0.2200	0.0804	1.0804
2022	0.0883	0.3805	0.0632	0.2481	0.2200	0.0777	1.0777
2023	0.0883	0.3805	0.0632	0.2481	0.2200	0.0752	1.0753
2024	0.0883	0.3805	0.0632	0.2481	0.2200	0.0723	1.0724

Notes:

(1) Tax rates are for Tax Rate Area 13-066.

(2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies in which the subject property resides. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter-approved bonds.

Source: San Diego County Auditor and Controller Office

Property Tax Levies and Collections
Last Ten Fiscal Years (1)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2015	$ 6,502,541	$ 6,342,713	97.54 %	$ 78,207	$ 6,420,920	98.74 %
2016	6,875,051	6,704,823	97.52	71,158	6,775,981	98.56
2017	7,280,193	7,082,528	97.28	84,677	7,167,205	98.45
2018	7,584,842	7,402,491	97.60	83,242	7,485,733	98.69
2019	8,110,254	7,879,445	97.15	89,089	7,968,534	98.25
2020	8,257,634	7,990,099	96.76	122,424	8,112,523	98.24
2021	8,671,538	8,522,190	98.28	108,016	8,630,206	99.52
2022	9,291,999	8,889,705	95.67	106,265	8,995,970	96.81
2023	9,925,652	9,530,480	96.02	130,345	9,660,825	97.33
2024	10,278,653	9,918,155	96.49	N/A	9,918,155	96.49

Notes:

(1) The amounts presented include the City and Fire District property taxes.

Source: San Diego County Auditor and Controller Office

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities (1)							
Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable (3)	Total Primary Government	Percentage of Personal Income	Per Capita
2015	$ -	$ 4,653,666	$ 401,747	$ 411,883	$ 469,865	$ 5,937,160	11.95%	66
2016	-	4,390,999	274,934	633,034	1,432,155	6,731,122	12.78%	73
2017	-	4,118,332	141,146	2,250,022	1,271,983	7,781,483	14.14%	83
2018 (2)	-	-	-	1,731,711	4,643,642	6,375,353	10.89%	66
2019	-	-	-	1,334,885	4,158,664	5,493,549	8.95%	57
2020	-	-	-	2,413,785	3,682,055	6,095,840	9.46%	63
2021	-	-	-	2,376,171	3,193,753	5,569,924	7.96%	58
2022	-	-	-	1,759,679	2,767,647	4,527,326	6.51%	48
2023 (4)	-	-	-	1,260,227	2,335,627	3,595,854	4.81%	38
2024				757,123	1,897,696	2,654,819	(4)	28

Note:

(1) General bonded debt is debt payable with governmental fund resources. Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

(2) Revenue Bonds refunded as of November 29, 2017

(3) Beginning 2018 includes Safety Center Private Placement Financing

(4) Personal income data for 2024 is unavailable.

Source: City of San Marcos, Finance Department

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Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds (1)	Total	Percent of Assessed Value (2)	Per Capita
2015	$ -	$ 4,653,666	$ 4,653,666	0.047	51
2016	-	4,390,999	4,390,999	0.041	47
2017	-	4,118,332	4,118,332	0.037	44
2018 (3)	-	-	-	0.000	-
2019	-	-	-	0.000	-
2020	-	-	-	0.000	-
2021	-	-	-	0.000	-
2022	-	-	-	0.000	-
2023	-	-	-	0.000	-
2024	-	-	-	0.000	-

Notes:
(1) The revenue bonds are secured by lease payments to be made by the City and the County of San Diego.
(2) Assessed value has been used because actual value of taxable property is not readily available in the State of California.
(3) Revenue Bonds refunded as of November 29, 2017

Source: City of San Marcos, Finance Department

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Total assessed valuation	$ 10,520,993,240	$ 11,140,456,884	$ 11,744,932,234	$ 12,494,456,100
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,630,248,310	2,785,114,221	2,936,233,059	3,123,614,025
Debt limit percentage	15%	15%	15%	15%
Debt limit	394,537,247	417,767,133	440,434,959	468,542,104
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	$ 394,537,247	$ 417,767,133	$ 440,434,959	$ 468,542,104
Total debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%

Note:
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of San Marcos, Finance Department
County of San Diego Tax Assessor's Office

	Fiscal Year					
	2019	2020	2021	2022	2023	2024
	$ 13,361,593,962	$ 14,194,801,290	$ 14,890,516,324	$ 15,433,625,698	$ 16,603,329,763	$ 17,836,292,783
	25%	25%	25%	25%	25%	25%
	3,340,398,491	3,548,700,323	3,722,629,081	3,858,406,425	4,150,832,441	4,459,073,196
	15%	15%	15%	15%	15%	15%
	501,059,774	532,305,048	558,394,362.15	578,760,963.68	622,624,866.11	668,860,979
	-	-	-	-	-	-
	$ 501,059,774	$ 532,305,048	$ 558,394,362	$ 578,760,964	$ 622,624,866	$ 668,860,979
	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Pledged-Revenue Coverage
Last Ten Fiscal Years

	Revenue Bonds (1)			
		Debt Service (2)		
Fiscal Year	Revenue	Principal	Interest	Coverage
2015	$ 466,990	$ 250,000	$ 216,990	1.00
2016	471,524	265,000	206,524	1.00
2017	470,353	275,000	195,353	1.00
2018 (3)	-	-	-	1.00
2019	-	-	-	1.00
2020	-	-	-	1.00
2021	-	-	-	1.00
2022	-	-	-	1.00
2023	-	-	-	1.00
2024	-	-	-	1.00

Notes:
(1) Revenue bonds are secured by lease payments to be made by the City and the County of San Diego.
(2) Debt service shown is annual debt service.
(3) Revenue Bonds refunded as of November 29, 2017

Source: City of San Marcos, Finance Department

Direct and Overlapping Debt
As of June 30, 2024

2023-24 Assessed Valuation: (1) $16,915,051,481

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable (2)	Outstanding Debt June 30, 2024 (3)	Estimated Share of Overlapping Debt
Metropolitan Water District	0.431%	$ 18,210,000	$ 78,485
Palomar Community College District	10.450%	627,562,522	65,580,284
San Marcos Unified School District	62.604%	263,560,519	164,999,427
San Marcos Unified School District Community Facilities District No. 3	100.000%	50,000	50,000
San Marcos Unified School District Community Facilities District No. 4	64.617%	11,010,000	7,114,332
San Marcos Unified School District Community Facilities District No. 7	100.000%	6,675,000	6,675,000
San Marcos Unified School District Community Facilities District No. 8	100.000%	3,035,000	3,035,000
San Marcos Unified School District Community Facilities District No. 15, I.A. A	100.000%	3,465,000	3,465,000
San Marcos Unified School District Community Facilities District No. 16	100.000%	2,250,000	2,250,000
Other School Districts	Various	1,255,210,333	601,871
Palomar Pomerado Hospital	11.698%	391,373,366	45,782,856
City of San Marcos	**100.000%**	-	-
City of San Marcos Community Facilities District No. 88-1	100.000%	4,811,551	4,811,551
City of San Marcos Community Facilities District No. 99-01	100.000%	39,120,002	39,120,002
City of San Marcos Community Facilities District No. 2002-1	100.000%	8,640,000	8,640,000
California Statewide Communities Development Authority Assessment District No. 22-01	100.000%	1,475,000	1,475,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 353,678,808
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	2.406%	$374,600,000	9,012,876
San Diego County Pension Obligation Bonds	2.406%	211,225,000	5,082,074
San Diego County Superintendent of Schools Obligations	2.406%	6,050,000	145,563
Palomar Community College District General Fund Obligations	10.450%	1,175,000	122,788
San Marcos Unified School District General Fund Obligations	62.604%	88,669,368	55,510,571
Other School District Certificates of Participation	Various	170,237,885	136,702
City of San Marcos General Fund Obligations	**100.000%**	**8,970,502** (4)	**8,970,502**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 78,981,076
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	$ 211,440,000	$ 211,440,000
TOTAL DIRECT DEBT			**$ 8,970,502**
TOTAL OVERLAPPING DEBT			635,129,382
COMBINED TOTAL DEBT (3) (4)			$ 644,099,884
Direct Debt		**0.00%**	
Total Direct and Overlapping Tax and Assessment Debt		2.09%	
Combined Direct Debt ($1,565,000)		**0.05%**	
Combined Total Debt		3.81%	
Ratios to Redevelopment Incremental Valuation ($11,583,632,944):			
Total Overlapping Tax Increment Debt		1.83%	

Notes:
(1) Total gross assessed valuation less all other exemptions except homeowners.
(2) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
(4) Includes non-bonded capital lease obligations of the City.

Source: California Municipal Statistics, Inc.
City of San Marcos, Finance Department

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate
2015	33.07	92,076	2.37	$ 4,968,697,188	$ 53,963	4.00 %
2016	33.07	93,242	1.27	5,268,732,452	56,506	3.66
2017	33.07	94,258 (2)	1.09	5,502,782,040	58,380	3.41
2018	33.07	95,768	1.60	5,855,925,896	61,147	3.30
2019	33.07	96,335	0.59	6,139,333,215	63,729	2.80
2020	33.07	97,209	0.91	6,441,651,594	66,266	5.68
2021	33.07	96,302	-0.93	6,995,088,374	72,637	3.20
2022	33.07	93,585	-2.82	6,955,798,710	74,326	4.10
2023	33.07	94,530	1.01	7,479,402,660	79,122	3.30
2024	33.07	94,188	-0.36	(3)	(3)	4.50

Notes:

(1) Data presented is for San Diego/Chula Vista/Carlsbad economic area. FY2023 data was updated.

(2) Fiscal Year 2017 Population was revised by the State Department of Finance.

(3) Personal income and per capita personal income data for 2024 is unavailable.

Sources: Population information provided by the State Department of Finance.
Personal income data provided by the U.S. Department of Commerce.
Unemployment data provided by the California Employment Development Department.

Principal Employers
Current Year and Nine Years Ago

Employer (1)	2024 Number of Employees	2024 Rank	2024 Percent of Total Employment (2)	2015 Number of Employees	2015 Rank	2015 Percent of Total Employment (2)
San Marcos Unified School District	3,239	1	7.00%			
California State University San Marcos	2,873	2	6.21%	230	10	See footnote (1)
Palomar Community College	1,941	3	4.20%			
Hunter Industries, Inc.	776	4	1.68%	740	1	1.90%
United Parcel Service, Inc.	551	5	1.19%	484	2	1.24%
Costco Wholesale (4)	488	6	1.05%	350	5	0.90%
Southern California Permanente Medical Group	462	7	1.00%	403	3	1.04%
University of St Augustine for Health	322	8	0.70%			
eBlock Corporation	264	9	0.57%			
Hughes Circuits Inc.	262	10	0.57%			
Hollandia Dairy, Inc.	250	11	0.54%			
Lusardi Construction Co.	250	12	0.54%	300	7	0.77%
TrueCare (3)	250	13	0.54%			
Oliver Home Care, LLC	230	14	0.50%			
Wal-Mart Stores, Inc.	219	15	0.47%	350	4	0.90%
Fluid Components International	218	16	0.47%	245	9	0.63%
Home Depot	193	17	0.42%			
Veterinary Specialty Hospital	187	18	0.40%			
Stone Distributing Co., LLC	179	19	0.39%			
Diamond Environmental Svcs	175	20	0.38%			
24 Hour Fitness			0.00%	318	6	0.82%
RB III Associates			0.00%	259	8	0.67%
Total	13,329		28.81%	3,679		8.87%

Notes:
(1) Prior to 2016, Schools and the City were not included, 2015 figure for California State University only includes CSUSM Auxiliary Corp.
(2) Total Employment as used above represents the total employment of all employers located within the City limits.
(3) Formerly the "North County Health Services"
(4) Represents 2 Costco's; Wholesale - Nordahl (370) and Business Center - Grand Ave (118)

Sources: City of San Marcos, Business License Directory
City of San Marcos, Economic Development Department
California Employment Development Department.

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Full-time and Part-time Employees by Function
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019	2020 (2)	2021	2022	2023	2024
General government	61	56	52	43	67	40	48	60	56	59
Community development	34	26	29	33	40	25	34	41	38	42
Public safety (1)	90	105	108	104	129	108	121	114	119	119
Highways, streets and parks	77	84	88	92	97	82	65	71	65	63
Culture and recreation	149	181	177	158	200	73	121	121	135	178
Total	411	452	454	430	533	328	389	407	413	461

Note:
(1) Includes Fire services only. Police services are provided to the City by the County.
(2) Due to the COVID-19 pandemic, employment numbers are significantly lower than previous years.

Source: City of San Marcos, Finance Department

Operating Indicators by Function (1)
Last Ten Years

Function/Program	Fiscal Year 2015	2016	2017	2018
General Government:				
Number of business licenses issued	5,593	5,762	5,916	5,898
Number of requests for public information	276	355	346	353
Number of new hires including part-time	123	182	150	144
Number of invoices processed	13,342	12,813	12,287	12,123
Public Safety:				
Police:				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
Fire:				
Number of emergency calls	8,889	10,719	11,258	11,458
Number of fire inspections	2,894	2,419	2,431	3,168
Highways and Streets:				
Number of street lights added in current year	-	5	30	15
Number of traffic signals added in current year	1	3	1	-
Miles of streets swept	12,090	12,090	12,090	12,157
Miles of centerline streets added	-	-	-	-
Storm drain structures cleaned and repaired (2)	596	602	719	1,109
Culture and Recreation (3):				
Number of facility rentals	802	862	925	931
Number of swim program participants	57,009	40,711	38,105	33,955
Number of adult sports participants	47,094	50,814	55,809	59,361
Number of youth sports participants	23,014	26,415	27,013	32,092
Number of senior nutrition program meals served	13,039	10,813	10,997	12,024
Community Development:				
Number of building permits issued	1,877	2,390	2,198	2,326
Approximate number of building inspections conducted	10,922	12,150	10,641	16,829
Number of new business licenses issued	1,462	1,519	1,407	1,346

Note:

(1) Water and sewage treatment services are provided primarily by the Vallecitos Water District.

(2) The significant increase in FY2018 was due to equipment acquisition which increased cleaning capabilities.

(3) Due to the COVID-19 pandemic, many Parks and Recreation programs were shut down for much of 2020 through June 2021, hence the decrease in number of participants and facility rentals.

Source: Various City of San Marcos Departments

Fiscal Year					
2019	2020	2021	2022	2023	2024
6,086	5,808	5,450	5,660	5,706	5,639
379	492	693	714	686	797
165	83	117	163	185	136
12,123	12,290	10,624	10,423	12,179	11,617
11,275	10,838	11,603	12,464	12,062	12,094
2,748	1,745	1,482	6,957	2,414	2,333
6	6	-	8	19	-
4	3	-	-	5	-
12,157	12,354	12,354	12,219	12,220	12,219
-	-	-	-	-	1
282	487	448	750	478	638
1,052	641	107	393	429	479
21,338	11,634	3,705	1,581	1,230	1,295
64,025	59,056	1,470	6,886	7,103	7,988
33,603	21,256	4,112	6,333	8,303	8,452
11,450	11,642	12,846	9,112	12,174	13,643
2,337	2,200	2,409	2,763	4,266	2,020
11,999	9,127	10,669	14,726	19,544	13,638
1,385	1,166	1,138	1,264	1,216	974

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2015	2016	2017	2018
Public Safety:				
Police (1)				
Fire				
Number of fire stations	4	4	4	4
Number of emergency vehicles	41	44	47	47
Highways and Streets:				
Miles of streets (2)	197	197	197	198
Number of street lights	2,708	2,713	2,743	2,758
Culture and Recreation:				
Parks (3)	35	35	36	36
Acres of park and trail land (3)	384	384	333	333
Pools	2	2	2	2

Notes:
(1) The City contracts with the San Diego County Sheriff's Department for full service law enforcement.
(2) An audit of the City's street inventory was conducted during FY2012 and it was determined that private streets were being included in the total miles of streets. Private street have now been removed from the total.
(3) An audit of the City's parks and trails was conducted in FY2018 and it was determined that acres of park land reported in the prior years included trail land. Also, the number of parks has been revised to included parks owned by the City and developers, which the City maintains and has the right to use. The numbers are revised starting in FY2017.

Sources: Various City Departments.

Fiscal year					
2019	2020	2021	2022	2023	2024
4	4	4	4	4	4
50	50	50	50	56	56
204	204	204	204	204	205
2,760	2,789	2,789	2,797	2,816	2,816
36	37	39	39	41	44
333	287	256	256	294	298
2	2	2	2	2	2

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APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Successor Agency to the
San Marcos Redevelopment Agency
One Civic Center Drive
San Marcos, California 92069

Re: $_____ Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2025A

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the Successor Agency to the San Marcos Redevelopment Agency (the "Agency") in connection with the issuance of the Successor Agency to the San Marcos Redevelopment Agency Tax Allocation Refunding Bonds, Series 2025A (the "Bonds"), pursuant to the provisions of Section 34177.5(a)(1) of the California Health and Safety Code and Article 11 (commencing with Section 53580) of Chapter 3 of Part I of Division 2 of Title 5 of the California Government Code (the "Refunding Law") and pursuant to that certain Indenture of Trust, dated as of July 1, 2015 (the "Original Indenture"), by and between the former San Marcos Redevelopment Agency (the "Former Agency"), as succeeded by the Agency, and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (in such capacity, the "Trustee"), as amended and supplemented by that certain First Supplemental Indenture of Trust, dated December 1, 2017, by and between the Successor Agency and the Trustee, and as amended and supplemented by that certain Second Supplemental Indenture of Trust, dated as of July 1, 2025, by and between the Successor Agency and the Trustee (as so amended and supplemented, the "Indenture"). The proceeds of the Bonds have been applied by the Agency to refinance certain redevelopment activities of the Former Agency. We have also examined such certified proceedings and other papers and materials as we deem necessary to render this opinion.

In such connection, we have reviewed the Indenture, the tax certificate of the Agency for the Bonds dated the date hereof (the "Tax Certificate"), certificates of the Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and their subordinate entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

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

1. The Agency is a successor agency duly organized and validly existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds;

2. The Bonds constitute the valid and legally binding special obligations of the Agency enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture;

3. The execution of the Indenture has been duly authorized by the Agency and constitutes the valid and legally binding obligation of the Agency enforceable against the Agency in accordance with its terms;

4. The Indenture establishes a first lien on and pledge of the Pledged Tax Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture;

5. Interest on the Bonds is exempt from California personal income taxation; and

6. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and interest on the Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2025A Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Successor Agency to the San Marcos Redevelopment Agency (the "Agency") in connection with the issuance of its $_____ Tax Allocation Refunding Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2015, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of December 1, 2017, and a Second Supplemental Indenture of Trust, dated as of July 1, 2025, each by and between U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and the Agency (collectively, the "Indenture"). The Agency covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

Annual Report. The term "Annual Report" means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

Financial Obligation. The term "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement dated _____, 2025 relating to the Bonds.

Participating Underwriter. The term "Participating Underwriter" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The Agency shall provide not later than April 1 following the end of its Fiscal Year (commencing with Fiscal Year 2024-25) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Agency is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Agency shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

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

(a) The audited financial statements of the Agency for the prior 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 Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available;

(b) Principal amount of Bonds outstanding;

(c) Description of the issuance by the Agency of any debt payable from or secured by a pledge of Pledged Tax Revenues in the Project Areas (as such terms are defined in the Official Statement) in the most recently completed Fiscal Year (including details as to date, amount, term, rating and bond insurance);

(d) Updated information for the current Fiscal Year (i.e., the Fiscal Year in which the Annual Report is filed) substantially in the form of Tables 1 and 2 in the Official Statement; and

(e)

(1) Updated assessed valuation and Redevelopment Property Tax Trust Fund deposit amounts, as well as amounts deducted for County administrative fees and senior pass-through obligations, for the most recently completed Fiscal Year in the form of Table 5.

(2) Debt service coverage information for the Bonds and Parity Debt based upon available Pledged Tax Revenues (as such terms are defined in the Indenture) for the most recently completed Fiscal Year in the form of Table 6.

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 Agency or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the Agency shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings; and

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Agency shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the Agency shall provide to any person financial information and operating data regarding the Agency which is customarily prepared by the Agency and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency 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 notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency 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 Agency to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Agency satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Agency shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2025

SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY

By: _____
Its:

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APPENDIX F

BOOK-ENTRY PROVISIONS

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the Agency, the City, the Trustee and the Underwriter believe to be reliable, but the Agency, the City, the Trustee and the Underwriter take no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2025A Bonds, payment of principal, premium, if any, and interest on the 2025A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2025A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2025A Bonds. The 2025A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2025A Bond will be issued for each annual maturity of the 2025A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. 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.

Purchases of 2025A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2025A Bonds ("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 2025A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2025A Bonds, except in the event that use of the book entry system for the 2025A Bonds is discontinued.

To facilitate subsequent transfers, all 2025A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2025A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2025A Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2025A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2025A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2025A Bonds documents. For example, Beneficial Owners of 2025A Bonds may wish to ascertain that the nominee holding the 2025A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2025A Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2025A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 2025A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2025A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2025A Bond Owner shall give notice to elect to have its 2025A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2025A Bond by causing the Direct Participant to transfer the Participant's interest in the 2025A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2025A Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2025A Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2025A Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2025A Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, 2025A Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2025A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2025A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fibre.

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www.imagemaster.com