PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2022

Ratings:
Standard & Poor's: "__" (insured)
"__" (underlying)
See "RATINGS" herein

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2022 Bonds is exempt from State of California personal income taxes. See the caption "TAX MATTERS."

$__________*
LAKE ELSINORE FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A

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

The Lake Elsinore Facilities Financing Authority Lease Revenue Bonds, Series 2022A (the "Series 2022 Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the City of Lake Elsinore (the "City") for the right to use certain real property consisting of the certain City-owned property as further described herein (the "Property"), pursuant to a Lease Agreement, dated as of June 1, 2022 (the "Lease Agreement"), by and between the City, as lessee, and the Lake Elsinore Facilities Financing Authority (the "Authority"), as lessor. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS." The Series 2022 Bonds are being issued to provide funds to (i) finance the acquisition, construction and installation of certain capital improvements owned by the City, (ii) [purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Series 2022 Bonds, (iii) purchase a debt service reserve insurance policy for deposit in the Reserve Fund] and (iv) pay the costs incurred in connection with the issuance of the Series 2022 Bonds. The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property. See "RISK FACTORS—Abatements."

The Series 2022 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2022 Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2022. Purchasers will not receive certificates representing their interest in the Series 2022 Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2022 Bonds will be paid by Wilmington Trust, National Association, as trustee (the "Trustee") to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2022 Bonds. See "THE SERIES 2022 BONDS—Book-Entry Only System" herein.

The Series 2022 Bonds will be issued pursuant to an Indenture, dated as of June 1, 2022 (the "Indenture") by and among the City, the Authority and Wilmington Trust, National Association, as trustee. The Series 2022 Bonds and any additional bonds issued pursuant to the Indenture ("Additional Bonds") are collectively referred to as the "Bonds."

The Series 2022 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity, as described herein. See "THE SERIES 2022 BONDS—Redemption" herein.

The scheduled payment of the principal of and interest on the Series 2022 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2022 Bonds by [____________________].

[INSURER LOGO]

The Series 2022 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2022 Bonds.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

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

The Series 2022 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel to the City, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the Series 2022 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about June __, 2022.

[STIFEL LOGO]

Dated: June __, 2022

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* *Preliminary, subject to change.*

$____________
LAKE ELSINORE FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A

MATURITY SCHEDULE
BASE CUSIP†: 509627

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

$_________ ______% Term Bond due April 1, 20__, Yield _____ %, Price _____% CUSIP: 509627 ___

$_________ ______% Term Bond due April 1, 20__, Yield _____ %, Price _____% CUSIP: 509627 ___

c Priced to the optional redemption date of April 1, 20__, at par.
† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, Authority and the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.*

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2022 Bonds 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 City or the Authority. 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 Series 2022 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2022 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of 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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. The Series 2022 Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2022 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption and "RISK FACTORS" and in Appendix A.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022 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 SERIES 2022 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

[___makes no representation regarding the Series 2022 Bonds or the advisability of investing in the Series 2022 Bonds. In addition, ___ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding ___ supplied by ___ and presented under the heading "BOND INSURANCE."]

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2022 Bonds.

CITY OF LAKE ELSINORE
COUNTY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Timothy J. Sheridan, *Mayor*
Natasha Johnson, *Mayor Pro-Tem*
Robert E. Magee, *Councilmember*
Steve Manos, *Councilmember*
Brian Tisdale, *Councilmember*

LAKE ELSINORE FACILITIES FINANCING AUTHORITY

Timothy J. Sheridan, *Chair*
Natasha Johnson, *Vice Chair*
Robert E. Magee, *Board Member*
Steve Manos, *Board Member*
Brian Tisdale, *Board Member*

CITY ADMINISTRATORS

Jason Simpson, *City Manager and Authority Executive Director*
Shannon Buckley, *Assistant City Manager and Authority Treasurer*

CITY ATTORNEY AND AUTHORITY COUNSEL

Leibold, McClendon, & Mann
Irvine, California

BOND AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Tustin, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

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OFFICIAL STATEMENT

$_________[*]
LAKE ELSINORE FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2022A

INTRODUCTION

This Official Statement (which includes the cover page and the appendices hereto) (the "Official Statement"), provides certain information concerning the sale and delivery of $________[*] aggregate principal amount of Lake Elsinore Facilities Financing Authority Lease Revenue Bonds, Series 2022A (the "Series 2022 Bonds").

The net proceeds of the sale of the Series 2022 Bonds will be used to (i) finance the acquisition, construction and installation of certain capital improvements owned by the City, (ii) [purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Series 2022 Bonds as further described under the caption "BOND INSURANCE," (iii) purchase a debt service reserve insurance policy (the "Reserve Surety Policy") for deposit in the Reserve Fund, as further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—Reserve Fund"] and (iv) pay the costs incurred in connection with the issuance of the Series 2022 Bonds.

The Series 2022 Bonds are equally and ratably payable from base rental payments (the "Base Rental Payments") to be made by the City of Lake Elsinore (the "City") for the right to use certain City-owned property, as further described herein (collectively, the "Property"), pursuant to a Lease Agreement, dated as of June 1, 2022 (the "Lease Agreement"), between the City, as lessee, and the Lake Elsinore Facilities Financing Authority (the "Authority"), as lessor. See "THE PROPERTY."

The Series 2022 Bonds will be issued pursuant to an Indenture, dated as of June 1, 2022 (the "Indenture"), by and among the Authority, the City and the Trustee. Pursuant to the Indenture, the Authority may issue additional bonds (the "Additional Bonds") payable from the Base Rental Payments on a parity with the Series 2022 Bonds (the Series 2022 Bonds and any such Additional Bonds being collectively referred to as the "Bonds").

Pursuant to a Ground Lease, dated as of June 1, 2022 (the "Ground Lease"), by and between the City and the Authority, the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of June 1, 2022, pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee, amounts payable to the Insurer (as defined herein) pursuant to the Indenture that are not payable from Base Rental Payments, and other amounts payable under the Lease

[*] *Preliminary, subject to change.*

Agreement), due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof. See "RISK FACTORS—Abatements." Abatement of Base Rental Payments under the Lease Agreement, to the extent that payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement. See "RISK FACTORS—Abatements" and Appendix B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

[Payment of the principal of and interest on the Series 2022 Bonds will be insured by a municipal bond insurance policy (the "Policy") to be issued by __________ ("___" or the "Insurer") concurrently with the issuance of the Series 2022 Bonds. See the caption "BOND INSURANCE." A specimen of the Policy is set forth in Appendix H.]

THE SERIES 2022 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2022 BONDS. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

The Series 2022 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2022 Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2022. Purchasers will not receive certificates representing their interest in the Series 2022 Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest on the Series 2022 Bonds will be paid by Wilmington Trust, National Association, as trustee (the "Trustee") to DTC for subsequent disbursement to DTC Participants which are obligated to remit such payments to the Beneficial Owners of the Series 2022 Bonds. See "THE SERIES 2022 BONDS—Book-Entry Only System" herein. The Series 2022 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2022 BONDS—Redemption."

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee with respect to the Series 2022 Bonds. The Series 2022 Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel to the City, and for the Trustee by its counsel. The City's audited financial statements for the fiscal year ended June 30, 2021 included as Appendix C hereto have been audited by Lance, Soll & Lunghard, LLP, certified public accountants, Brea, California (the "Auditor"). See Appendix C — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2021" herein. The Auditor has not undertaken to update the audited financial statements of the City or 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, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 29, 2021.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2022 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for the projected results for Fiscal Year 2022 and the budget discussion for Fiscal Year 2023, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2022 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE SERIES 2022 BONDS

General

The Series 2022 Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. The Series 2022 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2022 Bonds will be paid semiannually on April 1 and October 1 (each, an "Interest Payment Date") of each year, commencing October 1, 2022.

Interest on the Series 2022 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2022 Bond is authenticated on or before an Interest Payment Date and after the close of business the fifteenth day of the month next preceding such Interest Payment Date (the "Record Date"), in which event it will bear interest from such Interest Payment Date, (ii) a Series 2022 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2022 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2022 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2022 Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2022 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2022 Bonds will be subject to optional, mandatory sinking fund and extraordinary redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2022 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2022 Bonds (the "Beneficial Owners") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2022 Bonds. See "THE SERIES 2022 BONDS—Book-Entry Only System."

Redemption

Optional Redemption. The Series 2022 Bonds maturing on or after April 1, 20__ shall be subject to optional redemption, in whole or in part, on any date on or after April 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2022 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Net Insurance Proceeds. The Series 2022 Bonds are subject to redemption, in whole or in part, on any date, in denominations of $5,000 or any integral multiple thereof, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2022 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2022 Bonds maturing on April 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each April 1 on and after April 1, 20__, in integral multiples of $5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Sinking Fund Redemption Date (April 1)	***Principal Amount To Be Redeemed***

The Series 2022 Bonds maturing on April 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each April 1 on and after April 1, 20__, in integral multiples of $5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Sinking Fund Redemption Date (April 1)	***Principal Amount To Be Redeemed***

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption from and to the extent of any Net Insurance Proceeds and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable [approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Policy)], and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series within a maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. At least 20 but not more than 60 days prior to the date fixed for redemption, the Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Series 2022 Bonds designated for redemption at their respective addresses appearing on the Registration Books, provided, however, so long as the Series 2022 Bonds are registered in the name of the Nominee, notice shall be given in such manner as complies with the requirements of DTC. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Series 2022 Bond numbers and the maturity or maturities (except in the event of redemption of all of the Series 2022 Bonds of such maturity or maturities in whole) of the Series 2022 Bonds to be redeemed, and will require that such Series 2022 Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Series 2022 Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Series 2022 Bonds so called for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Series 2022 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Series 2022 Bonds. Upon surrender of any Series 2022 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Series 2022 Bond or Series 2022 Bonds in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Series 2022 Bonds surrendered.

Effect of Notice of Redemption. Notice having been mailed as aforesaid, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Series 2022 Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the principal corporate trust office of the Trustee, said Series 2022 Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Series 2022 Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof has been mailed as aforesaid and not canceled, then, from and after said date, interest on said Series 2022 Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2022 Bonds will be held in trust for the account of the Owners of the Series 2022 Bonds so to be redeemed without liability to such Owners for interest thereon. All Series 2022 Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be canceled upon surrender thereof and destroyed.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2022 Bond will be issued for each maturity of the Series 2022 Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix F — "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Series 2022 Bonds. The following provisions regarding the exchange and transfer of the Series 2022 Bonds apply only during any period in which the Series 2022 Bonds are not subject to DTC's book- entry system. While the Series 2022 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2022 Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2022 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Series 2022 Bond or Series 2022 Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Series 2022 Bond or Series 2022 Bonds in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Series 2022 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Series 2022 Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2022 Bonds of other authorized denominations. The Trustee will require the payment by the Series 2022 Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not obligated to make any transfer or exchange of Series 2022 Bonds during the period established by the Trustee for the selection of Series 2022 Bonds for redemption, or with respect to any Series 2022 Bonds selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS

Pledge of Revenues

The Series 2022 Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See, "THE CITY," "FINANCIAL INFORMATION" and "RISK FACTORS." The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2022 Bond Owners all of the Authority's right, title and interest in and to the Ground Lease and the

Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See "—Base Rental Payments" below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2022 Bonds. See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Additional Bonds."

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

THE SERIES 2022 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2022 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Base Rental Payments

Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 15th day of the month next preceding each Interest Payment Date (the "Base Rental Deposit Date") on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2022 Bonds.

Scheduled Base Rental Payments relating to the Series 2022 Bonds are set forth below under the heading "BASE RENTAL PAYMENT SCHEDULE."

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental Payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

(i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.

(ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.

(iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.

(iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986, as amended.

(v) [All amounts payable to the Insurer pursuant to the Indenture not payable from Base Rental Payments;] and

(vi) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments are subject to abatement proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Lease Agreement. The Trustee cannot terminate the Lease

Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Rental Abatement."

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See "RISK FACTORS—Abatements" and Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

Additional Bonds

The Authority may at any time issue one or more Series of Additional Bonds payable from Base Rental Payments on a parity with all other Bonds issued under the Indenture, subject to, among others, the following conditions:

(a) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained herein, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(b) The City shall be in compliance with all agreements, conditions, covenants and terms contained herein, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(c) The Ground Lease shall have been amended, to the extent necessary, and the Lease Agreement shall have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City).

Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur if (1) an event of default (within the meaning of the Lease Agreement) (or any event which, once all notice or grace periods have passed, would constitute such event of default) exists unless such event of default shall be cured upon such execution or issuance or (2) the Reserve Fund is not fully funded at the Reserve Requirement. See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Additional Bonds."

Substitution, Addition and Removal of Property

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property to add additional real property or to release a portion of the Property from the Lease Agreement, [with the written consent of the Insurer (so long as the Insurer is not in default on any obligation under the Policy) and] upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City thereunder as a result of such substitution or release. Any such substitution or release is subject to the following specific conditions precedent to such substitution or release:

(a) a certificate of the City that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds.

(b) the City obtains or causes to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in an amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;

(c) the City provides the Trustee with an opinion of counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds issued on a tax-exempt basis to be included in gross income for federal income tax purposes;

(d) the City, the Authority and the Trustee execute, and the City causes to be recorded with the Riverside County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(e) the City provides notice of such substitution to each rating agency then rating the Bonds.

See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Substitution or Release of the Property."

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental."

For purposes of certain actions of Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2022 Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Default" and "—THE INDENTURE—Events of Default," "—Other Remedies of the Trustee," and "—Limitation on Suits."

Reserve Fund

The Indenture establishes a Reserve Fund and a Series 2022 Bonds Account therein, which is required to be maintained in an amount equal to $________ (the "Reserve Fund Requirement"). Moneys in the Series 2022 Bonds Account of the Reserve Fund will be held in trust as a reserve for the payment when due of all debt service payments on the Series 2022 Bonds. [The City will acquire the Reserve Surety Policy from [___]

in the amount of the Reserve Fund Requirement for deposit into the Series 2022 Bonds Account of the Reserve Fund.]

[See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Reserve Fund" for further information with respect to the Reserve Surety Policy.]

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed $500,000. The City's obligation to maintain the insurance described above (except for rental interruption insurance) may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Lease Agreement. See Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance."

The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City's insurance obligations under the Lease Agreement may be satisfied by self-insurance, provided such self-insurance complies with the Lease Agreement.

The City is also required to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees, and workers' compensation insurance as described in Appendix B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance."

The City is required under the Lease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2022 Bonds, insuring the fee interest of the City in the Property, the Authority's leasehold estate in the Property under the Ground Lease, and the City's subleasehold estate in the Property under the Lease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Bond Owners.

BOND INSURANCE

[TO COME FROM INSURER]

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2022 Bonds are shown below.

	Series 2022 Bonds
Sources	
Principal Amount of Series 2022 Bonds	$
Net Original Issue Discount	
Total Sources	$
Uses	
Construction Fund	$ 10,000,000.00
Cost of Issuance Fund[1]	
Total Uses	$

(1) Includes legal, municipal advisory, rating agency, Underwriter's Discount, [premiums for the Policy and the Reserve Surety Policy], printing fees and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

Following is the annual schedule of Base Rental Payments due with respect to the Series 2022 Bonds:

Year Ending June 30	***Series 2022 Bond Principal***	***Series 2022 Bond Interest***	***Total Series 2022 Bond Payments***
Total			

THE 2022 PROJECT

The City expects to apply a portion of the proceeds of the Series 2022 Bonds to finance the construction of new city hall facility for the City is currently planned to be adjacent to the existing city hall office located at 130 South Main Street in the City. The new city hall facility is planned to be a three-story structure of approximately 35,000 square feet to house the City Council chambers, administrative office space, multi-purpose and retail space, outdoor amenities and a connection to the existing city hall building. The City has entered into a contract for architectural work for the new city hall facility. The City has entered into a contract for architectural work for the new city hall facility. The City currently expects to receive construction bids in October 2022, to commence construction in January 2023 and for construction to be complete in June 2024.

To the extent any proceeds of the Series 2022 Bonds deposited in the Construction Fund under the Indenture are not applied to the costs of the new city hall facility, the City expects to apply such proceeds to other eligible City projects, which may include park, street and drainage facilities.

The Series 2022 Bonds are secured by and payable from Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture and there is no special or direct pledge of revenues generated by the Project to pay debt service on the Series 2022 Bonds.

THE PROPERTY

The Property consists of the following City-owned properties (the estimated values below do not include any value attributable to the land with respect to each property):

Launch Pointe Recreation Destination & RV Park. Launch Pointe Recreation Destination & RV Park ("Launch Pointe Park") is located at 32040 Riverside Drive, Lake Elsinore, and consists of a campground site of approximately 47 acres. In 2019, the City completed extensive renovations and improvements to Launch Point Park. The costs of such renovations and improvements were financed from approximately $10 million of proceeds of the Authority's Lease Revenue Bonds, Series 2016A. Completed amenities at Launch Pointe include 205 RV camping spaces, 6 yurts, 8 vintage trailers, a general store, an eatery, pontoon, jet ski and fishing boat rentals, fishing, Community Hall venue with a 5,000 square foot main hall, professional catering kitchen, 45,000 square foot lawn and patio reception areas. The City estimates the value of Launch Pointe Park to be approximately $15.6 million.

Swick-Matich Park. Swick-Matich Park is located at 402 Limited Street, Lake Elsinore, and consists of a park facility of approximately 7 acres. Completed amenities located on the park include two baseball fields, bleachers, lighted fields, a concessions stand, a children's playground, restroom facilities, family and group picnic areas and a parking lot. Swick-Matich Park was completed in 2000. The City estimates the value of Swick-Matich Park to be approximately $1.4 million.

Tuscany Hills Park. Tuscany Hills Park is located at 30 Summerhill Drive, Lake Elsinore, and consists of a park facility of approximately 5.7 acres. Completed amenities located on the park include two baseball fields, lighted fields, a children's playground, restroom facilities, concession stand and shaded family and group picnic areas. Tuscany Hills Park was completed in 2000. The City estimates the value Tuscany Hills Park to be approximately $1.3 million.

McVicker Canyon Park. McVicker Canyon Park is located at 29355 McVicker Canyon Road, Lake Elsinore, and consists of a park facility of approximately 26 acres. Completed amenities located on the park include two baseball fields, a skate park, lighted fields , restroom facilities, concession area, shaded family and group picnic areas, barbeques, and separate dog play grass areas for small and large dogs. McVicker Canyon Park was originally completed in 1990 with certain improvements thereon completed in 2000. The City estimates the value of McVicker Canyon Park to be approximately $1.4 million.

Summerly Community Park. Summerly Community Park is located at 18505 Malaga Road, Lake Elsinore, and consists of a park facility of approximately 8.3 acres. Completed amenities located on the park include two baseball fields, a 10,000 square foot skate park, a basketball court and a mini-multipurpose field and restroom facilities. Summerly Community Park was completed in 2018. The City estimates the value of Summerly Community Park to be approximately $2.2 million.

McVicker Park Fire Station No. 85. McVicker Park Fire Station No. 85 ("Fire Station No. 85") is located at 29405 Grand Avenue, Lake Elsinore and is located adjacent to McVicker Canyon Park. Fire Station No. 85 includes a masonry constructed building of approximately 3,280 square feet and includes apparatus bays for two engines. Fire Station No. 85 was constructed in 2001. The City estimates the value of Fire Station No. 85 to be approximately $1.3 million.

Canyon Hills Fire Station No. 94. Canyon Hills Fire Station No. 94 ("Fire Station No. 94") is located at 22770 Railroad Canyon Road, Lake Elsinore. Fire Station No. 94 is a wood frame two-bay, apparatus building of approximately 6,348 square feet and was constructed in 2004. The City estimates the value of Fire Station No. 94 to be approximately $2.2 million.

The City has the right to substitute or release all or portion of the Property subject to certain conditions precedent. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—Substitution and Removal of Property." After the completion of the new city hall facility expected to be financed from proceeds of the Series 2022 Bonds, the City may, but is not obligated to, add the new city hall facility as part of the Property and may release certain of the Property from the Ground Lease and the Lease Agreement.

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Joint Exercise of Powers Agreement, dated as of September 1, 2016 (the "JPA Agreement"), by and between the City and the Parking Authority of the City of Lake Elsinore (the "Parking Authority"). The Authority was formed by and between the City and the Parking Authority to assist in financing the acquisition, construction, installation and improvement of public facilities and other public capital improvements.

The Authority functions as a public entity, separate and apart from the City and the Parking Authority, and is administered by a five-member governing board consisting of the members of the City Council. The City Attorney serves as counsel to the Authority. The Authority has no employees and all staff work is performed by the City or consultants.

Powers

Under the JPA Agreement, the Authority is empowered to assist in financing the acquisition, construction, installation and improvement of public facilities and other public capital improvements through the issuance of bonds in accordance with the Act. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information is provided in Appendix C — "THE CITY" attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2021 is attached hereto as Appendix C which should be read in its entirety. See Appendix C — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2021."

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2022 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2022 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2022 Bonds

The Series 2022 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2022 Bonds. The Authority has no taxing power.

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

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See "CITY FINANCIAL INFORMATION—Indebtedness" in APPENDIX A hereto.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the State Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIIB of the State Constitution."

Abatements

In the event of substantial interference with the City's right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—Abatement." In the event that all or a portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2022 Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of issuance of the Series 2022 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2022 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2022 Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2022 Bond Owners for nonpayment under such circumstances.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments.

All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. However, no major earthquake has caused substantial damage to the community.

An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and could require a high level of self-help, coordination and cooperation.

No active faults are known to pass through the City. The closest active faults are the Elsinore-Glen Ivy fault (10.1 miles away), the Chino fault (11.1 miles away), and the Newport Inglewood fault (14.4 miles away). The occurrence of surface rupture on these segments would not be expected to produce fault surface rupture within the City. The two known local faults, Aliso and the Cristianitos, are thought to be inactive. An earthquake on either of these two faults would be particularly damaging to residential buildings, especially to those of older wooden or unreinforced masonry construction, or to mobile homes, although the City currently has no mobile homes.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Additionally, wildfires increase the risk of mudslides in areas that are surrounded by hillsides because, when wildfires scorch land, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides and excess water running off the hillsides often causing flash flooding. In general, property damage due to wildfire or mudslides could result in a significant decrease property tax and other revenues received by the City.

The occurrence of natural disasters in the City could result in substantial damage to the City and the Property which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make Base Rental Payments or cause an abatement in Base Rental Payments if the City is unable to use and occupy the Property. The City maintains liability insurance, rental interruption insurance and property casualty insurance for the Property. See the caption "APPENDIX A — THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Property. However, it is possible such substances do currently or potentially exist and that the City is not aware of them.

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City, may result in the reduction in the assessed value of property, and therefor property tax revenue. The City is not aware of any hazardous substances located on the Property.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City. Additionally, the City carries cybersecurity insurance.

Impacts of Coronavirus on City

The COVID-19 pandemic significantly impacted state and local economies. Although the impacts of the pandemic are abating, any resurgence of the pandemic could materially adversely impact the City's financial condition. See "CITY FINANCIAL INFORMATION—Impacts of COVID-19" in Appendix A hereto.

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and summarized below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—Substitution, Addition and Removal of Property." Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2022 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Substitution or Release of the Property."

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

No Limitation on Incurring Additional Obligations

Neither the Lease Agreement nor the Indenture contains any limitations on the ability of the City to enter into other obligations, without the consent of the Owners of the Outstanding Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the City incurs such additional obligations, the City's funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues. See "THE CITY—Indebtedness" above and Appendix C — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2021."

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Lease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Lease Agreement or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Lease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2022 Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2022 Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS" and APPENDIX B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults."

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement, and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2022 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be insured under the Lease Agreement, and therefore, are not carried by the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—Insurance."

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City 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 hereafter in effect; usual 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 of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Base Rental Payments for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease Agreement by the City, the Authority would recover possession of the Property and the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners of the Series 2022 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Series 2022 Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2022 Bonds could be affected by whether the Lease Agreement is determined to be a "true lease" or a loan or other financing arrangement (a "financing lease"), and the Owners' recovery could be reduced in either case. If the Lease Agreement is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the City could choose not to perform under the Lease Agreement by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease Agreement as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2022 Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the City might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Base Rental Payments held by the Trustee. In addition there can be a substantial disparity in treatment based on the nature of the Property. Whether the Lease Agreement is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Series 2022 Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2022 Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners 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.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Series 2022 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2022 Bonds, as a result of acts or omissions of the Authority or the City in violation of their covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2022 Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2022 Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Risks Associated with Bond Insurance

In the event that the Authority defaults in the payment of principal of or interest on the Series 2022 Bonds as a result of the failure of the City to pay the Base Rental Payments when due, the Owners of the

Series 2022 Bonds will have a claim under the Policy for such payments. See the caption "BOND INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to the Series 2022 Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2022 Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Series 2022 Bonds when due under the Policy, the Series 2022 Bonds will be payable solely from Base Rental Payments and amounts held in certain funds and accounts established under the Indenture, as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS."

The long-term rating on the Series 2022 Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Series 2022 Bonds. See the caption "RATINGS."

None of the City, the Authority or the Underwriter have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the City, the Authority or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Series 2022 Bonds, potential investors should carefully consider the ability of the City to pay Base Rental Payments, which secure the Series 2022 Bonds, assuming that the Policy is not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Series 2022 Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies for default under the Indenture. The Insurer is not required to obtain the consent of the Owners with respect to the exercise of remedies.

Dependence on State for Certain Revenues

On January 10, 2022, the Governor released his proposed budget for fiscal year 2022-23. In the Governor's proposed budget, General Fund revenues and transfers for fiscal year 2022-23 were projected at $195.7 billion; a decrease of $1.0 billion, or 0.5 percent, compared with a revised estimate of $196.7 billion for fiscal year 2021-22. General Fund expenditures for fiscal year 2022-23 are projected at $213.1 billion, an increase of $3.1 billion compared with a revised estimate of $210.0 billion for fiscal year 2021-22.

The State acknowledges that risks to the State's general fund include ongoing challenges related to the COVID-19 pandemic and significant unfunded liabilities of the two main retirement systems managed by state entities, the California Public Employees' Retirement System and the California State Teachers' Retirement System. The State's revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. There can be no assurances that the State will not face fiscal stress and cash pressures again, or that other changes in the State or national economies will not materially adversely affect the financial condition of the State.

The City cannot predict the extent of any budgetary problems the State will encounter in future fiscal years, and it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the impact that State budgets will have on the City's finances and operations, or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by international, national and State economic conditions and other factors over which the City has no control.

While the City is not substantially reliant on the State's finances, a number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22" below.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2022 Bonds are payable from Base Rental Payments made from the City's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS." Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

In addition to the limits that Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

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

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

The City's appropriations have never exceeded the limitation on appropriations under Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote, and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect revenues of this nature, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support such activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Although a portion of the City's General Fund revenues are derived from taxes purported to be governed by Proposition 218, all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City's General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A was approved by the voters at the November 2, 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship, and two–thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City's financial condition.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege;

(b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 218, 111, 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2022 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2022 Bond (the first price at which a substantial amount of the Series 2022 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2022 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Beneficial Owner of the Series 2022 Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner of a Series 2022 Bond will increase the Beneficial Owner's basis in the applicable Series 2022 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Series 2022 Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Series 2022 Bond is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2022 Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2022 Bonds to assure that interest (and original issue discount) on the Series 2022 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series 2022 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. The Authority and the City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series 2022 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Series 2022 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series 2022 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2022 Bond to the Beneficial Owner. Purchasers of the Series 2022 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease Agreement and the Tax Certificate relating to the Series 2022 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Series 2022 Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the Series 2022 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2022 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2022 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2022 Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2022 Bonds might be affected as a result of such an audit of the Series 2022 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2022 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2022 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2022 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES 2022 BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2022 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2022 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2022 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2022 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY

CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2022 BONDS.

The form of Bond Counsel's proposed opinion with respect to the Series 2022 Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2022 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel for the City. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2022 Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Series 2022 Bonds. Certain legal matters will be passed upon for the City and the Authority by Leibold, McClendon & Mann, a Professional Corporation, Irvine, California, for the Underwriter by Kutak Rock LLP, Irvine, California, for the Trustee by its counsel and for the Insurer by its counsel. Counsel to the Underwriter will receive compensation contingent upon that issuance of the Series 2022 Bonds.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2022 Bonds, the Lease Agreement or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims from time to time pending against the City. In the opinion of the City, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City which will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

UNDERWRITING

The Series 2022 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Series 2022 Bonds at a price of $__________ (being the $__________ aggregate principal amount of the Series 2022 Bonds, less an Underwriter's discount of $__________, plus/less original issue premium/discount of $_________). The Bond Purchase Agreement relating to the Series 2022 Bonds provides that the Underwriter will purchase all of the Series 2022 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Series 2022 Bonds.

The Underwriter has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Series 2022 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series 2022 Bonds that Vining-Sparks sells.

Under certain circumstances, the Underwriter may offer and sell the Series 2022 Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

RATINGS

S&P Global Ratings ("S&P") has assigned the Series 2022 Bonds the rating of "__" [based upon the delivery of the Policy by ___ at the time of issuance of the Series 2022 Bonds. S&P has assigned the Series 2022 Bonds the rating of "__" without regard to the delivery of the Policy]. Certain information was supplied by the City to S&P to be considered in evaluating the Series 2022 Bonds (which may include information and material which is not included in this Official Statement). In addition, rating agencies may base their ratings on investigations, studies and assumptions by the rating agencies. The ratings issued reflect only the views of S&P, and any explanation of the significance of such ratings should be obtained from S&P. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any Series 2022 Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of and the ability to trade the Series 2022 Bonds.

MUNICIPAL ADVISOR

The City has retained Urban Futures, Inc., Tustin, California (the "Municipal Advisor") as municipal advisor in connection with the sale of the Series 2022 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained herein.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2022 Bonds to provide annually certain financial information and operating data relating to the Series 2022 Bonds and the City (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City's undertaking with respect to the Annual Report and certain enumerated events, see Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Annual Report is to be provided by the City not later than February 15 after the end of the City's fiscal year, commencing with the report for Fiscal Year 2022. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The City Council of the City serves as the governing board of the Authority and all of the City's community facilities districts. Although the City and certain of its affiliated entities (such as the Lake Elsinore Public Financing Authority, the City's former redevelopment agency and its successor agency (the "Agency"), and community facilities districts formed by the City) are not obligated persons pursuant to Rule 15c2-12 with respect to the Bonds, during the last five years the City and such affiliated entities failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. The failures to comply include late filings with respect to several annual reports, and failure to provide notice of late annual financial information, more specifically:

(1) Updated tabular and other operating information relating to the City, the Agency and community facilities districts for Fiscal Years 2016-17, 2017-18, 2018-19 and 2019-20 were filed late.

(2) Failure to provide notices of the late filing of certain of the annual financial information that is described in item (1) above.

(3) Several of the annual reports included incomplete information relating to community facilities districts, including tax prepayment information, improvement fund balances and special tax delinquency information.

The City and its affiliated entities have made additional filings to provide certain of the previously omitted information. The has adopted policies and procedures with respect to its continuing disclosure practices.

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix C are the audited financial statements of the City as of and for the year ended June 30, 2021, together with the report thereon dated December 29, 2021 of Lance, Soll & Lunghard, LLP, Brea, California, certified public accountants (the "Auditor"). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or 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, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 29, 2021.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk at the City of Lake Elsinore, 130 South Main Street, Lake Elsinore, California 92530.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2022 Bonds.

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

LAKE ELSINORE FACILITIES FINANCING AUTHORITY

By:______________________________
Executive Director

CITY OF LAKE ELSINORE

By:______________________________
City Manager

APPENDIX A

THE CITY

General

The City is located in the western portion of the County of Riverside, California and encompasses approximately 39 square miles and approximately 10 miles of lakeshore surrounding Lake Elsinore. The City was incorporated on April 23, 1888 as a general law city. In 2021, the City has a population of approximately 64,762.

Government and Administration

City Council. The City operates under a Council/Manager form of government. The City Council appoints the City Manager, who is responsible for the day-to-day administration of City business and the coordination of City departments. The City Council is composed of five members elected by district to four-year alternating terms. The Mayor is selected by the City Council from among its members. As of April 28, 2022, the City had a staff of 102 full-time equivalent employees and 21 part-time employees.

The current members of the City Council and their term expiration are as follows:

Director	***Expiration of Term***
Timothy J. Sheridan, Mayor	December 2022
Natasha Johnson, Mayor Pro Tem	December 2024
Robert E. Magee	December 2024
Steve Manos	December 2024
Brian Tisdale	December 2022

City Manager. Mr. Jason Simpson is the current City Manager. Mr. Simpson was appointed City Manager on January 12, 2021. Prior to becoming City Manager, Mr. Simpson served as the City's Assistant City Manager and Director of Administrative Services. Mr. Simpson spent approximately 4 years as the Director of Administrative Services and Assistant City Manager at the City of Desert Hot Springs, 5 years as the Assistant Director of Finance at the City of Temecula, 1 year as Director of Finance at the City of San Bernardino and as worked in local government for over 20 years at various agencies such as, City of Vallejo, Costa Mesa, Indio, and South Orange County Wastewater Authority. Mr. Simpson holds a Bachelor's Degree in Accounting.

Assistant City Manager. Ms. Shannon Buckley is the current Assistant City Manager. Ms. Buckley was appointed Assistant City Manager on April 19, 2022. Prior to becoming Assistant City Manager, Ms. Buckley served as the City's Director of Administrative Services, Assistant Administrative Services Director, Finance/Risk Manager, and Fiscal Officer and has worked in local government for over 20 years at various agencies including the City of Desert Hot Springs, City of Temecula, and City of Hemet. Ms. Buckley holds a Bachelor's Degree in Accounting.

City Services. The City provides a number of services within its boundaries including the following: police protection, fire services (which are provided through contract with the County of Riverside and the Department of Forestry and Fire Protection of the State of California, respectively), parks, community services, planning and development, public works, street lights, street maintenance, landscaping, capital improvements and general administration. The City is also responsible for the maintenance and operation of Lake Elsinore and of several recreational facilities which are located along the shoreline of Lake Elsinore. See the caption "CITY FINANCIAL INFORMATION — Lake Management Expenses" below.

Risk Management

Self-insurance Programs of the California Joint Powers Insurance Authority. The City is a member of the California Joint Powers Insurance Authority (the "Insurance Authority"), which is composed of approximately 123 public entities within the State of California. The Insurance Authority arranges and administers programs for the pooling of self-insured losses, purchases excess insurance or reinsurance, and arranges for group-purchased insurance coverage. The Insurance Authority evaluates each member 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 with the formula. The City self-insures for general liability insurance and workers' compensation insurance through the Insurance Authority.

In the general liability program, claims are pooled separately between police and non-police exposures. The first layer of losses includes incurred costs up to $100,000 per occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. The second layer of losses includes incurred costs from $100,000 to $500,000 per occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. Incurred costs from $500,000 to $50 million are distributed based on the outcome of cost allocation within the first and second layers. The coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of $50 million per occurrence.

Employer's liability losses are pooled among members to $1 million. Coverage from $1 million to $5 million is purchased as part of a reinsurance policy, and employer's liability losses from $5 million to $10 million are pooled among members.

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. The first layer of losses includes incurred costs up to $75,000 per occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. The second layer of losses includes incurred costs from $75,000 to $200,000 per occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. Incurred costs from $200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers. For Fiscal Year 2021, the Insurance Authority's pooled retention was $1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Purchased Insurance. The City participates in the all-risk property protection program of the Insurance Authority, which is underwritten by several insurance companies. As of June 30, 2021, City's all-risk property coverage was in the amount of $114,690,344. The all-risk property protection program is subject to a $10,000 per occurrence deductible, except for non-emergency vehicle insurance, which is subject to a $2,500 per occurrence deductible. Premiums for the all-risk property protection program are paid annually and are not subject to retroactive adjustments.

The City purchases crime insurance coverage through the Insurance Authority in the amount of $1,000,000, subject to a $2,500 deductible. Premiums for crime insurance coverage are paid annually and are not subject to retroactive adjustments.

During the past three Fiscal Years the City did not experience any claims, settlements or judgments that exceeded pooled or insured coverages described above. There are no significant reductions in pooled or insured liability coverage in Fiscal Year 2023 from the amounts described above.

For additional information relating to the City's insurance coverages and the Insurance Authority, see Note 16 to the City's audited financial statements for Fiscal Year 2021 attached to the Official Statement as Appendix C.

CITY FINANCIAL INFORMATION

General

In Fiscal Year 2021, sales taxes, motor vehicle license fees, property taxes and in-lieu taxes made up approximately __ percent of the City's general fund revenues. Such amounts exclude Measure Z (as described under the caption "—Sales Taxes" below under revenues, which totaled approximately $3,468,153 for Fiscal Year 2021.

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). On a semi-annual basis, a report is prepared for the City Council and City staff which reviews fiscal performance to date against the budget. Combined financial statements are produced following the close of each Fiscal Year.

The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various governmental funds are grouped, in the City's annual financial statements, into generic fund types, which include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is expected that the Rental Payments will be paid for from amounts in the General Fund. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2021 is set forth in Appendix C to the Official Statement.

At the November 3, 2020 General Election, the requisite majority of voters approved an ordinance imposing a one percent (1%) transactions and use (sales) tax on retail sales, as a "general tax" to offset state budget cuts and provide funding for general municipal services, including maintaining and improving police, fire and emergency response times, improving local streets, parks, other public facilities, addressing homelessness and other City programs and services. Because Measure Z imposes a general tax, the list is non-exclusive and the proceeds of the tax may be used for any valid municipal purpose. Measure Z does not have a sunset date. The City's General Fund, as shown in its audited financial statements, does not include revenues from the Measure Z transactions and use tax, which are deposited into a separate Measure Z Fund. However, such Measure Z Fund revenues are available for and applied to General Fund expenditures. For more information regarding Measure Z see "—Sales Tax."

Under the terms of the Measure Z authorizing ordinance, an annual audit is required to be completed by an independent auditor. An oversight committee made up of City residents has been established to monitor and report on the expenditure of the tax revenues to the City Council for use of the Measure Z revenues. The committee's reports will be considered by the City Council at a public meeting.

Budget Procedure, Current Budget and Historical Budget Information

The City currently uses a one-year budget cycle. The Fiscal Year of the City begins on the first day of July of each year and ends on the thirtieth day of June the following year. In May of every year, the City Manager submits to the City Council the proposed budget during a special budget study session. At the conclusion of the special budget study session, the City Council reviews and considers the proposed budget and makes any revisions thereof that it deems advisable and on or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the City Council during a public meeting. At any public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of at least a majority of the total members of the City Council. While the City Manager can approve amendments that do not change the bottom-line of the adopted budget, the City Council must approve any supplements to the budget. The budget for Fiscal Year 2023 is expected to be approved on or about June 14, 2022.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer appropriations of a fund from one object or purpose to another within the same fund as appropriate. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended, lawfully encumbered or affirmatively reappropriated by the City Council during the adoption of the next year's budget.

Set forth in Table 1A are the final General Fund budget and actual results for Fiscal Year 2021. Table 1B shows the adopted budget for Fiscal Year 2022 and the preliminary budget for Fiscal Year 2023. During the course of each Fiscal Year, the budgets are amended and revised as necessary by the City Council. The increase in the sale and use tax rate in the City pursuant to Measure Z went to effect on April 1, 2021. The General Fund tax revenues shown below does not include Measure Z Fund revenues, which totaled approximately $3,468,153 for Fiscal Year 2021 and which the City has budgeted to total $14,614,000 for Fiscal Year 2022 and preliminarily budgeted to total $15,507,000 for Fiscal Year 2023. See "—Sales Tax."

TABLE 1A
CITY OF LAKE ELSINORE
GENERAL FUND BUDGET AND ACTUALS – FISCAL YEAR 2021

	Final Fiscal Year 2021 Budget	***Fiscal Year 2021 Results***
Revenues		
Taxes	$24,819,640[1]	$27,591,090[1]
Licenses and Permits	2,663,596	2,466,569
Intergovernmental	5,896,430	4,645,676
Charges for Services	3,526,325	3,395,047
Use of Money and Property	49,123	63,426
Fines and Forfeitures	288,454	250,930
Contributions	442,295	172,486
Miscellaneous	8,170,261	8,288,753
Transfers In	268,363	1,008,207
Proceeds from Sale of Capital Asset	8,263	8,262
Total Revenues	**$58,191,621**	**$ 59,949,317**
Expenditures		
Current		
General Government	$ 4,649,480	$ 4,589,859
Public Safety	23,004,460	21,819,012
Community Development	5,534,068	4,592,719
Community Services	2,922,100	2,005,140
Public Services	10,240,272	8,559,939
Non-Departmental	392,720	280,729
Debt Service:		
Principal Retirement	675,000	675,000
Interest and Fiscal Charges	454,400	454,400
Transfers Out	643,690	3,354,994
Total Expenditures	**$48,123,470**	**$45,202,392**

[1] Does not include Measure Z Fund revenues, which totaled approximately $3.5 million for Fiscal Year 2021. See "—Sales Tax."
Source: Audited Financial Statements for Fiscal Year 2021.

TABLE 1B
CITY OF LAKE ELSINORE
GENERAL FUND BUDGET – FISCAL YEARS 2022 AND 2023

	Adopted Fiscal Year 2022 Budget	*Preliminary[(1)] Fiscal Year 2023 Budget*
Revenues		
Taxes	$ 27,387,760[(2)]	$ 31,586,650[(2)]
Licenses and Permits	2,413,680	2,919,730
Intergovernmental	1,341,230	995,650
Fees	5,340,370	5,669,890
Fines and Forfeitures	454,400	698,020
Tax Credit	3,702,050	3,813,120
Investment Earnings	413,460	207,700
Special Assessments	5,251,810	5,666,210
Reimbursements	4,909,350	11,438,130
Total Revenues	**$ 51,214,110**	**$ 62,995,100**
Expenditures		
General Government	$ 5,003,290	$ 5,579,690
Public Safety	26,666,890	28,814,510
Community Development	7,017,490	7,424,380
Community Services	3,569,350	4,255,640
Public Services	12,716,200	13,939,970
Non-Departmental	2,794,120	3,480,910
Total Expenditures	**$ 57,767,340**	**$63,495,100**

(1) Based on preliminary budget. The City's Fiscal Year 2023 Budget is expected to be approved on or about June 14, 2022.
(2) Does not include Measure Z Fund revenues.
Source: Adopted Budget of the City for Fiscal Year 2022 and preliminarily budgeted amounts for Fiscal Year 2023.

Impacts of COVID-19

General. Efforts to respond to and mitigate the spread of COVID-19 had a severe impact on the State and local economy and triggered a recession in 2020. The outbreak resulted in the temporary closing of businesses, universities, and schools throughout California. The County of Riverside (the "County"), issued a Shelter-in-Place order in the second quarter of 2020 and the Governor issued a similar Stay-at-Home, which required closures of certain businesses including restaurants, bars, and gyms. Since March 2020, the State and the County have issued a variety of reopening plans and additional stay-at-home orders which have been revised over time as metrics related to COVID-19 have changed.

The temporary closures in response to COVID-19 led to a stark increase in unemployment across the County and the nation in 2020. The Riverside-San Bernardino-Ontario Metropolitan Statistical Area unemployment rate increased from 4.3% in 2019 to 10.0% in 2020. Employment has since recovered. According to a report released by State Employment Development Department, the City's unemployment rate was 4.4% as of March 2022.

As described below, the City's General Fund has not been materially adversely affected by the onset of the COVID-19 pandemic and the related public health orders. However, many variables will continue to contribute to the economic impact of the COVID-19 pandemic, including inflationary pressure and the response thereto, supply chain issues, new coronavirus strains, and vaccination efforts. The City cannot predict the extent or duration of such impacts.

Financial Impacts.

Fiscal Year 2019-20. Fiscal Year 2020, the City experienced an overall increase in General Fund revenues of approximately $1.1 million (approximately 2.8%) as compared to the Fiscal Year 2019. Sales tax revenues decreased slightly (approximately ($160,000) as compared to the Fiscal Year 2019 as a result of the closures of various businesses and restrictions on travel due to the COVID-19 pandemic. Property tax revenues increased by approximately $1 million as compared to the Fiscal Year 2019 and franchise tax revenues held steady.

General Fund expenses increased by approximately $1 million in Fiscal Year 2020 as compared to the Fiscal Year 2019, primarily driven by increases in public safety expenditures.

Fiscal Year 2020-21. Fiscal Year 2021 was the first full fiscal year during which the impact of the COVID-19 was experienced. Similar to the Fiscal Year 2020, the City's General Fund experienced increases in revenues over the prior Fiscal Year. In Fiscal Year 2021, the City's General Fund revenues increased by approximately $4.8 million (approximately 11.4%) as compared to the Fiscal Year 2020. In Fiscal Year 2021, sales tax revenues increased by approximately $7.2 million, of which approximately $3.5 million was attributable to the Measure Z sales tax measure (as described below). Property tax revenues increased by approximately $0.7 million and franchise tax revenues increased by approximately $175,000. General Fund expenditures were generally in line with the Fiscal Year 2020 amounts.

Federal Assistance. On March 11, 2021, President Biden signed the American Rescue Plan Act (the "Rescue Act") which includes $1.9 trillion of funding for individuals, businesses, and state and local governments to mitigate the impacts of the COVID-19 pandemic. The City has been allocated approximately $15 million in Rescue Act funding, approximately $7.5 million of which was received in July 2021. The balance is expected to be received in July 2022. Of the $7.5 million that the City has received, approximately $200 thousand has been appropriated toward (1) reimbursement of the General Fund for COVID-19 related costs such as public safety and public health efforts; and (2) youth and community programs and restaurant grants. The City currently expects to appropriate the balance of the funds that it has received and expects to receive under the Rescue Act on infrastructure improvements designed to promote tourism, including roadways and park improvements, broadband improvements as well as funding for educational opportunity center and transitional housing for the unhoused population.

Service Impacts. The City continued to provide core services, including public safety (police and fire), without disruption during the COVID-19 pandemic. However, the COVID-19 pandemic has impacted certain other services that the City provides. While the stay-at-home order was in effect, recreation centers were closed, and libraries were open for public use on a limited basis. Parks were also open for limited use. The City's development plan permitting function transitioned to virtual hearings, inspections, and appointments. The City has also established an electronic option for development plan submittals.

Comparative Change in Fund Balance of the City General Fund

Table 2 below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for Fiscal Years 2017 through 2021. The increase in the sale and use tax rate in the City pursuant to Measure Z went to effect on April 1, 2021. The General Fund tax revenues shown below do not include Measure Z Fund revenues, which totaled approximately $3,468,153 for Fiscal Year 2021 and which the City has budgeted to total $14,614,000 for Fiscal Year 2022 and preliminarily budgeted to total $15,507,000 for Fiscal Year 2023. See "—Sales Tax."

TABLE 2
CITY OF LAKE ELSINORE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FIVE YEAR COMPARISON

	Fiscal Year Ending June 30				
	2017	***2018***	***2019***	***2020***	***2021***
Revenues:					
Taxes	$ 20,077,953	$ 21,139,847	$ 22,174,361	$23,128,710	$ 27,591,090[(1)]
Special Assessments	10,648	11,512	--	--	--
Licenses and Permits	4,045,758	3,086,486	2,111,680	2,488,773	2,466,569
Intergovernmental	4,960,104	5,374,408	5,134,993	4,114,716	4,645,676
Charges for Services	2,826,491	3,818,856	2,956,160	3,655,507	3,395,047
Investment Earnings	7,712	46,916	538,375	537,830	63,426
Fines and Forfeitures	653,023	577,441	552,426	495,914	250,930
Contributions	--	96,956	175,030	131,699	172,486
Miscellaneous	6,375,569	6,172,991	7,302,978	7,525,825	8,288,753
Total Revenues	**$ 38,957,258**	**$ 40,325,413**	**$ 40,946,003**	**$42,078,974**	**$ 46,873,977**
Expenditures:					
Current:					
General government	$ 5,510,745	$ 5,188,725	$ 4,916,561	$ 4,763,000	$ 4,870,588
Public Safety	20,751,331	19,989,432	20,230,447	21,230,314	21,819,012
Community Development	3,832,944	4,647,633	4,639,021	4,699,837	4,592,719
Community Services	3,233,169	2,526,651	2,200,826	2,395,017	2,005,140
Public Services	6,221,890	8,198,259	8,692,033	8,614,382	8,559,939
Capital Outlay	95,824	--	104,400	--	--
Total Expenditures	**$ 39,645,903**	**$ 40,550,700**	**$ 40,783,288**	**$41,702,550**	**$ 41,847,398**
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (688,645)	$ (225,287)	$ 162,715	$ 376,424	$ 5,026,579
Other Financing Sources (Uses):					
Transfers In	$ 3,346,147	$ 1,523,125	$ 390,321	$ 146,808	$ 1,008,207
Transfers Out	(2,443,258)	(2,082,254)	(271,567)	(609,270)	(3,354,994)
Sale of Capital Assets	--	14,502	24,201	--	8,262
Total Other Financing Sources (Uses)	$ 902,889	$ (544,627)	$ 142,955	$ (462,462)	$ (2,338,525)
Net change in fund balances	$ 214,244	$ (769,914)	$ 305,670	$ (86,038)	$ 2,688,054
Fund balances, beginning of year	**$ 12,394,909**	**$ 12,609,153**	**$ 11,839,239**	**$12,144,909**	**$ 12,058,871**
Fund balances, end of year	**$ 12,609,153**	**$ 11,839,239**	**$ 12,144,909**	**$12,058,871**	**$ 14,746,925**

(1) Does not include Measure Z Fund revenues, which totaled approximately $3.5 million for Fiscal Year. See "—Sales Tax."
Source: Audited Financial Statements for Fiscal Years 2017 through 2021.

Comparative General Fund Balance Sheets of the City

Table 3 below presents the City's audited General Fund Balance Sheets for Fiscal Years 2017-2021. The amounts below exclude amounts in the Measure Z Fund, which had a balance of $3,468,153 as of June 30, 2021. See "—Sales Tax."

TABLE 3
CITY OF LAKE ELSINORE
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON

	Fiscal Year Ending June 30,				
	2017	***2018***	***2019***	***2020***	***2021***
Assets					
Cash and Investments	$ 13,698,531	$ 11,898,140	$ 12,201,222	$ 11,337,114	$ 14,766,655
Receivables:					
Accounts	872,895	988,532	822,143	1,382,950	1,207,370
Notes and Loans	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Accrued Interest	263,151	297,363	329,771	322,171	349,300
Prepaid Costs	96,846	31,385	77,168	23,165	31,847
Due from Other Governments	1,845,341	1,947,356	2,230,717	2,901,982	3,171,466
Due from Other Funds	319,325	230,606	813,599	976,749	210,091
Total Assets	**$ 18,096,089**	**$ 16,393,382**	**$ 17,474,620**	**$ 17,944,131**	**$ 20,736,729**
Liabilities					
Accounts payable	$ 4,106,568	$ 3,216,488	$ 3,931,128	$ 4,408,950	$ 4,595,376
Accrued liabilities	917,199	947,204	1,021,960	983,431	1,016,435
Unearned Revenues	15,046	15,645	1,990	15,698	15,870
Deposits Payable	--	--	--	--	--
Due to Other Governments	5,810	--	--	16,454	--
Due to Other Funds	62,561	--	--	34,234	--
Total Liabilities	**$ 5,107,184**	**$ 4,179,337**	**$ 4,955,078**	**$ 5,458,767**	**$ 5,627,681**
Deferred Inflows of Resources					
Unavailable Revenues	$ 379,752	$ 374,806	$ 374,633	$ 426,493	$ 362,123
Total Deferred Inflows of Resources	$ 379,752	$ 374,806	$ 374,633	$ 426,493	$ 362,123
Fund Balance					
Nonspendable	$ 1,096,846	$ 1,031,385	$ 1,077,168	$ 1,023,165	$ 1,031,847
Restricted	--	--	--	--	--
Assigned	--	--	--	--	--
Unassigned	11,512,307	10,807,854	11,067,741	11,035,706	13,715,078
Total Fund Balances	**$ 12,609,153**	**$ 11,839,239**	**$ 12,144,909**	**$ 12,058,871**	**$ 14,746,925**
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 18,096,089**	**$ 16,393,382**	**$ 17,474,620**	**$ 17,944,131**	**$ 20,736,729**

Source: Audited Financial Statements for Fiscal Years 2017-2021.

Property Taxes

Property tax receipts of $9,677,646 provided the second largest tax revenue source of the City, contributing approximately 20.7% of total General Fund revenues during Fiscal Year 2021. The City estimates property tax receipts of $9,989,740 in Fiscal Year 2022, which is approximately 15.9% of total General Fund revenues during Fiscal Year 2022. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1, and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of forcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (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 personal property, improvement or possessory interest belonging or taxable to the assessee.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1 1/2% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the ten percent penalty, plus interest at the rate of 1 1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 25 *et seq.* of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment 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 following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term "ERAF" is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 California State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, to occur in Fiscal Years 2004-05 and 2005-06.

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The City also received a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The State VLF backfill was phased out and as of Fiscal Year 2012 all of the VLF is now received through an in-lieu payment from State property tax revenues.

Table 4 below sets forth the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2018 through 2022. The information in Table 4 has been obtained directly from the California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in Table 4 and do not guarantee its accuracy.

TABLE 4
CITY OF LAKE ELSINORE
ASSESSED VALUATION
FISCAL YEARS 2017 TO 2021

Fiscal Year	*Local Secured*	*Utility*	*Unsecured*	*Total*
2018	$5,521,863,921	$2,400	126,478,852	5,648,345,173
2019	6,075,282,165	0	123,339,125	6,198,621,290
2020	6,483,328,848	0	116,736,755	6,600,065,603
2021	6,839,226,093	0	127,585,267	6,966,811,360
2022	7,266,616,435	0	131,256,658	7,397,873,093

Source: California Municipal Statistics, Inc.

Table 5 below sets forth property tax collections and delinquencies in the City as of June 30 for Fiscal Years 2017 through 2021. The County operates under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The City is included in the Teeter Plan; accordingly, the City's receipt of its property tax revenues is not impacted by delinquencies in payment. However, the County may choose to discontinue to the Teeter Plan at any time.

TABLE 5
CITY OF LAKE ELSINORE
PROPERTY TAX LEVIES AND COLLECTIONS
FISCAL YEARS 2017 THROUGH 2021

Fiscal Year	*Total Tax Levy*	*Current Tax Collections as of June 30*	*Percent of Levy Collected as of June 30*	*Outstanding Delinquent Taxes as of June 30*
2017	$2,434,193	$2,334,855	95.9%	$99,338
2018	2,553,532	2,465,681	96.6	87,851
2019	2,719,663	2,638,238	97.0	81,425
2020	3,032,233	2,910,460	96.0	121,773
2021	3,088,305	2,948,611	95.5	139,694

Source: Audited Financial Statements for Fiscal Year 2021.

The 10 largest taxpayers in the City as shown on the Fiscal Year 2022 secured tax roll, the land use, the assessed valuation and the percentage of the City's total property tax revenues attributable to each are shown on Table 6 below. The information in Table 6 has been provided by California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in Table 6 and do not guarantee its accuracy.

TABLE 6
CITY OF LAKE ELSINORE
TEN PRINCIPAL TAXPAYERS

	Property Owner	*Land Use*	*2021-22 Assessed Valuation*	*% of Total*[(1)]
1.	Ridgestone Partners LP	Apartments	$52,309,415	0.72%
2.	Wal Mart Real Estate Business Trust	Commercial	37,542,492	0.52
3.	Pacific Castle Lake Elsinore Partners	Commercial	28,387,658	0.39
4.	Helf Canyon Hills Market Place I	Commercial	28,207,036	0.39
5.	Alberhill Development LLC	Homes	28,127,685	0.39
6.	Rivers Edge Apartments	Apartments	27,198,929	0.37
7.	HGEF Holding Co.	Apartments	25,732,847	0.35
8.	Mohr Affinity	Outlet Store	25,640,833	0.35
9.	Prism Lake	Apartments	23,500,000	0.32
10.	HCP Blue Canary	Commercial	18,787,875	0.26
		Total	**$295,434,770**	**4.06%**

(1) 2021-22 Local Secured Assessed Valuation: $7,266,616,435.
Source: California Municipal Statistics, Inc.

Sales Taxes

A sales tax is imposed on retail sales or consumption of personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current basic sales tax rate in the City is 8.75%. At the November 3, 2020 general election, the requisite majority of voters in the City approved an ordinance imposing a one percent (1%) transactions and use (sales) tax on retail sales, as a "general tax" to offset state budget cuts and provide funding for general municipal services, including maintaining and improving police, fire and emergency response times, improving local streets, parks, other public facilities, addressing homelessness and other City programs and services. The tax became effective April 1, 2021. The tax revenue generated as a result of Measure Z is deposited in the City's Measure Z Fund.

In Fiscal Year 2021, sales tax receipts of $18,068,364, provided the largest tax revenue source for the City, contributing approximately 35.9% of total General Fund revenues during Fiscal Year 2021. This amount includes revenues from the Measure Z sales and use tax which totaled $3,468,153 in Fiscal Year 2021. The City estimates sales tax receipts of $12,912,150 in Fiscal Year 2022, which is approximately 25.21% of total General Fund revenues during Fiscal Year 2022, not including Measure Z Fund receipts. The City estimates Measure Z Fund receipts of $14,614,000 in Fiscal Year 2022, for total sales tax receipts of $27,526,150, which is approximately 53.75% of total General Fund revenues during Fiscal Year 2022.

Based on the preliminary budget, the City estimates sales tax receipts of $16,311,800 in Fiscal Year 2023, which is approximately 25.89% of total General Fund revenues during Fiscal Year 2023, not including Measure Z Fund receipts. The City estimates Measure Z Fund receipts of $15,507,000 in Fiscal Year 2023, for total sales tax receipts of $31,818,800, which is approximately 50.51% of total General Fund revenues during Fiscal Year 2023.

Under the terms of the Measure Z authorizing ordinance, an annual audit is required to be completed by an independent auditor. An oversight committee made up of City residents has been established to monitor and report on the expenditure of the tax revenues to the City Council for use of the Measure Z revenues. The committee's reports will be considered by the City Council at a public meeting.

Services

Fees of $3,200,084 collected for services provided by the City, including, but not limited to, fees for plan checks, issuing of building permits, public works projects and for parks and recreations programs, provided approximately 6.67% of General Fund revenues during Fiscal Year 2021. The City budgeted such receipts to be approximately $5,340,370 for Fiscal Year 2022, representing approximately 10.43% of budgeted General Fund revenues.

Tax Revenues by Source

The following table sets forth the audited tax revenues by source for Fiscal Years 2017 through 2021. Sales tax revenues below include Measure Z revenues. See "—Sales Tax." Table 2 above does not include Measure Z Fund revenues.

TABLE 7
CITY OF LAKE ELSINORE
TAX REVENUES BY SOURCE

	Fiscal Year Ending June 30				
	2017	***2018***	***2019***	***2020***	***2021***
Revenues:					
Property Taxes[1]	$ 7,380,594	$ 8,030,862	$ 7,986,053	$ 8,990,543	$ 9,677,646
Sales Taxes	9,745,714	10,071,435	11,057,497	10,896,955	18,068,365[2]
Franchise Taxes	2,297,401	2,477,400	2,553,006	2,587,128	2,762,724
Other Taxes	598,126	560,150	577,805	654,044	550,508
Total Revenues	**$ 20,021,835**	**$ 21,139,847**	**$ 22,174,361**	**$ 23,128,670**	**$ 31,059,243**

(1) Includes Property Transfer Tax.
(2) Includes Measure Z Fund revenues of $3,468,153.
Source: Audited Financial Statements for Fiscal Years 2017 through 2021.

Indebtedness

Long-Term Debt. As of June 30, 2021, the City had $184,420,000 of total bonds outstanding. These amounts are comprised as follows: (a) $141,770,000 of outstanding revenue bonds, none of which are payable from the City's General Fund; (B) $23,505,000 of outstanding lease revenue bonds, all which are payable from the City's General Fund, (c) $12,875,000 of outstanding tax allocation revenue bonds, all of which are redevelopment tax revenue bonds and are not payable from the City's General Fund; and, (d) $6,270,000 of certificates of participation, which are payable from a retail transactions and use tax (Measure A) and not payable from the City's General Fund.

As of May 1, 2022, the only long-term obligation payable from the City's General Fund are lease payments payable to the Lake Elsinore Facilities Financing Authority (the "Financing Authority") under: (1) a Lease Agreement (the "2016 Lease"), dated as of November 1, 2016, entered into connection with the Financing Authority's Lease Revenue Bonds Series 2016A (the "Series 2016 Bonds") and (2) a Lease Agreement, dated as of December 1, 2021 (the 2021 Lease"), entered into connection with the Financing Authority's Lease Revenue Refunding Bonds Series 2021A. As of May 1, 2022, the total principal amount payable under such leases was $18,715,000. The final payment under the 2016 Lease is due in 2046 and the final payment under the 2021 Lease is due in 2032.

See "—Launch Pointe" below for a description of the project that was financed from proceeds of the Series 2016 Bonds.

For a description of the City and its related entities' outstanding indebtedness, which are not payable from the City's General Fund, see Note 7 to the City's audited financial statements for Fiscal Year 2015 attached to the Official Statement as Appendix C.

Short-Term Debt. The City currently has no short-term debt outstanding.

For additional information relating to the City and its related entities' outstanding indebtedness, see Note 8 to the City's audited financial statements for Fiscal Year 2021 attached to the Official Statement as Appendix C.

Estimated Direct and Overlapping Debt. The estimated direct and overlapping bonded debt of the City as of May 1, 2022 is shown in Table 8 below. The information in Table 8 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in Table 8 and do not guarantee its accuracy.

TABLE 8
CITY OF LAKE ELSINORE
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
AS OF MAY 1, 2022

2021-22 Assessed Valuation: $7,397,873,093

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/22
Riverside County Flood Control District, Zone No. 4	0.823%	$ 64,852
Metropolitan Water District	0.218	43,982
Mount San Jacinto Community College District	6.829	17,290,687
Perris Union High School District	2.638	8,146,361
Menifee Union School District	4.175	5,216,442
Perris School District	0.063	21,997
Lake Elsinore Unified School District	45.668	22,199,215
Lake Elsinore Unified School District Community Facilities Districts	100.000	70,012,395
Perris Union High School District Community Facilities District No. 92-1	6.149	1,962,146
City of Lake Elsinore Community Facilities District No. 90-2	100.000	3,060,000
City of Lake Elsinore Community Facilities District No. 95-1	100.000	460,000
City of Lake Elsinore Community Facilities District No. 98-1	100.000	10,930,000
City of Lake Elsinore Community Facilities District No. 2003-2, I.A. A, B, C, D, & E	100.000	57,755,000
City of Lake Elsinore Community Facilities District No. 2004-3 I.A. No. 1 & 2	100.000	38,275,000
City of Lake Elsinore Community Facilities District No. 2005-1	100.000	6,445,000
City of Lake Elsinore Community Facilities District No. 2005-2	100.000	18,325,000
City of Lake Elsinore Community Facilities District No. 2005-5	100.000	3,330,000
City of Lake Elsinore Community Facilities District No. 2005-6	100.000	2,425,000
City of Lake Elsinore Community Facilities District No. 2006-1 Improvement Areas	100.000	41,565,000
City of Lake Elsinore Community Facilities District No. 2006-2	100.000	5,065,000
City of Lake Elsinore Community Facilities District No. 2007-4	100.000	2,390,000
City of Lake Elsinore Community Facilities District No. 2007-5	100.000	1,650,000
City of Lake Elsinore Community Facilities District No. 2015-5	100.000	1,905,000
City of Lake Elsinore Community Facilities District No. 2016-2	100.000	19,485,000
City of Lake Elsinore Community Facilities District No. 2019-1	100.000	6,610,000
Elsinore Valley Municipal Water District Community Facilities District No. 2003-1	100.000	2,614,000
City of Lake Elsinore 1915 Act Bonds	100.000	9,310,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$356,557,077
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	2.236%	$16,201,929
Riverside County Pension Obligations	2.236	18,336,542
Perris Union High School District General Fund Obligations	2.638	1,076,126
Menifee and Perris School District Certificates of Participation	4.175-0.063	1,918,131
Western Municipal Water District	4.860	265,814
City of Lake Elsinore General Fund Obligations	**100.000**	**18,715,000**[(1)]
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$56,513,542
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000	$44,640,000
COMBINED TOTAL DEBT		$457,710,619[(2)]

Ratios to 2021-22 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.. 4.82%
Total Direct Debt ($18,715,000)... 0.25%
Combined Total Debt... 6.19%

Ratios to Redevelopment Incremental Valuation ($3,414,028,742):
Total Overlapping Tax Increment Debt... 1.31%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.
Source: California Municipal Statistics, Inc.

Lake Management Expenses

To reduce the severity and frequency of increases and decreases in the lake level of Lake Elsinore, the United States Bureau of Reclamation (the "Bureau") implemented the Lake Elsinore Management Plan (the "LEMP") in 1988. A major component of the LEMP was the construction of a levee which split the original

Lake Elsinore in half, reducing the amount of evaporation of lake water. In a cooperative effort to manage the lake level of Lake Elsinore, the City, the Former Agency and the Elsinore Valley Municipal Water District ("EVMWD") entered into the 2003 Comprehensive Water Management Agreement (the "Water Management Agreement"), which among other provisions, sets forth how the parties to the Water Management Agreement will maintain the lake at a certain level. Pursuant to the Water Management Agreement, EVMWD is required to provide recycled water and, if available, other sources of water to replenish Lake Elsinore, and the City is responsible for certain obligations to maintain and operate the lake. Under the Water Management Agreement, each party thereto is required to deposit $750,000 annually into a Lake Maintenance Fund until the amount in such fund reaches $20 million. The City has been contributing to the Lake Maintenance Fund in accordance with the Water Management Agreement. The City can make no assurances that costs to maintain and operate Lake Elsinore will not increase in future years or that there will not be significant one-time or multi-year expenses in future years. However, the City does not expect the obligation to make contributions to the Lake Maintenance Fund pursuant to the Water Management Agreement to have a material adverse impact on its ability to make the Base Rental Payments.

Launch Pointe

In 2012, the City completed construction of the La Laguna Resort and Boat Launch (the "Launch Pointe"), a recreational boat launch on the shore of Lake Elsinore. In 2016, the City issued the Series 2016 Bonds to finance the acquisition, construction and installation of certain capital improvements for the Launch Pointe, including: (1) a new main entry, gate house and check-in building; (2) construction of office space, laundry facilities, a concession stand, a bait and tackle shop, a dump station and a clubhouse; (3) construction of RV and boat parking areas; (4) improvements to accommodate 236 campsites including sewer and water main improvements, restrooms and shower facilities; (5) construction of yurts and permanent vintage trailers and (6) construction of recreational areas which include, a gazebo, dog park, basketball courts, putting green and share structures covering picnic/barbeque areas.

In its audited financial statements, the City accounts for the activities of the Launch Point as an enterprise fund, into which revenues collected from sales and services generated from the Launch Pointe are deposited. Such revenues are budgeted to cover costs of providing services related to the Launch Pointe. Table 9 below presents the City's audited Statement of Revenues, Expenditures and Change in Fund Balance of the Launch Pointe enterprise fund for Fiscal Years 2019 through 2021. The improvements and facilities at the Launch Pointe financed from proceeds of the Series 2016 Bonds were completed in 2019. At the time the Series 2016 Bonds were issued, the City anticipated the additional revenues to be generated by the new improvements and facilities to exceed the costs of operating the Launch Pointe. Due to the COVID-19 pandemic and the associated public health orders, the Launch Pointe's expenses have exceeded revenues in Fiscal Years 2020 and 2021. The City has experienced high demand for the accommodations and recreational facilities at the Launch Pointe in Fiscal Year 2022 and expects revenues to exceed expenditures in Fiscal Year 2022 and 2023. However, no assurances can be made as to such revenues and expenses. To the extent that the revenues generated by the Launch Pointe exceed expenses, the City expects to transfer funds from the General Fund to pay such expenses (including debt service on the Series 2016 Bonds).

TABLE 9
CITY OF LAKE ELSINORE LAUNCH POINTE ENTERPRISE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
THREE YEAR COMPARISON

	Fiscal Year Ending June 30		
	2019	***2020***	***2021***
Operating Revenues:			
Sales and Service Charges	$ 249,194	$ 2,105,505	$ 3,728,501
Miscellaneous	636	6,107	14,559
Total Operating Revenues	**$ 249,830**	**$ 2,111,612**	**$ 3,743,060**
Operating Expenses:			
Personnel Services	$ --	$ 625,539	$ 845,513
Contractual Services	684,713	1,253,443	431,835
Utilities	135,319	342,962	607,969
Maintenance and Operation	293,739	778,853	921,685
Cost of Sales and Services	152,731	339,186	343,520
Depreciation Expense	8,252	493,899	511,685
Insurance	--	--	--
Total Operating Expenses	**$ 1,274,754**	**$ 3,833,882**	**$ 3,662,207**
Operating Income (Loss)	$ (1,024,924)	$ (1,722,270)	$ 80,853
Nonoperating Revenues (Expenses):			
Interest Revenue	$ 160	$ 255	$ 967
Interest Expenses	(314,238)	(385,890)	(305,256)
Contributions	--	$ 272,980	--
Total Nonoperating Revenues (Expenses)	**$ (314,078)**	**$ (112,655)**	**$ (304,289)**

Source: Audited Financial Statements for Fiscal Years 2019 through 2021.

The City's revenues generated from Launch Pointe are dependent, in part, on the attraction of the recreational activities available at Lake Elsinore. Such recreational facilities include, boating, fishing and other water sports. From time-to-time, Lake Elsinore experiences blue-green algae blooms, which can result in elevated levels of toxins in the lake water posing health risks to humans. In recent years, decreasing lake levels as a result of the ongoing drought in California has led has led to rising lake water temperature. Such conditions have resulted in more common occurrences of the algae bloom. The lake level is measured based on surface water elevation above mean sea level (MSL). The optimal operating range of the lake is between 1,240-feet and 1,249-feet above MSL. The current lake level is at approximately 1,232-feet above MSL. The City conducts ongoing monitoring of the lake level and the concentration of toxins in the lake water. When the concentration of the resulting toxins in the water increases to a degree that is harmful to humans, the City has issued health warnings to and public safety information to residents and visitors and has closed the lake to swimming.

The presence of toxins in the lake as a result of blue-green algae bloom could lead to reduced usage of the facilities associated with the Launch Pointe and reduced tourism to the City as a whole. The City can make no assurance as to the amounts of revenues actually generated or as to the ultimate financial success of the Launch Pointe.

Retirement Contributions

Summary of Plans. All qualified permanent and probationary employees of the City are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan") administered by the California Public Employees' Retirement System ("CalPERS"). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). 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 GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (three miscellaneous and one 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 plans regarding provisions, assumptions and membership information that can be found on the CalPERS website.

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 fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Employees hired on or after January 1, 2013 who meet the definition of a "New CalPERS Member" are subject to the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier (2% at 62 formula) with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate.

Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013 who were not already enrolled in CalPERS through their previous employers; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at $110,100 ($132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Provisions in AB 340 will not likely have a material effect on City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's total pension liability and potentially reduce City contribution levels in the long term.

The City Council adopted a resolution creating an additional tier of CalPERS pension benefits for employees hired after January 1, 2013 to comply with AB 340's compulsory reduced formula. Participants hired on or after January 1, 2013 who were not already enrolled in CalPERS through their previous employers are required to contribute the percentage of their annual covered salary under the City's CalPERS Plans required by CalPERS, which will not exceed 50% of the normal cost rate, as determined by CalPERS. The City does not make any portion of such contributions for such participants.

The City's CalPERS Plan provisions and benefits in effect at June 30, 2021 are summarized as follows:

CITY OF LAKE ELSINORE
SUMMARY OF CALPERS PLAN PROVISIONS AS OF JUNE 30, 2021

	Miscellaneous Plan Tier 1	***Miscellaneous Plan Tier 2***	***PERPA Plan***	***Safety Plan[(2)]***	
Hire Date	***Prior to 1/1/2013***	***Prior to 1/1/2013***	***On or after 1/1/2013[(1)]***	***Prior to 1/1/2013***	***On or after 1/1/2013[(1)]***
Benefit Formula	2.5% at 55	2.0% at 60	2.0% at 62	0.5% at 55	N/A
Benefit Vesting Schedule	5 years	5 years	5 years	5 years	N/A
Lifetime Benefit Payments	Monthly	Monthly	Monthly	Monthly	N/A
Retirement Age	50-55+	55-60	52-67+	50	N/A
Monthly Benefits, as a % of Eligible Compensation	1.46% to 2.418%	1.092% to 2.418%	1.0% to 2.5%	0.5%	N/A
Required Employee Contribution Rate	8.00%	7.00%	6.75%	N/A	N/A
Required Normal Employer Contribution Rate	13.146%	8.794%	7.732%	N/A	N/A
Required Employer Payment of Unfunded Liability	$781,582	$37,395	$23,322	N/A	N/A

(1) For employees hired on or after January 1, 2013, they are included in their respective PEPRA (California Public Employees' Pension Reform Act) Plans with the above provisions and benefits.
(2) The City currently does not have any safety employees. The Safety Plan represents former safety employees.
Source: Audited Financial Statement for Fiscal Year 2021.

City Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

For the year ended June 30, 2021, the employer contributions recognized as a reduction to the net pension liability for the Plan was $1,762,390. As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of $13,038,918. In Fiscal Years 2021 and 2022, the City has paid $1,534,461 and $1,663,042 respectively, to CalPERS for its Plans. In Fiscal Year 2023, the City has preliminarily budgeted $2,164,240 to be paid to CalPERS for its Plans.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The City currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City's unfunded actuarial liability.

The following table summarizes the City's required contributions for Fiscal Year 2023, as set forth in CalPERS actuarial reports dated July 2021.

Plan	***Employer Normal Cost Rate***	***Employer Amount for Unfunded Accrued Liability***
Miscellaneous Tier 1	13.02%	$1,086,654
Miscellaneous Tier 2	8.63	42,055
PEPRA	7.47	25,669
Safety	0.00	7,212

Source: CalPERS Actuarial Reports as of July 2021.

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources. The City net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan measured as of June 30, 2019 and 2020 were as follows:

Proportion		***Change***
June 30, 2020	***June 30, 2019***	***Increase (Decrease)***
0.11984%	0.12082%	(0.00098)%

For the year ended June 30, 2021, the City recognized a pension expense of $2,297,717. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	***Deferred Inflows of Resources***
Current year contributions that occurred after the measurement date of June 30, 2020	$ 1,631,890	$ --
Change of Assumption	--	92,880
Difference between Expected and Actual Experiences	672,747	--
Net Difference between Projected and Actual Earnings on Plan Investments	387,093	--
Adjustment due to differences in proportions	1,044	111,805
Difference in proportionate share		
Total	$ 2,765,844	$ 204,685

The $1,631,890 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as a reduction of the net pension liability in the subsequent fiscal period as follows:

Year Ending June 30	
2022	$ 84,793
2023	367,427
2024	291,374
2025	185,675
2026	--
Thereafter	--
Total	**929,269**

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 and the June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68.
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Powers Protection Allowance Floor on Purchasing Power applies.

(1) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Source: Audited Financial Statement for Fiscal Year 2021.

Funding Status. The following table sets forth the schedule of funding for the City's Miscellaneous Tier 1 Plan.

Valuation Date (June 30)	*Accrued Liability*	*Share of Pool's Market Value of Assets*	*Share of Pool's Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2016	$38,660,889	$27,128,733	$11,532,156	70.2%	$2,160,573
2017	40,682,389	29,458,614	11,223,775	72.4	2,096,590
2018	44,039,573	31,521,496	12,518,077	71.6	2,196,769
2019	45,247,516	32,473,790	12,773,726	71.8	2,293,035
2020	46,226,041	32,748,833	13,477,208	70.8	2,237,223

Source: CalPERS Actuarial Report dated July 2021.

The following table sets forth the schedule of funding for the City's Miscellaneous Second Tier Plan.

Valuation Date (June 30)	*Accrued Liability*	*Share of Pool's Market Value of Assets*	*Share of Pool's Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2016	$853,174	$771,984	$81,190	90.5%	$1,690,824
2017	1,319,909	1,247,719	72,190	94.5	1,909,941
2018	1,929,254	1,776,636	152,618	92.1	1,906,749
2019	2,382,059	2,194,102	187,957	92.1	1,710,205
2020	2,930,272	2,664,152	266,120	90.9	1,941,744

Source: CalPERS Actuarial Report dated July 2021.

The following table sets forth the schedule of funding for the City's PEPRA Plan.

Valuation Date (June 30)	*Accrued Liability*	*Share of Pool's Market Value of Assets*	*Share of Pool's Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2016	$243,285	$219,193	$24,092	90.1%	$1,277,497
2017	531,487	509,153	22,334	95.8	1,788,617
2018	941,803	871,929	69,874	92.6	2,114,858
2019	1,278,550	1,171,765	106,785	91.6	2,000,713
2020	1,733,679	1,572,005	161,674	90.7	2,478,095

Source: CalPERS Actuarial Report dated July 2021.

The following table sets forth the schedule of funding for the City's Safety Plan.

Valuation Date (June 30)	*Accrued Liability*	*Share of Pool's Market Value of Assets*	*Share of Pool's Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2016	$41,050	$13,424	$27,626	32.7%	$0
2017	40,365	11,889	28,476	29.5	0
2018	40,637	11,102	29,535	27.3	0
2019	40,205	10,877	29,328	27.1	0
2020	38,283	13,261	25,022	34.6	0

Source: CalPERS Actuarial Report dated July 2021.

CalPERS Plan Actuarial Methods. The staff actuaries at CalPERS prepare annually an actuarial valuation which is typically delivered in the time period from July through October of each year (thus, the actuarial valuation dated July 2021 covered CalPERS' fiscal year ended June 30, 2020). The actuarial valuations express the City's required contribution which the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the City's contribution requirement derived from the actuarial valuation as of June 30, 2020 and shown in the report delivered in July 2021 affects the City's fiscal year 2022-23 required contribution). CalPERS rules require the City to implement the actuary's recommended rates.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2017 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

In December 2016, the CalPERS Board approved lowering the funding discount rate to be phased in over three years: for fiscal year 2018-19 to a rate of 7.375 percent; for fiscal year 2019-20 to a rate of 7.25 percent; and for fiscal year 2020-21 to a rate of 7.0 percent. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate. As noted above, there is an approximately fifteen month lag between the time that CalPERS provides its annual actuarial valuation and the fiscal year in which the required contribution therein impacts the City.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4% to 2%.

On July 12, 2021, CalPERS reported a preliminary 21.3 percent net return on investment for the fiscal year ending June 30, 2021. The return exceeds the system's actuarially assumed 7 percent rate of return for the fiscal year. Using a 7 percent discount rate and these preliminary fiscal year returns, the funded status of the overall Public Employees Retirement Fund was estimated at 82 percent on a preliminary basis.

Since the returns outperformed the discount rate, the Funding Risk Mitigation Policy described above was triggered. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent. CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021 and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent, and incorporates a 5 percent leverage allocation. An implementation plan for the strategic asset allocation, including benchmarks, ranges, and timeline, is anticipated at a future CalPERS Board meeting.

The discount rate is lowered to 6.8 percent for all future years in accordance with thresholds established in the Funding Risk Mitigation Policy. The resulting impact to the required employer contribution rate changes are effective in fiscal year 2023-24 for public agencies. The discount rate reduction will be in effect until either the CalPERS Board makes the decision to change it, or another risk-mitigation event is triggered in a later year. Using this lower discount rate, CalPERS estimates on a preliminary basis the funded status of the overall Public Employees Retirement Fund at 80 percent.

On February 14, 2018, the CalPERS Board of Administration adopted revisions to its actuarial amortization policy. Major revisions that affect state plans were made to the amortization of investment gains and losses, as well as to actuarial surplus. For the amortization of investment gains and losses, the amortization period was reduced from 30 years to 20 years, and the 5-year direct smoothing process was removed from the end of the amortization period. Amortization of actuarial surplus was eliminated. These policy revisions will be applied to the amortization of investment gains and losses, and actuarial surplus, experienced on or after June 30, 2019. These revisions affect contributions starting in fiscal year 2020-21.

Changes in Pension Accounting Standards. In June 2012, the Governmental Accounting Standards Board ("GASB") adopted new standards (GASB Statement No. 68, or "GASB 68") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The new standards revise the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. The reporting requirements took effect in the Fiscal Year 2015.

For additional information relating to the City's plan, see Note 13 to the City's audited financial statements for Fiscal Year 2021 attached to the Official Statement as Appendix C.

The above information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified the information provided and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future.

Other Pension Benefits. The City offers its employees a deferred compensation plan created pursuant to Section 457 of the Internal Revenue Code whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund held in trust for the exclusive benefit of participants and their beneficiaries. Once the assets and income are placed in trust the City no longer owns the amounts deferred by employees and related income.

For additional information relating to the City's deferred compensation plan, see Note 15 to the City's audited financial statements for Fiscal Year 2021 attached to the Official Statement as Appendix C.

Other Post-Employment Benefits

General. In accordance with City Resolution 89-42 dated September 1989, the City provides health insurance premiums costs to qualifying employees. Employees who began employment with the City prior to July 1, 2011 and who retire from the City on or after attaining age 55, with at least 5 years of service with the City, qualify to receive the post-employment benefit. The City pays 100% of the retirees' and authorized dependents monthly medical premiums.

As of June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms of the City's OPEB Plan (the "OPEB Plan"):

Active	64
Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to, but not yet receiving benefits	9
Total	128

Source: Audited Financial Statement for Fiscal Year 2021.

Contributions. The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2020, the City's cash contributions were $721,083 in total payments, which were recognized as a reduction to the City's OPEB liability.

Total OPEB Liability. The City's total OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated as of June 30, 2019, based on the following actuarial methods and assumptions:

City of Lake Elsinore
Actuarial Assumptions for OPEB Benefit Plan

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.45%
Inflation	2.50%
Salary Increases	3.00% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate	Based on assumptions for Public Agency Miscellaneous Plan members published in the December 2017 CalPERS Experience Study
Pre-Retirement Turnover Rate	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.4% for Fiscal Year 2020, gradually decreasing over several decades to an ultimate rate of 4.0% in Fiscal Year 2076 and later years.

Source: Audited Financial Statement for Fiscal Year 2021.

The discount rate used to measure the total OPEB liability was 2.45%. The projection of cash flows used to determine the discount rate assumed the City contributions will be made at rate equal the actuarially determined contribution rates. The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

The changes in the total OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2019 (Measurement Date)	$ 22,922,250
Changes Recognized for the Measurement Period:	
Service Cost	$ 728,572
Interest on the total OPEB liability	726,138
Differences between expected and actual experience	(43,169)
Changes of Assumptions	2,563,159
Benefit Payments	(903,028)
Net Changes during July 1, 2019 to June 30, 2020	$ 3,071,672
Balance at June 30, 2020 (Measurement Date)	$ 25,993,922

Source: Audited Financial Statement for Fiscal Year 2021.

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 1-percentage-point lower (1.45 percent) or 1-percentage- point higher (3.45 percent) than the current discount rate:

City of Lake Elsinore
Sensitivity of the OPEB Benefit Plan Net Liability to Changes in the Discount Rate

Current Discount Rate - 1% (1.45%)	*Current Discount Rate (2.45%)*	*Current Discount Rate + 1% (3.45%)*
$30,572,009	$25,993,922	$22,352,585

Source: Audited Financial Statement for Fiscal Year 2021.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage- point higher (3.45 percent) than the current discount rate:

City of Lake Elsinore
Sensitivity of the OPEB Benefit Plan Net Liability to Changes in the Healthcare Cost Trend Rate

1% Decrease	*Current Healthcare Cost Trend Rate*	*1% Increase*
$21,774,324	$25,993,922	$31,438,579

Source: Audited Financial Statement for Fiscal Year 2021.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2021, the City recognized OPEB expense of $1,477,435. As of fiscal year ended June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Contributions subsequent to the measurement date	$ 691,505	$ --
Changes in assumptions	3,173,288	1,069,015
Difference between projected and actual liability	--	954,451
Total	$ 3,864,793	$ 2,023,466

Source: Audited Financial Statement for Fiscal Year 2021.

The $691,505 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as a reduction of the net pension liability in the subsequent fiscal period as follows:

Year Ending June 30	
2022	$22,725
2023	22,725
2024	80,083
2025	365,200
2026	385,751
Thereafter	273,338
Total	**$1,149,822**

Source: Audited Financial Statement for Fiscal Year 2021.

Labor Relations

The City recognizes one employee organization, the United Public Employees of California, LIUNA Local 777 ("LIUNA"), which collectively represents 62 City employees in a variety of classifications. The contract with LIUNA is in effect until June 30, 2026. The City has not experienced a major work stoppage by City employees in the last five years.

City Investment Policy

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the City Council. Any change in the Investment Policy in reviewed and approved by the City Council.

Monthly reports are submitted by the Assistant City Manager (formerly the Director of Administrative Services) to the City Council, the City Manager and the City Treasurer, setting forth investment transactions. Additionally, quarterly reports are submitted by Assistant City Manager (formerly the Director of Administrative Services) to the City Council, the City Manager and the City Treasurer, which provides, for each individual investment, the type of investment, the issuer name, purchase date, maturity date, par value, purchase price, current market value and source of valuation and the overall portfolio yield based on cost.

The goal of the Investment Policy is to set out the policies and procedures that enhance opportunities for a prudent and systematic investment program and to organize and formalize investment-related activities. The objectives of the Investment Policy are, in the following order of priority:

FIRST, *Safety of Principal* – investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City shall seek to preserve capital by mitigating credit risk and interest rate risk. Credit risk is to be mitigated through limiting investments to the types of securities authorized by the Investment Policy and portfolio diversification. Interest rate risk is to be mitigated by structuring the investment portfolio with marketable securities so that securities can be liquidated to meet cash flow needs or structuring the portfolio to mature to meet cash requirements for ongoing operations.

SECOND, *Liquidity*, to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

THIRD, *Yield*, to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

The City's investment alternatives are specified in California Government Code Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations.

According to the City Treasurer's Quarterly Report for the quarter ending March 31, 2022, the market value of the City's funds was $30,936,529.47. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On March 31, 2022, 2.78% of the City's total portfolio was invested in investments with a maturity of less than a year, 54.16% in investments with a maturity between 1 to 3 years, 33.44% in investments with a maturity of 3 to 4 years and 9.62% in investments with a maturity of up to 5 years. As of March 31, 2022, the portfolio of invested City funds had an average maturity of 2.76 years.

For additional information relating to the City's investments, see Note 3 to the City's audited financial statements for Fiscal Year 2021 attached to the Official Statement as Appendix C.

APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2021

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

________ __, 2022

Lake Elsinore Facilities Financing Authority
130 South Main Street
Lake Elsinore, California 92530

Re: *$____________ Lake Elsinore Facilities Financing Authority Lease Revenue Bonds, Series 2022A*

We have acted as bond counsel to the Lake Elsinore Facilities Financing Authority (the "Authority") in connection with the issuance by the Authority of $__________ Lake Elsinore Facilities Financing Authority Lease Revenue Bonds, Series 2022A (the "Bonds"), pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of June 1, 2022, (the "Indenture") by and among the Authority, the City of Lake Elsinore (the "City") and Wilmington Trust, National Association, as Trustee. The Bonds will be principally secured by lease payments to be made by the City pursuant to a Lease Agreement, dated as of June 1, 2022 (the "Lease"), by and between the Authority and the City. We have examined the law and such certified proceedings and other documents, agreements, opinions and matters as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture.

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

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, 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 preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease and the Ground Lease. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture, the Lease, the Ground Lease or the Assignment Agreement; nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Lease or the Ground Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture and the Lease have each been duly authorized, executed and delivered by the Authority and the Indenture and the Lease constitute the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms. The Indenture creates a valid pledge of the Base Rental Payments and other moneys pledged under the Indenture, subject to the provisions of the Indenture.

3. The Indenture and the Lease have each been duly authorized, executed and delivered by the City and the Indenture and the Lease constitute the valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

4. The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

6. Interest (and original issue discount) on the Bonds is exempt from personal income taxes imposed in the State of California.

7. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 5 above) and is exempt from State of California personal income tax.

8. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed in paragraphs (5) and (7) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements. Except as set forth in paragraphs (5), (6), (7) and (8) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, the Lease and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Indenture or the Lease, or the accuracy or sufficiency of the description of any such property contained therein. We expressly disclaim any duty to advise the Owners of the Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Bonds.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2022 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2022 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2022 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2022 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

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

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

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

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

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

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

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

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

APPENDIX G

SUPPLEMENTAL INFORMATION—THE CITY OF LAKE ELSINORE

The following information relating to the City of Lake Elsinore (the "City") and the County of Riverside, California (the "County") is supplied solely for purposes of information. The County is not obligated in any manner to pay principal of or interest on the Series 2022 Bonds or to cure any delinquency or default on the Series 2022 Bonds. The Series 2022 Bonds are payable solely from the sources described in the Official Statement.

General

The City was founded in 1883 and incorporated as a general law city effective April 23, 1888 in San Diego County. In 1893, the Elsinore Valley, previously located in San Diego County, became part of the new County of Riverside. The City encompasses approximately 43 square miles, with over 10 miles of lakeshore, and is located at the southwestern end of the County, 73 miles southeast of downtown Los Angeles and 74 miles north of downtown San Diego.

Population

The following table offers population figures for the City, the County and the State for 2017 through 2021.

Area	***2017***	***2018***	***2019***	***2020***	***2021***
City of Lake Elsinore	61,574	62,536	63,154	63,453	64,762
County of Riverside	2,376,580	2,400,762	2,422,146	2,442,304	2,454,453
State of California	39,398,702	39,586,646	39,695,376	39,782,870	39,466,855

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2016 through 2020.

BUILDING PERMIT VALUATIONS
City of Lake Elsinore
2016-2020
(Dollars in Thousands)

	2016	***2017***	***2018***	***2019***	***2020***
Valuation ($000):					
Residential	$121,212	$ 165,978	$ 102,858	$ 94,437	$101,321
Non-residential	18,588	13,739	13,307	26,442	4,248
Total*	$139,800	$ 179,717	$ 116,165	$ 120,879	$105,569
Residential Units:					
Single family	457	569	345	327	410
Multiple family	0	0	0	83	0
Total	457	569	345	410	410

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
County of Riverside
2016-2020
(Dollars in Thousands)

	2016	*2017*	*2018*	*2019*	*2020*
Valuation ($000):					
Residential	$1,759,535	$1,903,417	$2,558,081	$2,275,405	$2,519,303
Non-residential	1,346,019	1,433,691	1,959,680	1,285,856	1,153,778
Total*	$3,105,554	$3,337,108	$4,517,761	$3,561,261	$3,673,081
Residential Units:					
Single family	5,662	6,265	7,540	6,563	8,443
Multiple family	1,039	1,070	1,628	1,798	723
Total	6,701	7,335	9,168	8,361	9,166

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Employment

The following tables show the largest employers located in the City and County as of June 30, 2021.

LARGEST EMPLOYERS
City of Lake Elsinore
(as of June 30, 2021)

Rank	*Name of Business*	*Employees*	*Type of Business*
1.	Lake Elsinore Unified School District	2,524	School District
2.	M & M Framing	450	Construction
3.	Stater Bros	328	Supermarkets
4.	Costco	312	Retail Stores
5.	Walmart	295	Retail Stores
6.	Lake Elsinore Hotel & Casino	230	Casino & Resort
7.	Riverside County – Dept. of Social Services	179	Government
8.	Elsinore Valley Municipal Water District	167	Water District
9.	Home Depot	143	Building Supplies
10.	City of Lake Elsinore	118	Government

Source: City of Lake Elsinore Comprehensive Annual Financial Report for the year ending June 30, 2021.

LARGEST EMPLOYERS
County of Riverside
(as of June 30, 2021)

Rank	***Name of Business***	***Employees***	***Type of Business***
1.	County of Riverside	22,952	County Government
2.	Amazon	10,500	Online Retail
3.	March Air Reserve Base	9,600	Military Reserve Base
4.	University of California-Riverside	8,909	University
5.	Stater Brothers Markets	8,304	Supermarkets
6.	Moreno Valley Unified School District	6,250	School District
7.	Kaiser Permanente Riverside Medical Center	5,780	Medical Center
8.	Corona-Norco Unified School District	5,478	School District
9.	Hemet Unified School District	4,460	School District
10.	Ross Dress for Less	4,313	Retail Stores

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2021.

Employment and Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the period from 2017 through 2021.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2017	*2018*	*2019*	*2020*	*2021*
Civilian Labor Force	2,012,900	2,045,000	2,074,500	2,088,600	2,118,200
Civilian Employment	1,909,500	1,956,800	1,989,700	1,880,500	1,961,800
Civilian Unemployment	103,400	88,200	84,800	208,100	156,400
Civilian Unemployment Rate	5.1%	4.3%	4.1%	10.0%	7.4%
Total Farm	14,500	14,500	15,400	14,100	13,900
Total Nonfarm	1,453,300	1,506,600	1,552,800	1,495,200	1,569,100
Total Private	1,202,300	1,249,400	1,291,600	1,247,200	1,325,400
Goods Producing	196,400	206,100	208,900	201,300	205,400
Mining & Logging	1,000	1,200	1,200	1,300	1,400
Construction	97,400	105,200	107,200	104,900	109,200
Manufacturing	98,000	99,800	100,600	95,100	94,800
Service Providing	1,256,900	1,300,500	1,343,800	1,293,900	1,363,700
Trade, Transportation & Utilities	363,900	379,400	395,100	406,900	443,100
Wholesale Trade	63,100	66,100	67,700	65,600	67,000
Retail Trade	180,900	181,200	180,700	168,800	177,600
Transportation, Warehousing & Utilities	119,900	132,100	146,600	172,500	198,600
Information	11,600	11,400	11,500	9,400	9,600
Financial Activities	44,700	44,600	45,000	44,100	44,900
Professional & Business Services	147,300	152,000	158,700	155,400	167,300
Educational & Health Services	226,700	239,500	250,300	248,700	253,300
Leisure & Hospitality	166,300	170,600	175,900	141,300	158,900
Other Services	45,400	45,800	46,200	40,200	43,000
Government	251,000	257,200	261,200	248,000	243,600
Total, All Industries	1,467,800	1,521,100	1,568,100	1,509,300	1,583,000

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix D.

Source: State of California, Employment Development Department, March 2021 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2016 through 2020 for the City, the County, the State and the nation as a whole.

CITY OF LAKE ELSINORE,
COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Labor Force*	*Employment*[(1)]	*Unemployment*[(2)]	*Unemployment Rate (%)*[(3)]
2017				
City of Lake Elsinore	29,400	28,000	1,400	4.8%
County of Riverside	1,073,400	1,017,100	56,300	5.2
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Lake Elsinore	30,000	28,800	1,200	4.0%
County of Riverside	1,092,400	1,044,600	47,800	4.4
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Lake Elsinore	30,800	29,600	1,200	3.9%
County of Riverside	1,104,000	1,057,900	46,100	4.2
State of California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
City of Lake Elsinore	31,300	28,100	3,100	10.1%
County of Riverside	1,107,700	997,700	110,000	9.9
State of California	18,821,200	16,913,100	1,908,100	10.1
United States	160,472,000	147,795,000	12,947,000	8.1
2021				
City of Lake Elsinore	30,100	27,800	2,300	7.6%
County of Riverside	1,129,600	1,046,700	82,800	7.3
State of California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2021 Benchmark.

Personal Income

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

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

Total personal income in Riverside County increased by 71.0% between 2008 and 2020. The following tables summarize personal income for Riverside County for 2008 through 2020.

PERSONAL INCOME
Riverside County
2008-2020
(Dollars in Thousands)

Year	*Riverside County*	*Annual Percent Change*
2008	$66,718,107	--%
2009	65,363,159	(2.0)
2010	67,585,240	3.4
2011	71,936,625	6.4
2012	74,050,799	2.9
2013	76,519,738	3.3
2014	80,776,153	5.6
2015	86,196,663	6.7
2016	90,713,807	5.2
2017	94,542,096	4.2
2018	99,266,122	5.0
2019	104,794,676	5.6
2020	114,090,413	8.8

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

The following table summarizes per capita personal income for Riverside County, California and the United States for 2008-2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2008-2020

Year	*Riverside County*	*California*	*United States*
2008	$31,624	$43,890	$40,904
2009	30,448	42,044	39,284
2010	30,699	43,636	40,547
2011	32,200	46,175	42,739
2012	32,748	48,813	44,605
2013	33,462	49,303	44,860
2014	34,875	52,363	47,071
2015	36,745	55,833	49,019
2016	38,114	58,048	50,015
2017	39,148	60,549	52,118
2018	40,587	63,720	54,606
2019	42,418	66,619	56,490
2020	45,834	70,192	59,510

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

Taxable Sales

The table below presents taxable sales for the years 2017 through 2021 for the City.

TAXABLE SALES
City of Lake Elsinore
2017-2021
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2017	1,529	$ 854,947
2018	1,626	869,151
2019	1,692	905,476
2020	1,843	1,015,341
2021	1,907	1,294,278

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021.

The table below presents taxable sales for the years 2017 through 2021 for the County.

TAXABLE SALES
County of Riverside
2017-2021
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2017	58,969	$34,132,814
2018	61,433	38,919,497
2019	64,063	40,557,844
2020	69,284	42,313,474
2021	64,335	43,414,533

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY